

MINING — GENERAL

1990

JANUARY — MAY

# Old Mutual mining fund surges to 50,1% return

Blom 10/11/90

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OLD Mutual Mining Fund was the star performer in Old Mutual's unit trust stable in the December quarter, achieving a 50,1% return for investors in the 12 months to December after a slow start

The general equity fund, the Investor's Fund, maintained its position as one of the industry's top performers, achieving a return of 52% over 12 months ended December. The fund's total assets are approaching R2bn

During the last quarter of 1989, the Mining Fund's repurchase price rose by 11,9%, while its total investments at market value increased from R156m to R184m.

The Mining Fund declared a record distribution of 8,26c a unit, bringing total distribution for 1989 to 15,43c, a 27,5% increase on the 1988 distribution

The fund was a net buyer of shares in the positive environment for gold and

## LIZ ROUSE

also took up Iscor shares worth about R2,5m

At quarter-end the 10 largest holdings in the fund were Anamint/De Beers, JCI, Anglos, Dries, Leplat, Gencor, Genbel, Western Deep and Assore. Besides Iscor, new acquisitions were Deelkraal, Barplats and Minorco

## Purchase

There were slight reductions in the holdings in Dries, Western Deep and Gencor while the GFSA holding was sold. The Genbel offer was accepted

Liquidity of the Mining Fund was 12,97%, or R23,8m out of total assets of R183,7m at the end of December

The Investors' Fund also purchased Iscor shares worth over R20,5m, offering the small investor an excellent opportunity to own Iscor shares while

maintaining a balanced portfolio

The fund's repurchase price rose 10,3% during the quarter

The 10 largest holdings are Anamint/De Beers, Richemont, Rembrandt Group, Safren, Anglos, Sasol, JCI, Gencor, Dries and Nedcor

Besides Iscor, other new acquisitions were Amgold, Minorco and Genbel. Holdings in GFSA, Rand Mines, Kersaf and Sasol were increased, while the Gencor holding was reduced

The Investors' Fund's liquidity was 8,68%, or R171,9m, at the end of the quarter.

Old Mutual's Income Fund, launched in April 1989, declared its third distribution on December 31, bringing the total to 12,68c a unit. The projected annualised return based on the past nine months is an effective 16,7%

Funds available for distribution were 71,18%, or R14m out of total assets of R19,67m

Business 10/11/90

# Gencor mine heralds Lydex's first mineral interest

## COMPANIES

MINING exploration company Lydenburg Exploration (Lydex) has brought to account its first mineral interest with Gencor's December announcement of the establishment of the new Weltevreden gold mine, chairman Peter Bieber says in his statement for the year ended September 30.

Lydex, an Old Mutual subsidiary, has a net 7,6% interest in Weltevreden in the southern Free State and will contribute its share of the equity finance required to bring the mine to production, Bieber says.

This amounts to R14,2m in escalated terms over the next two-and-a-half years, he says.

Lydex was listed on the Mining Exploration sector of the JSE in July 11 1988, with an issue price of 175c. It recorded a historic high of 250c and closed on 220c on that day.

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On Monday the share recorded a 12-month high of 225c but fell back 5c on profit-taking yesterday, after a low of

115c in May last year.

Costs for the year were covered 91% by interest received of R3,6m, compared with a mere 56% during the first six months of operations ended September 30 1988.

Net loss for the 1989 financial year at R353 000 compares with a R366 000 loss recorded for the first six months of operation to September 30 1988.

This was achieved through interest received on R20,2m, the balance of R23,1m raised through a fully sub-

scribed rights offer immediately prior to listing in 1988, Bieber said yesterday. The intention was to eliminate dependence on revenue-generating projects for at least five years, he said.

Bieber's statement says the Cyferton-ten property in the Klerksdorp goldfield, in which Lydex holds a 9,375% subscription right, adjoins Vaal Reef's South Lease Area and is likely to be included in any new mining venture exploring the underlying Vaal reef.

Another prospect, he says, is at Vermeulenskraal North.

# Southern's unit trusts excel

Southern unit trusts' long-term outlook on gold shares has paid handsome dividends after the strong performance of gold on the JSE

Liquidity levels were reduced in both Southern Equity Fund and Southern Mining Fund in the three months to December. (210)

Portfolio manager Carel de Ridder said yesterday gold sentiment turned positive when the dollar gold price recovered late in the quarter and gold share prices rose significantly.

"The performance of both portfolios supported Southern's belief that gold shares offered relative value. However, while sentiment about gold has improved, the fundamentals remain weak and gold needs to move above R1 200 an ounce for this situation to improve."

Investors in Southern Mining Fund received a return of 49,9 percent for the 12 months to end-December.

Southern Equity Fund posted returns of 42,6 percent

By handsomely outperforming inflation, unit trusts remained one of the few opportunities for real growth in asset values, said Mr de Rid-

der Industrial shares followed the lead of gold and as a result of selective share purchases, liquidity levels in both funds were reduced significantly

Liquid assets were reduced from 21,1 to 13,3 percent in Southern Mining Fund and from 15,3 to 11,6 percent in Southern Equity Fund.

Mr de Ridder said the rapidly changing political environment both locally and in Europe had led to improved business sentiment and economic activity in general.

"The strength of the fi-

financial rand towards the end of the year was indicative of the change in sentiment towards SA.

"While this may depress certain shares in the short term, these events will be positive for the economy

"Strong share prices can be expected in the year ahead, although it will be necessary for fund managers to be more selective," he said

Mining-related counters in Southern Equity Fund increased from 46,6 percent to 51,9 percent of the portfolio in the quarter, while financial and industrial stock

was reduced to 36,5 percent

Holdings in Driefontein, Elandsrand, Western Deep, Amgold and Genbel were increased and Apex Property Trust and Iscor added to the portfolio.

Amgold, AVI and D&H were sold out of the portfolio and Plate Glass holdings reduced further.

Holdings in Amcoal, Freddev and Randex were sold out of the portfolio.

The market value of the assets in the funds rose by R4,5 million to reach R39,6 million at December 31. — Sapa



COMPANIES

# Southern units riding high on gold's demand

8/Dec 12/11/90

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SOUTHERN unit trusts' long-term outlook on gold shares has paid handsome dividends on the strong performance of gold, and the funds were active in the market in the December quarter.

Both Southern Equity Fund and Southern Mining Fund reduced their liquidity levels during the quarter — the general equity fund's liquid assets were down to 11,6% from 15,3% as industrial shares followed the lead of gold while the mining fund's liquid assets declined to 13,3% from 21,1% of total assets.

Both funds handsomely outperformed inflation.

Investors in Southern Mining Fund received a return of 49,9% for the 12 months ended December, while Southern Equity Fund posted returns of 42,6% over 12 months.

Portfolio manager Carel de Ridder says sentiment towards gold moved strongly positive when the dollar price recovered late in the quarter and the gold price rose significantly.

De Ridder says the performance of both portfolios has supported Southern's belief that gold shares offered relative value.

However, while sentiment towards

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gold has improved, the fundamentals remain weak and gold needs to move above R1 200 an ounce for this situation to improve.

Commenting on economic issues over the quarter, De Ridder says the rapidly changing political environment both locally and in Europe has led to improved business sentiment and economic activity in general.

The strength of the financial rand towards the end of the year was indicative of the change in sentiment towards SA. While this may depress

certain shares in the short term, these events will be positive for the economy, predicts De Ridder.

He expects strong share prices in the year ahead, although he cautions that it will be necessary for fund managers to be more selective.

The value of mining-related counters in Southern Equity Fund increased from 45,6% to 51,9% of the portfolio in the December quarter, while financial and industrial stock was reduced to 36,5%.

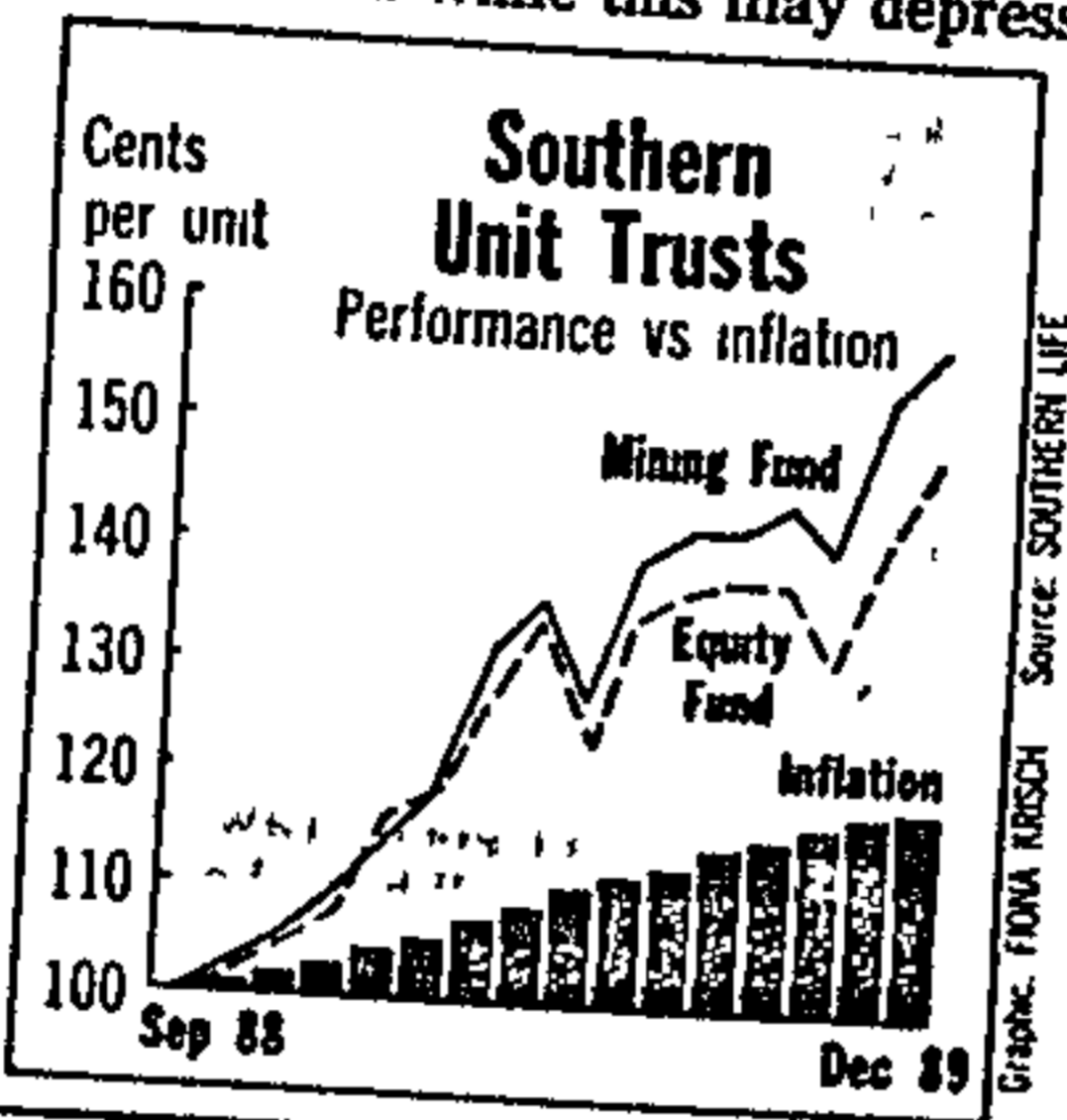
Equity Fund's holdings in Driefontein, Elandsrand, Western Deep, Anglo and Genbel were increased and Apex Property Trust and Iscor (334 200 shares) added to the portfolio.

Amcoal, AVI and D & H were sold out of the portfolio and the Plate Glass holding reduced further.

Southern Mining Fund increased holdings in De Beers, Elandsrand, Western Deep, Keeley, Amgold and Minorco and added Vaal Reefs, Ofsj and Iscor to the fund.

Holdings in Amcoal, Freddev and Randex were sold.

Market value of the assets in the funds rose by R4,5m to reach R39,6m at the end of December.



Graphic: FONIA KRISCH Source: SOUTHERN LIFE

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# Institutions power up industrial index

Star 12/11/90

By Jabulani Sikhakhane

Demand for blue-chip industrial shares by institutional investors has been the driving force behind the 14,9 percent surge in the industrial index since December

Analysts say volumes and price movements show that the rally on the industrial board has been driven by institutional demand for quality stocks.

Smaller companies have been left behind. The situation has been compounded by the fact that even smaller investors returning to the market have been attracted by mining stocks.

A sample of blue-chip shares indicates that they have mostly out-performed the industrial index, while second-rate stocks have not fared so well, with some showing losses over the period December 1 to January 10

South African Breweries topped the list, appreciating by an overall 26,5 percent; followed by Iscor with 20,9 percent, Sasol 18,3 percent, Safren 17,1 percent and Barlows 16,5 percent.

Only Richemont, CG Smith and Sappi showed increases below the index

They appreciated 11,04 percent, 12,3 percent and 9,1 percent re-

spectively over the same period

However, in a sample of 15 non-blue-chip stocks, only Homemakers outperformed the index, increasing 29,7 percent since December 1, followed by Sunpak 22,2 percent, Hiscore 18,6 percent and FSI 16,6 percent.

Others had a poor showing against the index, with Unhold increasing 12,5 percent, Pep Stores 10,3 percent, Publico 10 percent, Lion Match 8,9 percent, Saficon 8 percent, Conshu 7,1 percent, Boumat 5,2 percent and CMI 0,3 percent.

Seardel declined 1,85 percent, Fedfood 1,06 percent and Cullinan 0,6 percent over the period.

David Shapiro of stockbrokers Max Pollak & Freeman says smaller companies have lagged behind the index because most institutional investors are scared to put their money into companies with less than a 10-year history of good profits

"When gold shares have been exhausted, the smaller investors may look at second-line industrial stocks

"But for a long time most of the interest will still be on mining stocks and blue-chip industrials," he says

## Net profit of mining companies down 14,8%

MINING companies' net profits declined 14,8% in 1987/1988, compared with a growth of 6,1% in 1986/1987, according to a study by Central Statistical Service of 94 companies owning producing mines

Analyses of other sectors show that average profit growth in second and tertiary industries slowed in 1987/1988 to 32,1%, compared with 40% in 1986/1987

The average profits of listed companies in this sector decelerated from 38% in 1986/1987 to 30,8% in 1987/1988.

The average net profit paid by all the

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companies in the secondary and tertiary industries was 23,5% in 1986-1987, compared with 23,6% in 1987/1988

Non-listed companies in these sectors increased net profit by 52,9% in 1987/1988 after reaching 72,3% the previous year

The figures were based on consolidated accounts of 753 companies engaged in secondary and tertiary industries, including 663 listed companies

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# UAL MD confident of sound performance by its unit trusts

ALTHOUGH it would be unreasonable to expect a repeat of the excellent 1989 performance of UAL's unit trusts, UAL Management Company MD Clive Turner is positive that sound returns can be achieved.

He said in his December quarterly report that portfolio managers' responsibility would be to meet the challenges of the next three years and the more positive international economic environment.

Turner did not regard the prospect of a short-term deterioration of the growth rate in corporate earnings as negative in the outlook for the broad market base.

UAL Unit Trust posted an overall gain of 55.6% over the year ended December 1989, the best performance among major general equity trusts last year.

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UAL Mining & Resources showed a 47.8% gain, the highly specialised fund UAL Selected Opportunities gained 27.1% while the Gilt Unit Trust posted a gain of 22.16%.

## Changes

Most of the portfolio adjustments were confined to Selected Opportunities, where an aggressive stance was adopted in consolidating the portfolio.

Turner said management was disappointed at the performance of second-liners in the past year, hence these were sold. The entire holdings in Malhold, Oaklands, Altron, Control Instruments, Clyde Indus-

trial, Masterbore, Gresham and Tongaat were sold, while Vestacor was added.

In the UAL Unit Trust portfolio, the only changes of note were the sale of a small holding in AECI and the introduction of a pilot holding in SA Managanese.

Liquidity was reduced marginally to 17.4% from 19.3% in the September quarter. The quarterly income distribution of 17.87c a unit was well ahead of the 10.73c paid for the same quarter in 1988.

UAL Mining & Resources made no significant structural changes to the portfolio, but also reduced liquidity marginally to 11.6% from 12.7%. Income distribution for the quarter at 3.32c a unit compares with 3.07c distributed in 1988.

Distribution to unitholders in Selected Opportunities and the Gilt Unit Trust are made half-yearly in March and September.

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# Shacks to be rebuilt by mining company

By Janet Heard

Shackdwellers whose homes were illegally demolished on Monday, yesterday moved the remains of their building material and belongings to another site outside Boksburg, with the help of the landowners, the Witwatersrand Gold Mining Company.

The WGMC undertook to rebuild the shacks and pay for any damages incurred in an out-of-court settlement on Monday, a few hours after the demolitions had been completed.

## SLEEP OUTSIDE

The squatters were forced to sleep outside on Monday night and most did not go to work for the second day yesterday so that they could organise alternative accommodation and ensure their scattered belongings were not stolen.

By 12 noon yesterday, the squatters were still uncertain where they would be moved, but the attorney for the mining company arrived shortly afterwards and both parties agreed on a site owned by the mines across the railway line.

A shackdweller, Mr Alfred Phillips, said police had visited the area twice in the morning to try to get the squatters to leave the area. He said mining officials told the police it was not necessary for them to be there.

Squatters complained that the rebuilding of the shacks was being delayed and they would have to spend a second night outside, with the possibility of rain.

The squatters, who have lived on the land for about 18 months, said they had been paying R50 a month to stay on the property.

The area where the squatters were located has been proclaimed a coloured residential area and developers have already begun construction.

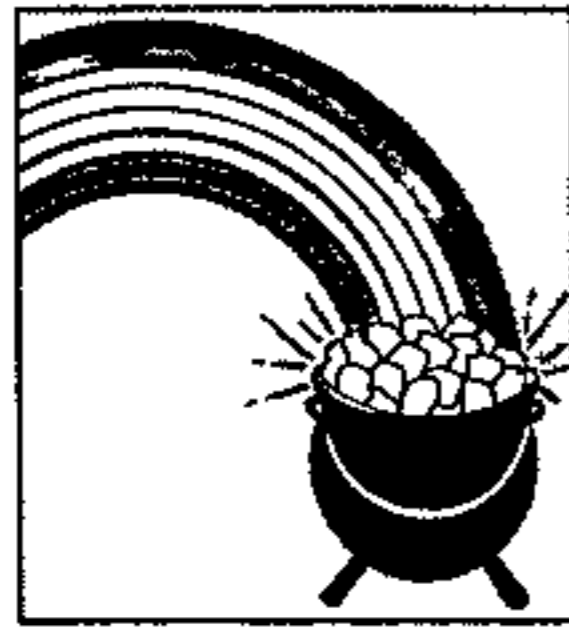
## REBUILD

A spokesman for the WGMC said the company would rebuild the shacks on the new site without delay and water would be provided for them.

The out-of-court settlement was reached after the mining company conceded that the demolition was illegal because it had not obtained a court order to evict the squatters.

# Preparing for the next leap

■ After a busy year, a major new gold mine is next — and funding is crucial



Anglovaal has long been the smallest of SA's major mining houses. On Diagonal Street it has been seen as a solid and efficiently managed, but conservative, organisation. Recently that

image has been changing — the group has just emerged from one of its most frenetic years with large acquisitions, new areas of business entered and restructuring within.

Within weeks of the year-end came news that the R1,1bn Venetia diamond mine, in the northern Transvaal, is to be developed. Now the group stands on the verge of what could be its biggest venture ever: it is expected to announce a decision this year to go ahead with the first gold mine to exploit the Bothaville area, a new goldfield in the Free State.

But the mine will be deep and costly — and not without considerable risk. What is intriguing the stock market now is how the family-controlled Anglovaal will fund the project. There are still hurdles to be overcome but many are seeing the makings of a substantial rights issue or listing ahead.

Given the relatively small size of the group, the potential impact of both Venetia and the gold prospects on the group's profits and market capitalisation is large. These, like other recent developments, are essentially long-term strategic investments. Indeed, by the time full effects are achieved — over more than a decade — a new generation of management will almost certainly be running the group.



**Hersov ... a path of strategic acquisition**

It's an open question who will succeed top management but it is possible the next generation will extend the present dynasty. Chairman Basil Hersov, 63, and deputy chairman Clive Menell, 58, are sons of Anglovaal's founders, both have sons who could rise through the ranks. Hersov and Menell say they intend to maintain family control.

It's not unusual for SA mining houses to hold less than 50% of major investments. Anglo American is the best example: most of its holdings are associates, income is received mainly as dividends, and the group tax charge is low. Anglovaal, in contrast, has preferred to maintain outright control of its companies — especially on the industrial side — which are expected to be self-funding. This extends to the pyramid company, Anglovaal Holdings, which owns 50,2% of the Anglovaal ords and is in turn held 51,4% by the Hersov and Menell interests.

The group thus has full control over operational management and cash flow — the same state of affairs, incidentally, that Minorco said it was aiming to achieve with its bid for Consolidated Gold Fields. The control philosophy provides security against predators and the results have not been bad: over the past 10 years EPS have grown by 24% a year with dividends rising 19% a year.

But it's a structure that presents a quandary when there is a costly new venture that would normally require equity funding. A large rights issue, analysts believe, would not be a simple matter as the family shareholders would have to stump up funds to maintain their present stake or else risk losing control. There is, therefore, an inbuilt premium on efficiencies. It is tempting to see the pace of last year's developments against that background — any improvement in ability to generate and move cash up through the group will be particularly useful over the next few years.

Some actions do fit that thinking. The capital structure of Anglovaal itself is being simplified and, to improve marketability of the tightly held stock, the shares are being split. Hersov thinks that a further split could be justified to make them more accessible to small investors. "There is clearly a plan to prepare for a big funding exercise and the plan is going well," says an analyst.

The restructuring of 60%-held Anglovaal Industries (AVI) — involving delistings and elimination of pyramids such as South Atlantic and changes within divisions — was to improve levels of tax, cash and management efficiency, the timing was influenced by the tax moratorium. "Anomalies had appeared over the years," says Hersov, who notes, for example, that while there were cash-flush businesses within the group, the



**Menell ... looking to executive continuity**

cash couldn't always be used where needed.

More than R900m was spent last year on 10 significant acquisitions in the industrial, financial and mining sectors. These included 100% of Mooi River Textiles, 100% of Goodyear, 76% of Hewlett-Packard, 25% of Q Data, 100% of M&PD Electronics, 5% of Associated Manganese, 31% of Feralloys (bought by 48%-held Assmang), 41,6% of AA Life, 100% of chrome ore producer Lavino SA, and 29,9% of North Sea & General.

It appears, on the whole that, though the timing was partly fortuitous, the acquisitions grew out of a strategic plan intended to build on strengths and seek avenues for growth. Hersov notes also that certain businesses were growing about as large as could be hoped in the SA context, without creating monopolies which carry the seeds of their own destruction.

In the industrial sector the focus is largely on areas where management expects best long-term growth: food, textiles and construction. Also important will be electronics. Hersov reckons that Anglovaal Industries now has SA's second largest electronics and components grouping. He says all last year's investments had been targeted for some time. AVI MD Jan Robbertze, 54, makes a similar point and notes that other targeted acquisitions were not pulled off. Among these was Unisys — AVI did not like the auction method of sale.

The Mooi River purchase, which provided an entry into household textiles, followed talks that had started nearly a year earlier. Goodyear offered an expansion route for AVI's large, cash-flush packaging group, Consol, and Hersov's long-standing presence on the Goodyear board meant that a rela-

tionship was already in place. The policy of financial conservatism proved helpful. At the 1988 year-end, AVI's gearing was about 22% and dividend cover 5.6 times. Consol, for example, could thus acquire 100% of Goodyear with borrowings and cash, and expects to wind its gearing down to 20% within two years. AVI itself would consider a rights issue only if it wanted to pursue a really major acquisition. A sector now cited for expansion is automotive components, where AVI holds 20% of Gearmax (Pty), formerly Borg-Warner SA (Pty).

An offshore foray came with the purchase of 29.9% in the London-registered North Sea & General, now called Anglo Pacific Resources (APR). APR is focusing on industrial minerals in the UK and gold mining in Australia.

The major source of APR's operating revenue last year was its 35% stake in the 40 000 oz/year Australian gold producer, Kurara Gold. It recently raised to 100% its interest in Anglo European Minerals, which is developing new UK operations to extract and process industrial minerals currently imported into the UK. APR Group is cash-rich with resources totalling £16m at year-end.

Further diversification and acquisitions are evidently planned for APR. And it would not be surprising to see Anglovaal move for control eventually; Anglovaal presumably wants to nurture APR as its overseas mining arm. Industrial investments offshore are to be held separately. The initial target is to lift earnings from foreign holdings to about 5% of the group total.

A low-key but intriguing event was Anglovaal's move into financial services, when Anglovaal acquired 41.6% of AA Life. Without conceding details, Hersov says there is a broader plan behind the move. "We have always believed this is an area we should be in and AA is a well-run company," he says. "Hopefully, we'll see it growing to be an interest equivalent to any of the others."

But that work has yet to be done. In the Venetia diamond mine, Anglovaal and Mid Wits have a bonanza. Owing to a confidentiality agreement, no details of revenue or cost forecasts have been disclosed. Saturn Mining & Prospecting, held 65.6% by Mid Wits (of which Anglovaal owns 53%) and 21.9% by Anglovaal, holds the rights to precious stones on Venetia.

After recoupment of the capital cost, all of which will be provided by De Beers, the after-tax receipts from Venetia will go equally to Saturn and De Beers. Even before this, Sat-



Crowe



Robbertze

urn will start to receive a royalty of 12.5% of the mining revenue before lease consideration and tax. How swiftly Saturn will begin to receive a significant dividend flow from Venetia is problematic. Hersov simply says it will depend on diamond prices and market conditions, analysts think dividends should flow within five years.

Operating costs at Venetia will be relatively low as it will be a large open-cast mine, and the long-term outlook for the gem diamond market has remained bullish. A leading diamond analyst estimates total revenue (before costs) at full production would exceed R1bn/year. If the mine were listed, he reckons, it would justify a market capitalisation of about R2bn. But the beauty of Venetia is that Anglovaal and Mid Wits will receive significant cash income without themselves incurring any cap-

ital outlay.

The first of the group's potential new mines in the northern Free State is the Sun prospect, where the ore lies between 2 800 m and more than 4 km below surface. Capital and working costs will be high and recovery grades will have to be well above average. Executive director David Crowe, 59, who heads the mining division, estimates that capital requirements until the mine becomes self-funding will exceed R2bn in today's money.

As things stand, the group would not have to fund all this itself. Sun is believed to be held 36% by Anglovaal, 34% by Mid Wits and 30% by the US company, Utah International. With Utah controlled from Australia, it is a moot point whether it would participate in any funding or even maintain its stake, a sale of its interest either to Anglovaal or another local group must be a strong possibility, though it might want to wait for a higher

price than available now.

Crowe reckons funding will not be a problem. A mixture of methods could be used, including gearing, gold loans — which have yet to be used by a SA company — and equity. Given the size of the venture, there need not, of course, be a single large issue, when GFSA launched Northam it said from the start the money would be raised in tranches as needed.

Hersov adds that there could well be a rights issue though it would be decided later whether this would take place in Anglovaal or by a listing of the mine. And he notes that with gold operations the control issue is treated differently. "I don't think it's necessary to own 50% of a gold mine as long as you have an understanding as to who manages it," he says. "We would be very willing to have two or more partners in a new mine."

Analysts believe there will be no difficulty finding partners. Cash-flush Gencor, which owns 20% of Anglovaal Holdings, would almost certainly be interested. Another potential participant in some form might be Anglovaal's marginal gold producer Loraine, whose northern boundary is contiguous with the Sun area.

Within about six months, management expects to have results of current drilling intended to enhance confidence in the continuity of reefs. Hersov says that a decision could be taken and an announcement made by mid-year. Depending on time required to reach the reef and on values found, it will be "perhaps 10 years" before Anglovaal receives dividends from the project. Mechanisation is being planned.

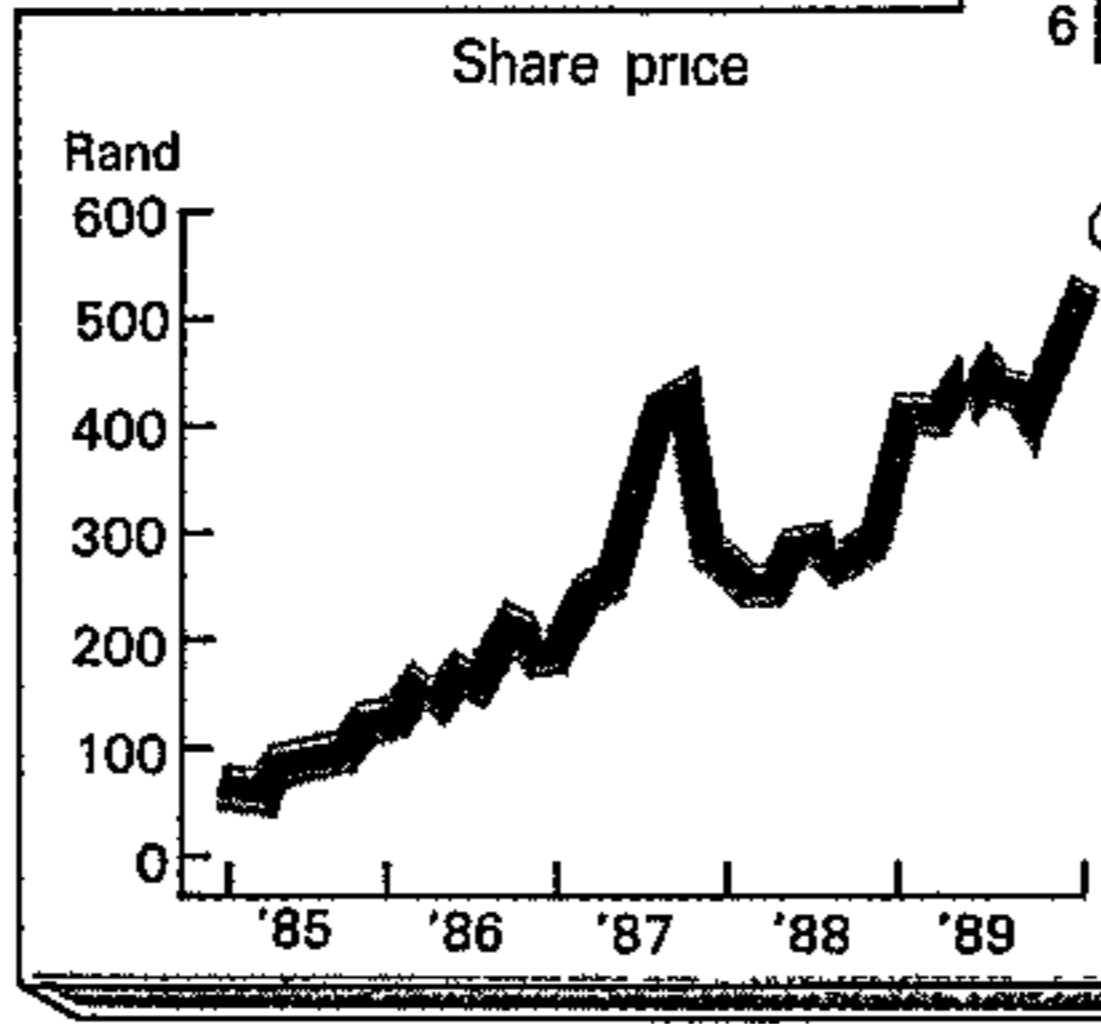
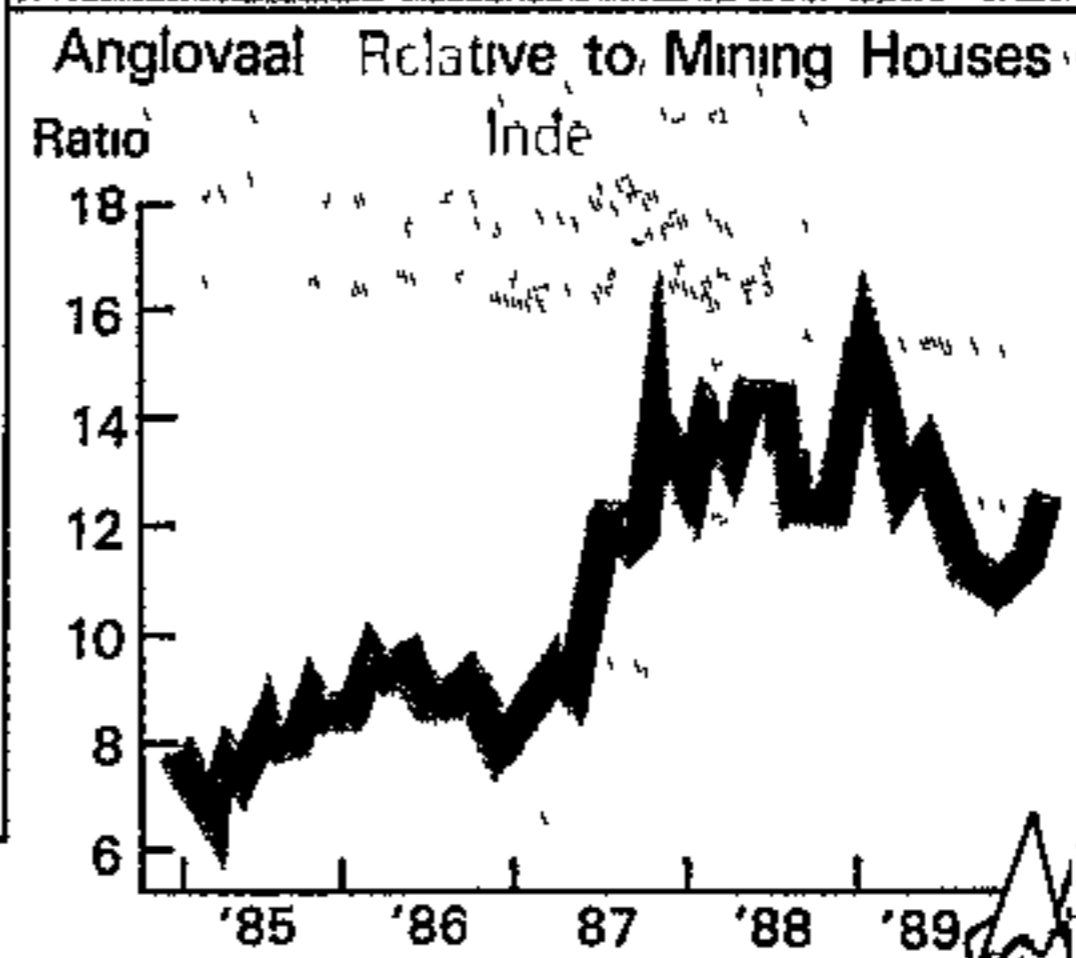
New mining ventures are badly needed as the existing gold producers have limited reserves. Even Hartebeestfontein, a relatively rich producer with an estimated life of 20 years, is facing declining recovery grades.

And while the present board has produced strong results, it has yet to be shown that the group has the depth of management needed as it approaches the 21st century. But 1989 and 1990 are likely to be seen as two years when a giant leap forward was taken, even though the pay-off may only come towards the end of the Nineties.

The share has long been highly rated and the price rose this week to R610, a premium of some 40% to the R429 NAV based on the June 1989 balance sheet and latest market valuations of investments, the yield is only 1.3%. The market obviously has high expectations.

Andrew McNulty

Long ascent



## Randex exploration leads to deficit

MINERAL rights participation company Randex's first interim results show a deficit after exploration of R7,5m caused by an extensive expansion programme. *By Nam 25/1/90*

However, chairman Tom de Beer is not concerned "In the nature of exploration companies, expenditure tends to exceed net income as the company incurs costs to exploit its mineral rights and add value to its primary asset."

De Beer intimates that the expansion will not slow down. The company has

JACQUES MAGLIOLO

recently announced that it will participate in the Winkelhaak project, worth about R702m, which it is believed will mine 21-million tons of ore averaging 5,7g/t in the eastern portion of the mine.

The project was a no-risk situation as far as capital was concerned, he said

Randex established and registered a company called Randex Namibia (Pty) to expand into that country.

No dividend was declared.

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UNIT TRUSTS

F/M 26/1/90

# Move towards mining



Not surprisingly, 1989 was an excellent year for the unit trust industry. Reports for the December quarter show that most of the general and specialist trusts achieved a return for the year of more than 40%, with some — such as Old Mutual, UAL, Momentum, Standard Gold and Old Mutual Mining — reporting returns of more than 50%.

The 1989 result was sufficiently strong to bolster the longer-term averages. Latest figures show that 11 of the 12 trusts reporting five-year performances have now produced annual compound returns of more than 20% (see table). Similarly, when viewed over the past decade, the total annual compound return of the 11 general equity funds in existence at the end of 1979 was 24%.

As in the past, flexibility appeared to be an advantage for fund managers. Despite the recent strength of gold shares and of the rand-sensitive commodity stocks during the year, the 13 general equity funds did somewhat better than the 10 specialist equity funds — though there was not much in it. The 12-month returns from the former averaged 46% while the specialists averaged 42.4%.

The five-year returns show the general equity trust returns have averaged 26.68% while the specialists averaged 22.2%. But every sector tends to have its day and it has yet to be shown whether the portfolios heavily weighted towards gold or other mining shares will substantially outpace the more

diversified portfolios as might be expected if bullion does remain in a bull market.

Despite the generally positive views from brokers, the portfolio managers are by no means unanimously bullish on gold equities. The quarterlies suggest that a number have preferred to take profits and lighten their gold holdings.

Of the 23 trusts listed in the table, seven ended the year with a smaller percentage of their investments in gold shares than at the end of 1988. Among these are two of the specialist trusts, Guardbank Resources and UAL Mining & Resources. The UAL general fund reduced its total holding of gold shares from R13m to R11.8m at year-end and UAL Mining & Resources shrank its holding from R38.4m to R29.9m.

Though the Guardbank general fund raised its exposure in gold equities from nil to 3% or R27.4m, the trust adds a note of caution to its report: "Gold shares are already discounting a significant increase in the price of gold bullion and, should the anticipated rise in price not take place, the current international enthusiasm for gold shares may wane very quickly. In 1990, the equity market in gold mining shares is likely to be extremely volatile and this high level of volatility could well extend to all sectors of the market."

Among those whose year-end positions reflected a more bullish stance on gold were

NBS Hallmark, Norwich NBS, Southern Equity, Old Mutual Mining and Southern Mining. Others simply maintained their proportionate holdings.

There has, however, been a marked swing towards larger holdings of equities in the mining financial and other mining sectors: 16 of the trusts enlarged their percentage exposure in these areas. One reason for the preference for mining financials is presumably that they are less risky than gold shares yet would benefit from a firmer gold sector.

In contrast, most of the portfolios kept their percentage holdings in industrial equities fairly stable over the year, with a few reductions. So in general the investment emphasis swung to the mining sectors, despite the strength of the JSE actuaries Industrial index.

While the net inflow into unit trusts of R565.5m remained well below the 1987 level of R1,072bn, the year also saw a drawing down of liquidity levels. The average liquidity of the general and specialist funds fell from 19% to 15.6%, with the net result that total liquid assets held by these funds dropped from R1,174bn at December 31 1988 to R986.9m at the end of 1989.

Running against that trend was the R1,98bn Old Mutual general fund, whose liquid assets rose from the year-ago R233.7m to R303.7m. Excluded from these figures of course are the seven high-income funds, which in general are not active in the equity market.

Even for unitholders who started investing in the trusts towards the top of the 1987 bull market, the trusts have recovered and maintained their record of producing real returns over time. But the 1990 performances are unlikely to approach those of last year.

Andrew McNulty

## UNIT TRUSTS ACCELERATE

	Investments (%)						Performance (%)			
	Gold	Min Fincl & other min-ing		Industrial	Liquid	1-yr	5-yrs			
		'88	'89							
<b>General equity funds</b>										
Guardbank	0	3	24	23	58	58	11	15	46.50	25.56

# SA slipping behind in technological field

By Derek Tommey

Unless steps are taken to make better use of the country's mineral resources, the mineral boom may start to peter out — condemning the country to continued low economic growth, warns Dr AM Edwards, one of the country's top scientists.

Dr Edwards is president of Mintek, which is not only the country's major minerals research organisation but is also regarded as one of the best in the world in its field.

He warns also that to ensure the necessary research is carried out, South Africa will need thousands more engineers and scientists than it possesses.

Dr Edwards says in Mintek's annual report that technological progress these days accounts for up to 55 percent of a country's economic growth.

Low growth star 26/1/90

South Africa's low growth in recent years could be ascribed partly to not increasing the value of its minerals.

In the past 15 years Australia and Canada, two other mineral-rich countries, increased their gross domestic product a head by 26 percent and 46 percent respectively. South Africa's GDP a head had increased by two percent in this period.

This difference, at least in part, is the result of more added value operations in these two countries.

"Unless South Africa is able

to exploit its mineral resources to maximum advantage, its market share will steadily decrease and it may find it increasingly difficult to exploit its resources in the future."

He says South Africa must concentrate its research on its minerals as this is an area where it possesses researchers of the highest calibre.

Shortages 210

Research in other fields is probably ruled out owing to the sparse number of people with the necessary skills. However, South Africa would still need many more researchers than it has.

It employs roughly 200 researchers for every million of the population. This is less than Peru and Argentina and compares with 4 000 per million people in Japan.

South Africa requires every year about 1000 people with chemical and metallurgical degrees. So far the record number produced by South African universities was 200 in 1986. This year only about half this number is expected to graduate.

Dr Edwards says it is vital that black students are made more aware of the importance of technology.

While a large pool of better educated blacks is being created, relatively few go on to study at universities or technicons. By 1984 only 1580 black students had gained diplomas, compared with 42 749 whites.

# Genbel interim earnings increased by 26% per share

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5-10 day 29/11/98

RIAAN SMIT

GENBEL increased interim earnings per share 26% to 120c for the six months ended December, the mining holding company announced on Friday.

After its R298m rights issue — 97,3% subscribed — and R70m preference share issue during the half-year, Genbel expanded its portfolio and year-on-year valuation rose 77,4% to R3,3bn from R1,9bn.

This has increased Genbel's net asset value to R78,24 a share for the six months ended December from R66,36

Beers shares, and largely liquidated investments in its offshore portfolio.

In the six months to December 31 the company also acquired 51% of Unisen Investments in exchange for Southvaal shares and exchanged 16,7-million Genbel shares for 9,9-million Gencor Beherend shares plus an approximate 10% interest in Engen, Gencor's as yet unlisted energy division, he said.

An analysis of Genbel's portfolio shows its top five holdings by value are

Gencor, Impala, Winkelhaak, Kinross and Randex. Almost a third (32,9%) of the company's portfolio is held in gold producers, 17,9% in mining financial shares and 15% in platinum shares.

Botha said with the improved profitability of the gold mines held and the re-positioning of its portfolio, Genbel was expected to resume "a more normal income growth pattern".

He said earnings and dividends for the full financial year should be ahead of last year.

for the first six months of last year

MD Anton Botha said major acquisitions were 1,3169-million Unisel shares, 688 100 De Beers, 35 44765-million Iscor shares, 2,133328-million Samancor, 291 000 Rustenburg Platinum, and 247 400 Anglo American shares.

In the six months to June 30 last year Genbel sold gold shares worth R36m, purchased an additional 840 000 De

48 49 30

## Businessmen confused over ANC stance

100 ALAN FINE 210

BUSINESS has responded to Nelson Mandela's reaffirmation of his and the ANC's commitment to the nationalisation of mines, banks and monopoly industry with discomfort and confusion

SA Chamber of Business president Leslie Boyd said the statement would have an extremely negative impact on the perceptions of skilled and professional people in SA.

"If such policies are implemented in a future SA it would lead to a massive brain drain the likes of which have never before been seen," he said

He said many in SA were prepared to accept the total removal of racial discrimination and "heavy" black involvement in government, provided the economy was run on a free enterprise basis.

"If the statement is authentic I am very disappointed It would appear Nelson Mandela and the ANC are out of touch with reality and totally ignore the very significant events that have taken place in Eastern Europe in recent months," said Boyd.

Another prominent businessman, who had met ANC representatives more than once, said it was impossible to have a sensible debate until the political process had been freed up

Declining to be named, he said nationalisation was a vague term and a rhetorical device

"It is possible to speculate that the ANC wishes to firm up its apparently softening policy so it has an appropriate opening position at the bargaining table It also has to reassure its restless troops on the ground who believe it is going soft," he said.

He noted that the ANC, like most political organisations, had many agendas directed at a wide range of constituencies Without open debate it was difficult to assess what various statements meant

Chamber of Mines president Ken Maxwell said at the weekend Mandela's reported statement was a contradiction of the process required for black economic empowerment

It also appeared to contradict some of the reassuring noises made by ANC leaders recently, Maxwell said

Maxwell said these discussions had led to expectations that the ANC had begun to adopt a more realistic approach, more in keeping with developments elsewhere in the world where nationalisation was being abandoned "at every turn".

B/D. am 29/11/90.



# ADE planning a major push into mine market

(210)

B/Day 29/11/90

ATLANTIS Diesel Engines (ADE) is planning a major drive to capture a share of the multi-million rand mining industrial market previously catered for by overseas companies.

The plan includes tendering to replace trackless mining equipment previously imported from Germany, the US and Britain for use underground, an ADE spokesman said yesterday.

ADE field sales manager Derek Bawman said it was difficult to put figures on the mining industrial market ADE planned to enter because ADE hoped to supply engines within the power ranges of 35kw to 550kw, all of which had different prices.

ADE produces around 1 400 industrial units annually, most of which go into the production of generator sets, he said.

Bawman said ADE's industrial engines were competitively priced compared with imported engines

## EDWARD WEST

Exhaust gas analysing equipment was recently imported from Germany at a cost of R150 000, which would enable ADE to produce the exhaust emission standards for underground use.

ADE national sales manager Glynn Whitmore said the emission levels of the engines were well below those required by the Chamber of Mines for safe use and its engineers were also working on designs to make flame-proofing more cost-effective.

## Replace imports

Whitmore said ADE was aiming at import replacement through close relationships with original equipment manufacturers (OEMs) in the industry.

"Together with Propower, an ADE subsidiary, we intend to develop our relationships with OEMs such as E L

Bateman, Eimco, Elgin, Entech, Noyes Cocol, H Davies, Bell and Rightech

"There is an opportunity for us to replace imports in the region of 1 000 units annually," he said.

ADE is a subsidiary of the Industrial Development Corporation (IDC)

The IDC said in its recently released annual report that ADE planned to develop new local and foreign markets as the return on capital for the year to June was unsatisfactory, due to the under-utilisation of facilities.

The IDC said it would be a number of years before ADE would reach the stage where the sale of control could be considered.

During the year to June 1989, ADE commissioned a new R30m V-engine machining centre. There were indications demand for V-engines was exceeding production capacity and attention was being given to further expansion, the IDC report said.

# JCI gets off to a roaring start

STAR  
1/2/90  
(210)  
(10)

By Derek Tommey

The strong rise in mining and industrial share prices last year helped increase the net asset value of shares in Johannesburg Consolidated Investment (JCI) by 68,2 percent.

The company reports that the net asset value of its shares (adjusted for the 20-for-1 share split) rose from R35,60 at the end of 1988 to R48,20 on last June and to R58,50 last December.

In this 12-month period JCI's share price rose 70,1 percent — from R31,50 to R54,00.

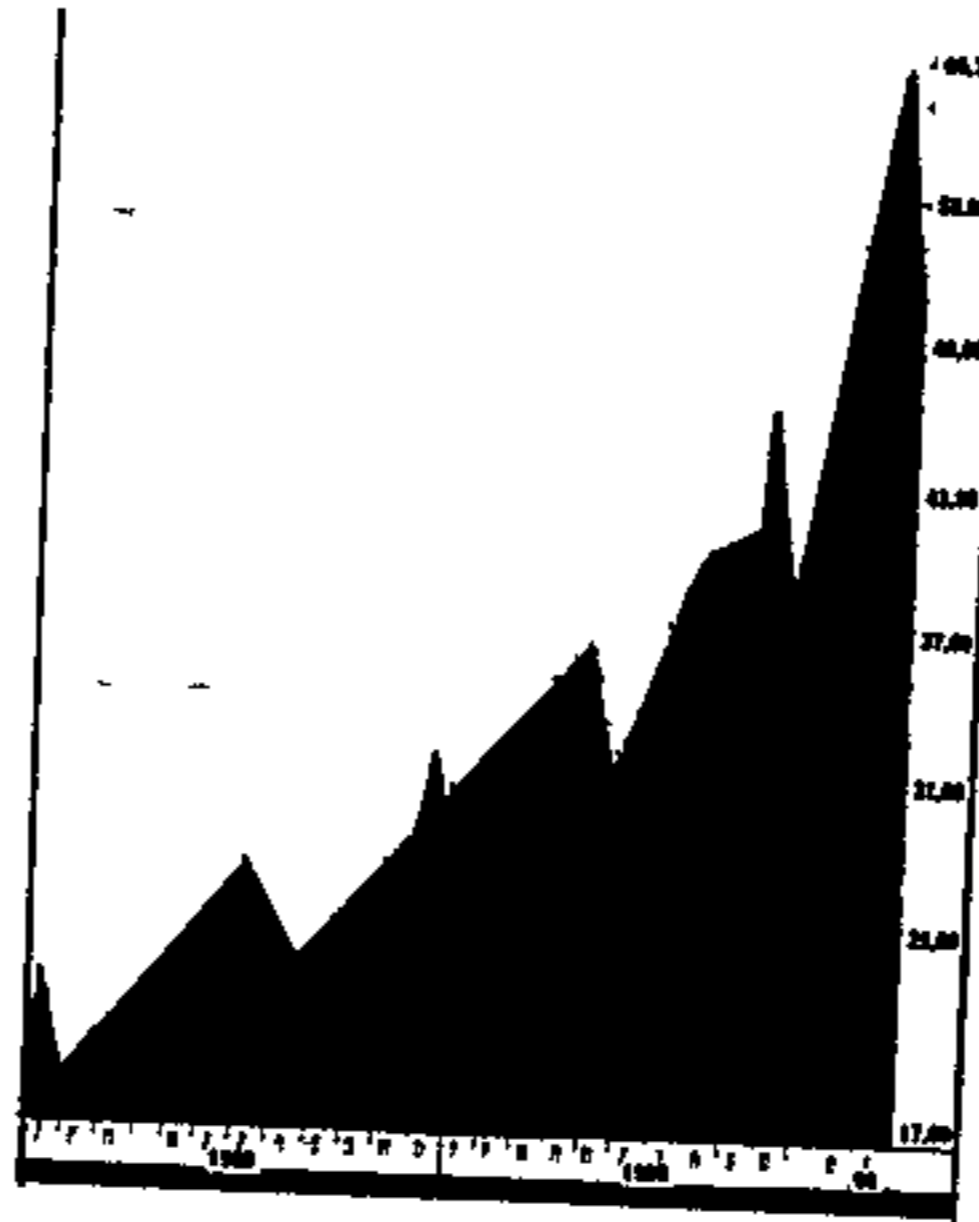
On reported net asset value figures, the company, which has 147,466 million shares, was worth R8,6 billion at the end of last year, up from R7,1 billion at mid-year and from R5,2 billion at the end of 1988.

The increase in assets might have encouraged JCI to follow a more generous dividend policy.

## Interim dividend

It has increased its interim dividend by 20 percent from 35c to 42c a share after a 21,9 percent increase in distributable earnings in the six months to December from 82c to 100c a share.

In the six months to December 1988, distributable earnings rose almost as much — 20,3 percent — but the dividend increase was only 16,7 percent.



Spectacular rise in JCI share price

The interim report shows that JCI has made a good start to its 1989-90 financial year.

Income from investments rose 29,3 percent to R120,8 million as a result of increased platinum and industrial dividends.

Attributable earnings of subsidiaries increased by R3,6 million (26,7 percent) to 17,1 million.

But "other net revenue" dropped R3,8 million (27 percent) to R10,3 million, mainly as a result of the cost of financing new acquisitions.

JCI's pre-tax profit for the six months was 17,9 percent higher at

R169,8 million (R144,0 million)

But a reduced tax payment helped increase taxed profit by 22,4 percent from R121,3 million to R148,5 million.

JCI's share of retained earnings of associated companies declined by 10,6 percent to R68,4 million as a result of higher dividend payments by these companies.

Altogether, total earnings rose by 9,6 percent to R216,6 million (R197,5 million), equal to 147c (121c) a share.

Earnings available for distribution amounted to R148,2 million (R121,0 million), out of which R61,9 million (R51,6 million) was paid in dividends.

## Book value

The book value of investments at December 31 was R1,9 billion — an increase of R487,1 million since June 30.

Included in this figure is R235 million representing the purchase of 40 percent of Middelburg Coal, which was announced on December 18.

The investment in fixed and mining assets rose from R344,1 million to R372,6 million.

Net current liabilities rose from R78,2 million to R446,3 million. Part of this increase in liabilities would seem to be the result of the Middelburg purchase.

LESLEY LAMBERT

CAPE TOWN — The Minerals Bill, by which government intends to extend its privatisation and deregulation initiatives to the minerals industry, was tabled in Parliament yesterday (210)

The primary aim of the Bill is to consolidate and rationalise nine different mineral laws into one Mineral Act

The Bill also provides for the gradual privatisation of mineral rights which are registered in the name of the state

The Bill seeks to ensure safety in mining and proper rehabilitation of land

According to the draftsmen the size of the Mineral and Energy Affairs Department could be reduced by the consolidation of existing laws and the introduction of

## Minerals Bill goes before Parliament

greater self-regulation in the industry  
If the Bill is enacted, the only functions which will remain vested in the Department will be the issuing of licences to prospectors and miners, and the regulation of mine safety and environmental rehabilitation of the land

It is proposed that labour regulations be shifted to the Manpower Department, and those related to court procedures during inquests, to the Justice Department. The only labour-related issue which will remain under the mining authorities will be mining and equipment safety

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### Geographical location of Namibia

...geographical location of Namibia ...  
...the Republic of Namibia is situated in the southern part of the African continent ...  
...it is bordered by the Republic of South Africa to the west and east, and the Republic of Botswana to the north and west ...  
...the Atlantic Ocean is to the south and west ...  
...the Indian Ocean is to the east ...

# Marais scotches rumours of tax break for mining houses

210

310 on 6/2/90

RUMOURS in the investment community that mining houses had been given the green light to sell mature investments tax-free were scotched last night by Deputy Finance Minister Org Marais.

The most widespread of these rumours, that mining houses had been given a two-year moratorium to realise capital gains on "mature" JSE investments on condition of re-investment in mining, was just one of many proposals being considered by government, Marais said.

If mining houses were given the go-ahead to conduct such an activity, the effect on dozens of JSE-listed shares would be material. "Anyone acting on these rumours," said Marais, "will only have themselves to blame if they burn their fingers."

The amount of money locked into the JSE because of tax uncertainty runs into billions of rands.

Marais said that lobbying ahead of the March 14 Budget at this time of the year was normally rife. "This year, especially with the political reform an-

BARRY SERGEANT

nounced on Friday, expectations are running high." He cautioned that it should be remembered that government was proceeding with its tax reform programme as part of its overall five-year reform programme.

Numerous representations had been received from a wide variety of parties regarding "blocked money," such as the money locked into the JSE due to tax uncertainty.

He explained that tax reform work was being conducted at a furious pace ahead of the Budget, with work done by Cabinet Committees, the Tax Advisory Committee and re-convened executive committees of the Marais Committee on mining taxation, appointed in the wake of the Margo Commission.

Marais said the Tax Advisory Committee had commissioned reports from numerous independent experts, in addition to its own work on tax reform.

The first draft of the Budget would be ready only in three weeks time.

# Anglo expected to announce major changes at top level

By Magnus Heystek, Finance Editor  
 6/2/90 (210)



Mr Gavin Relly



Mr Ogilvie-Thompson

Several top level appointments at Anglo American Corporation, De Beers and Minorco are about to be announced.

Neither Anglo nor De Beers was prepared to comment, but a well-placed source has indicated that new chairmen for all three companies are about to be appointed.

It is speculated that Mr Gavin Relly, who succeeded Mr Harry Oppenheimer as chairman of Anglo in 1983 will be appointed executive chairman of Minorco, its international subsidiary.

Minorco is currently being run by the youthful triumvirate of Messrs Hank

Slack (Mr Oppenheimer's son-in-law), Roger Pillimore (a godson of Mr Oppenheimer) and Tony Leah after the resignation of Sir Michael Edwards as executive chairman in December last year.

The most likely successor to Mr Relly is Mr Julian Ogilvie-Thompson, currently chairman of De Beers, an Anglo subsidiary, and also deputy chairman of Anglo. Mr Ogilvie-Thompson has been chairman of De Beers since 1985 when Mr Harry Oppenheimer retired.

This appointment would pave the way for the return from London of Mr Nicky Oppenheimer, only son of Mr Harry Oppenheimer, to take over as chairman of De Beers, the company founded by his

grandfather Sir Ernest Oppenheimer nearly 80 years ago.

Mr Nicky Oppenheimer (44) is currently chairman of the London operation of the Central Selling Organisation (CSO), the marketing arm of De Beers, and is also a deputy chairman of Anglo.

● It is expected that Mr Murray Hofmeyr, current chairman of Johannesburg Consolidated Investments (JCI), also a subsidiary of Anglo, will give up this post when he takes over as chairman of Argus Holdings.

His likely successor at JCI is Mr Kennedy Maxwell, currently an executive director

F14'9/2/90 (210)

### STILL UP

Six months to	Dec 31 Jun 30 Dec 31		
	'88	'89	'89
Investment income (Rm)	93,4	200,9	120,8
Operating income (Rm)	13,5	29,6	17,1
Other net revenue (Rm)	14,1	11,9	10,3
Share of retained earnings of associates (Rm)	76,5	129,8	68,4
Attributable earnings (Rm)	197,5	373,3	216,6
Earnings (c)			
attributable	82	164	100
equity accounted	134	252	147
Dividend (c)	35	75	42

JCI's diamond income — were up by a relatively subdued 13% for the full 1989 year and were marginally lower during the second half

However, a healthier coal market and the acquisition of 40% of Middelburg has added some fire to the attributable earnings of operating subsidiaries. These were up by 26,7% at interim and, with wholly owned Tavistock clearly in a stronger position, there should be more to come.

Rustenburg also accounts for most of the R8,1m drop in the share of retained earnings of associated companies. These include Rustenburg's earnings for the six months to December 1989, from which is deducted the large final payout of the previous year.

Costs of financing acquisitions resulted in a R3,8m drop in other net revenue, to R10,3m. Funds were spent on Middelburg, the Premier rights offer and the exercise of the Joel B options. On the balance sheet, the value of investments, loans, marketable properties and mining prospects has risen to R1,9bn (R1,15bn), including R235m for the Middelburg stake.

With the interim dividend up 20%, the share yields 2,1% on the price of R56,75. The discount to the current net worth of R61,89 is only about 8,3% and, with growth becoming more difficult, the share does not look cheap on fundamentals. In its present mood, the market may not be unduly concerned about that, particularly with the prospect of an announcement later this year on the large South Deep gold prospect. *Andrew McNulty*

JCI F14'9/2/90 (210)

### Long pipeline

Thanks to dividends declared earlier by some major investments, JCI again reported a strong half-year. But the second half will be tougher, particularly for some of the exporters in the group.

The 29% rise in investment income was gained largely from the improved dividends from platinum and industrial interests, especially the 1990 interim declarations from Premier and SA Breweries. Premier paid 25c, which, owing to the restructuring, was considered not comparable with the previous period, though its EPS were up 20%, SAB's dividend was lifted 25%. Both these groups should again do well in their second halves.

However, the figures do not yet reflect the slowdown currently being shown by the platinum interests. Taken into JCI's investment income at this stage is the final dividend paid last July by Rustenburg, which was up 54% at 185c. Rustenburg's dividend for the end-December interim was up only 8,7% and that will come into JCI's second half.

Other components of second-half investment income include the final dividend from the recently brighter-looking Randfontein, as well as those from ferro chrome producer CMI and the diamond interests. With product prices dropping and the rand firmer, CMI maintained its interim pay-out and will be fortunate to produce any growth during the rest of the year.

Diamond income has also lost some steam. In rand terms, diamond sales by the Central Selling Organisation — the main source of



● MANDELA

● SLOVO

## 'I still believe in nationalisation'

81 pan  
1312/90 MIKE ROBERTSON 210

CAPE TOWN — Nelson Mandela said yesterday he fully supported the ANC's policy of nationalising the mines and other sectors of the economy.

But, in an interview with the BBC at the weekend, SACP general secretary Joe Slovo called for whole issue of nationalisation to be the subject of negotiations as he believed it was not necessarily the answer to redressing economic imbalances in SA.

Mandela was asked at a Press conference whether he had in any way modified his views on the redistribution of wealth.

He said, "No. My views are identical to those of the ANC. The question of the nationalisation of the mines and similar sectors of the community is a fundamental policy of the ANC and I believe that the ANC is quite correct in this attitude and that we should support it."

Later, challenged to justify his claim that the SA economy "lies in ruins", Mandela said full employment, productivity and social responsibility had to be considered when discussing a country's economy.

He said he felt SA's economy was not performing well in these aspects.

Slovo, indicating that the whole question of the ANC's economic policy was being re-examined, said that while any democratic government would have to address the whole issue of redistribution, this did not necessarily mean that sectors of the economy would have to be nationalised.

Slovo said in SA there had been State ownership of basic sectors of the economy for some time, but this did not mean advantage for the people or socialism.

He added that the approach towards generating resources to address injustices of the past would have to be negotiated.

Slovo said that if redistribution of land took place this would not mean that all land owned by whites would be confiscated or that there would be no compensation.

February 90

# Mandela to talk to Relly and Bloom

By Michael Chester

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Mr Nelson Mandela is expected to hold talks in Soweto on Monday with two key South African business leaders to exchange views on possible new economic scenarios.

The first session will be with Anglo American's chairman, Mr Gavin Relly, who has reacted with alarm to Mr Mandela's suggestions that such business sectors as the mines and banks

should be nationalised. Most businessmen are also disturbed by Mr Mandela's suggestion that sanctions be maintained to continue pressures for faster reform.

The second round of discussions will be with the Premier Group's former chairman, Mr Tony Bloom, an ardent supporter of reform who left South Africa last year to settle in Britain. He is expected to arrive at the weekend.

workbook help



## Natsel and Indsel post good interims

210

LIZ ROUSE

15/2/90

NATIONAL Selections and Industrial Selections posted good gains in interim earnings of 29,3% and 28,6% respectively.

Both investment companies have raised their interim dividends for the six months to December by 1c — Natsel's interim is up at 6,5c and Indsel has been lifted to 5,5c.

Natsel's taxed earnings increased to R24,04m from the 1988 half-year's R18,6m, equal to earnings a share of 10,45c (8,08c). Its dividend income rose 25,6% to R23,1m (R18,4m) while interest and other income climbed to R2,6m (R996 000).

Natsel's share capital and reserves increased more than 18% to R90,5m (R76,7m). Market value of investments rose to R680,7m (R502,6m), translating into a net asset value of 296c a share, up from 218c a share at the end of December 1988 and 289c a share at the end of June 1989.

Indsel's taxed income rose to R23,9m (R18,6m), equal to earnings a share of 8,73c (6,79c). Dividend income increased 25,6% to R23,3m (R18,5m), while interest and other income rose to nearly R2m (R775 000).

# Metals markets shrug off the Mandela factor

By Neil Behrmann  
LONDON — International concern about the political situation has set off a slump in the SA mining share market.

Yet it has had virtually no impact on international metals markets.

In fact, despite a sea change in the political outlook of both South Africa and the Soviet Union, metals markets are extraordinarily quiet.

With the exception of platinum, which rallied briefly earlier last week after Nelson Mandela's stated aim of nationalising mines, prices of most strategic and precious metals are relatively weak.

Most have traded within a five percent range over the past month.

Political and economic events in South Africa and the USSR are vitally important to the metals market.

The two resource-rich nations control most world reserves and dominate production of gold, platinum, rhodium, palladium, chrome, manganese, titanium and vanadium.

So far, however, markets are

not worried about possible disruptions to supplies.

Although prices have rallied from their September lows, gold, platinum and palladium are at the levels of twelve months ago.

Chrome, manganese and vanadium — down by a third from January 1989 levels — are still depressed, says John Cox, a director at Wogen Resources, a London firm specialising in strategic minerals.

Only rhodium and titanium are reflecting supply concerns, he says.

Rhodium, a by-product of platinum, surged to \$2,150 an ounce from \$1,250 early in 1989, mainly because of production problems at a Rustenburg refinery.

Titanium prices slumped to a low of \$7 from \$14 a kilogram at the beginning of last year, but rallied sharply to \$8.50 recently when transport problems and bureaucracy lowered supplies from the USSR, says Mr Cox.

Metals produced for the most part in South Africa and the Soviet Union are regarded as "critical" or "strategic" because they

are vital for key industries.

They range from steel manufacturers and the aerospace industry, which need metals such as vanadium, manganese and chromium, to the oil industry and motor industry, which need platinum, palladium and rhodium for refining and anti-pollution purposes.

"The Soviet Union poses a far greater risk to supplies than South Africa," says Oscar Prager, a director of Ayrton and Partners, London metals merchants.

For the moment, the USSR is selling as much gold, platinum, palladium, chrome and other metals as possible to generate foreign exchange, he says.

Yet the mines' infrastructure and transport are vulnerable, he says.

It is too soon to judge events in South Africa, say dealers. The mines are well managed and understand world markets.

Despite the inevitability of periodic production hiccups, any white or black government will need to export as much metal as possible to generate foreign exchange.

Nevertheless it would be advisable for Western governments and companies to hold large stocks of strategic metals, says Jack Spence, a Leicester University professor who covers Southern Africa.

If negotiations lead to a swift and peaceful transition to democracy, control of the mines would remain in the hands of efficient managers who would produce enough for world markets, he says.

Alternatively, there could be "political and economic catastrophe" if there are not sufficient radical changes to satisfy a rapidly growing black population that will swamp whites in the next century, says Professor Spence.

Present demographic trends indicate that the number of blacks will rise to 37 million by the turn of the century and to 58 million by the year 2020 from present levels of 28 million, he says.

SA is already suffering from an acute shortage of skilled workers and the present education system is inadequate to rectify the problem, says Professor Spence.

# Sanctions are a road to our grave

"I am entirely optimistic. Part of it may derive from the fact that all my adult life I have been basically unhappy with the system under which we live, and now one sees the opportunities of creating a new system which is not formally race-based. Any South African who does not find this exciting must be lacking in understanding," says Mr Relly, who succeeded Mr Harry Oppenheimer as head of Anglo in 1983. Mr Relly has no reservations about the ANC.

Seated in Anglo's London offices on the fringe of the City, he delivers a muted trade against the evils of nationalisation, cites the current European fall-out from the experiment of communism as proof of the follies of state-run economies and concludes "Anyway, I do not think

it will come to that."

Mr Relly, who incurred the wrath of Mr P W Botha, Mr de Klerk's predecessor, when he helped bring the ANC in from the cold with a futuristic visit to its Zambian headquarters in 1985, has yet to meet Mr Mandela. It is something he looks forward to.

"The worst aspect of the international community's attitude, to us," he says, "is the fact that the country's international banking relationships are constricted."

"It gives us very little flexibility in our monetary policy by not having the facilities of the International Monetary Fund and normal banking relationships at our disposal."

"And the sooner that stops the better because it is inhibiting growth and we all know, as night follows day, that unless we have a reasonably vital and growing economy we are not going to be able to pick up the costs of change and the costs of establishing a more equitable constitutional system."

He dismisses ANC suggestions that nationalisation measures will be workable and effective. "There is still a great deal of rhetoric floating around which derives back naturally to the ANC's original charter which was a Marxist-type document. And the fact that they have either been out of the real world, talking only to Marxists, or they have been incarcerated in South Africa talking only to warders. Neither of these relationships, I would have thought, was a great source of realism or inspiration."

How does he see there being more equality of wealth? "It is absolutely

Anglo American chief Mr Gavin Relly has dismissed ANC suggestions that nationalisation can be effective. "They have either been out of the real world, talking only to Marxists, or incarcerated talking only to warders. Neither relationship is a great source of realism." However, he tells LINDSAY VINCENT, he is excited about creating a new future

"If sanctions are really effective they will ultimately and inevitably drive the SA economy into a state where a successor government will find it has no flexibility. And we will end up with the conventional African reaction of a one-party state."

vital that there is, but I can see two things I can see a growing economy where the equality is achieved by dealing out the growth, so to speak, to those who have been deprived in terms of services, education, health and housing.

"The other scenario is to try to do the same thing in a stagnant economy where the only way you can distribute is by taking it substantially away from those who are maybe thought to enjoy it at present."

When one discovers that that does not work because the economy starts going backwards further still,



Anglo chief Mr Gavin Relly.

you resort to the control measures of a one-party state. And this is what the world, in its sticking to sanctions, does not realise, if sanctions are really effective they will ultimately and inevitably drive the SA economy into a state where a successor government will find it has no flexibility and we will end up with the conventional African reaction of a one-party state, which is ultimately a reflection of defeat."

He adds "The ANC would naturally hope to speak for all black people. Whether it does or not is completely unclear to me, and I

think probably unclear to most black people

"I would have thought that to pretend there are no tribal differences in South Africa is simply flying in the face of reality. We have seven major tribal groupings and at least as many languages. I think any government's policy should be to emphasise the things that unite us

"It is going to be a matter of great statesmanship to cover these very real cultural, ethnic and linguistic differences. I hope they may be covered but in the meantime we have to deal with the practical world we find on the ground."

Mr Relly is not of the opinion that apartheid, with compound labour, derisory wages and much else has been a marvellous fig-leaf

Anglo is said to have been making huge profits from a system which it says it purports to despise

"We would have made a damn sight more money if it were not for apartheid," he says. "The economy has been inhibited from not allowing people to do their own thing, setting up their businesses where they want, live where they want and have proper education. This has resulted in the bulk of the country's labour force being untrained, and incompetent in terms of modern standards"

"The whole country has been held back by this system. And as Anglo is very much a reflection of South Africa economically, it would have been a damn sight better if, over the last 40 years, we had lived in a more equitable society." — Observer News Service

## History in The Star

100, 50 and 25 Years Ago

● 1890. The Countess de Bremond, who has arrived in London, commenced a series of lectures upon South Africa. She depicted the Transvaal as the woman's El Dorado.

● 1940. Mobs of starving Chinese in Shanghai — victims of war and profiteers — are daily raiding rice stores, risking prison and police batons to snatch a few handfuls of rice.

● 1965. South Africa has taken delivery of the first two Buccaneer naval bombers from Britain. The remaining 14 will be delivered before the end of September.

## New mineral law is tabled

THE new mineral law now being tabled in Parliament should make it easier, especially for small undertakings, to prospect and mine minerals, Mineral and Energy Affairs Deputy Minister P.J. Welgemoed said yesterday. 19/04 22/2/90

Speaking at the opening of the West Wits Heap Leach Plant, he said the new law made provision for the decentralisation of functions where needed.

Referring to the country's mineral reserves, he said that these should be carefully and continuously reassessed in terms of the prevailing economic

conditions. 210

"To this end, the Government Mining Engineer, the Geological Survey and Minerals Bureau are evaluating, in close consultation with the private sector, the country's in situ resources on an ongoing basis."

Welgemoed said that as gold mining slowly wound down, the treatment of low-grade ore, sands and slimes was assuming an ever-increasing role in the production of gold in SA. It was estimated that this source could eventually yield as much as 1 000 tons of gold — Sapa.

# Strong growth at Ruhold (210)

510  
22/1/90

## Finance Staff

Rubenstein Holdings, which is engaged in the provision of financial services and the manufacture of plastic bags and sheeting, has lifted attributable earnings by 20,5 percent to R3,35 million (R2,78 million) for the six months to end-December. Earnings a share rose to 10,12c (8,4c)

"The bottom line performance would have been further ahead had it not been for labour action towards the end of year," chairman Jeff Rubenstein said.

Ruhold's plastics interests will be merged with the plastics manufacturing interests of Lenco Holdings and the flexible plastics division of Alfa Manufacturing to create a plastics packaging group with turnover of around R100 million. The new company will trade as Combined Packaging from March 5

"The reduction in gearing of our plastics operation, following the formation of Combined Packaging, augurs well for our future profitability," he said

P [ ] 7

## NOTICE 129 OF 1990

## SOUTH AFRICAN RESERVE BANK

## Statement of Assets and Liabilities on the 31st day of January 1990

<i>Liabilities</i>		<i>Assets</i>	
	R		R
Share Capital....	2 000 000,00	Gold. ....	2 920 579 549,31
Reserve Fund .....	53 612 552,40	Foreign assets .....	2 776 760 297,75
Notes in circulation .....	8 420 081 027,00		
Deposits		Total gold and foreign assets .....	5 697 339 847,06
Government... ..	11 160 320 307,64	Domestic assets:	
Provincial administrations .....	268 781 230,12	Discounted bills .....	4 232 890 000,00
Banks and building societies .....	1 942 371 877,96	Loans and advances:	
Other .....	94 214 037,13	Government.....	—
Other liabilities .....	6 553 810 652,45	Other.....	2 027 592 586,45
		Securities:	
		Government.....	456 468 351,31
		Other.....	1 127 983 389,30
		Other assets .....	14 952 917 510,58
	<u>R28 495 191 684,70</u>		<u>R28 495 191 684,70</u>

The gold reserves as at 31 January 1990 were valued at R962,04 per fine ounce, compared with the valuation price of R937,32 per fine ounce as at 31 December 1989

Pretoria, 7 February 1990

C. J. SWANEPOEL,  
General Manager.

(23 Februarie 1990)/(23 February 1990)

## KENNISGEWING 130 VAN 1990

DEPARTEMENT VAN MINERAAL- EN  
ENERGIESAKEWET OP MYNE EN BEDRYWE, 1956  
(WET No. 27 VAN 1956)

## WYSIGING VAN REGULASIES

Die volgende konsepregulasies wat die Minister van Mineraal- en Energiesake en Openbare Ondernemings van voorneme is om kragtens artikel 12 van die Wet op Myne en Bedrywe, 1956 (Wet No. 27 van 1956), uit te vaardig, word hierby vir algemene inligting en kommentaar gepubliseer.

Enige kommentaar of vertoe in die verband moet binne 30 dae na die publikasie hiervan skriftelik by die Direkteur-generaal: Mineraal- en Energiesake, Private Bag X59, Pretoria, 0001, ingedien word.

1. Hoofstuk 24 van die Regulasies word hierby gewysig deur dit met die volgende hoofstuk te vervang:

## "HOOFSTUK 24

*Eerstehulp, reddingsbrigades en selfredders*

24.1 Eerstehulpuitrusting moet ooreenkomstig ondergenoemde vereistes verskaf en in stand gehou word vir gebruik bogronds by elke myn en by elke bedryf:

24.1.1 Waar die getal persone werksaam bogronds, met inbegrip van dagboudelfplekke, te eniger tyd 300 of minder tel, moet daar in 'n maklik bekombare, skoon en droe plek 'n geskikte draagbaar met twee skoon komberse daarby gehou word, asook 'n sterk eerstehulpkissie met, daarin, knelverbande, spalke, verband, apart toegedraaide steriele wondverbande, antiseptiese oplossing, wegdoenbare gesteriliseerde rubber handskoene en 'n lugpyp.

## NOTICE 130 OF 1990

DEPARTMENT OF MINERAL AND  
ENERGY AFFAIRSMINES AND WORKS ACT, 1956  
(ACT No. 27 OF 1956)

## AMENDMENT OF REGULATIONS

The following Draft Regulations which the Minister of Mineral and Energy Affairs and Public Enterprises is of the intention to promulgate under section 12 of the Mines and Works Act, 1956 (Act No. 27 of 1956), are hereby published for general information and comment.

Any comments or representations in this regard should be lodged in writing with the Director-General: Mineral and Energy Affairs, Private Bag X59, Pretoria, 0001, within 30 days of the publication hereof.

1. Chapter 24 of the Regulations is hereby amended by the substitution for Chapter 24 of the following chapter:

## "CHAPTER 24

*First aid, rescue brigades and self rescuers*

24.1 First aid equipment in accordance with the following requirements shall be provided and maintained for use on the surface at every mine and at every works:

24.1.1 Where the number of persons employed on surface, including opencast workings, at any one time is 300 or less, there shall be kept in a readily accessible, clean and dry place a suitable stretcher provided with two clean blankets, and a substantially constructed first aid box containing tourniquets, splints, bandages, individually wrapped sterile dressings, antiseptic solution, disposable sterile rubber gloves and an airway.

Registrasie No Registration No	Naam en adres van houder Name and address of holder	Soort plant Kind of plant	Benaming Denomination	Naam en adres van agent Name and address of agent	Datum toe gestaan Date granted
ZA 89515 . .	idem . . . . .	idem . . . . .	Kornagent . . . . .	idem . . . . .	idem
ZA 89516 . .	idem . . . . .	idem . . . . .	Korquick . . . . .	idem . . . . .	idem
ZA 89517 . .	Poulsen Rosen Hillerdvej 49, DK 3480, Fredenburg, Denmark	idem . . . . .	Poulart . . . . .	idem . . . . .	idem
ZA 89518 . .	idem . . . . .	idem . . . . .	Poulkaro . . . . .	idem . . . . .	idem
ZA 89519 . .	De Ruster, Rosa Polyantha, Hazerwoude, Netherlands	idem . . . . .	Ruidrko . . . . .	idem . . . . .	idem
ZA 89520 . .	P. Stevens, 1445 Kihikihu Road, Te Awamutu, New Zealand	idem . . . . .	Stebigpu . . . . .	idem . . . . .	idem

**DEPARTEMENT VAN MINERAAL- EN ENERGIESAKE**

No. 330 23 Februarie 1990

**UITHOU VAN GROND VIR DIE DOEL VAN 'N DORP**

Die Staatspresident het 'n stuk geproklameerde grond, ongeveer 38,5068 hektaar groot, gelee op die plaas Waterval 174 IQ, distrik Krugersdorp, myndistrik Johannesburg, provinsie Transvaal, geregistreer op naam van die Stadsraad van Krugersdorp, en getoon op 'n sketskaart waarvan afdrucke onder RMT R11/87 in die Mynbriewekantoor, Johannesburg, en in die kantoor van die Mynkommissaris, Johannesburg, bewaar word, kragtens artikel 184 van die Wet op Mynregte, 1967 (Wet No. 20 van 1967), vir die doel van 'n dorp uitgehou.

(19/5/1/1600)

No. 331 23 Februarie 1990

**UITHOU VAN GROND VIR DIE DOEL VAN 'N DORP**

Die Staatspresident het 'n stuk geproklameerde grond, ongeveer 197,0237 hektaar groot, gelee op die plaas Grootfontein 165 IR, distrik Nigel, myndistrik Heidelberg, provinsie Transvaal, geregistreer op naam van die Stadsraad van Nigel en getoon op 'n sketskaart waarvan afdrucke onder RMT R66/88 in die Mynbriewekantoor, Johannesburg, en in die kantoor van die Mynkommissaris, Heidelberg, bewaar word, kragtens artikel 184 van die Wet op Mynregte, 1967 (Wet No. 20 van 1967), vir die doel van 'n dorp uitgehou.

(19/5/1/2763)

**DEPARTEMENT VAN NASIONALE OPVOEDING**

No. 366 23 Februarie 1990

**BURO VIR HERALDIEK**

**AANSOEK OM REGISTRASIE VAN HERALDIESE VOORSTELLINGS, EN BESWARE DAARTEEN**

**ARTIKEL 7A EN B VAN DIE HERALDIEKWET, 1962 (WET No. 18 VAN 1962)**

Ondergenoemde instansies en persone het kragtens artikel 7 van die Heraldiekwet, 1962 (Wet No. 18 van 1962), aansoek gedoen om die registrasie van hulle heraldiese voorstellings. Enigeen wat teen die registrasie van hierdie heraldiese voorstellings beswaar wil aanteken op grond daarvan dat sodanige registrasie

**DEPARTMENT OF MINERAL AND ENERGY AFFAIRS**

No. 330 23 February 1990 210

**RESERVATION OF LAND FOR THE PURPOSE OF A TOWNSHIP**

The State President has, in terms of section 184 of the Mining Rights Act, 1967 (Act No. 20 of 1967), reserved for the purpose of a township a portion of proclaimed land, approximately 38,5068 hectares in extent, situated on the farm Waterval 174 IQ, District of Krugersdorp, Mining District of Johannesburg, Province of the Transvaal, registered in the name of the Town Council of Krugersdorp and shown on a sketch plan, copies of which are filed under RMT R11/87 in the Mining Titles Office, Johannesburg, and in the office of the Mining Commissioner, Johannesburg.

(19/5/1/1600)

No. 331 23 February 1990 210

**RESERVATION OF LAND FOR THE PURPOSE OF A TOWNSHIP**

The State President has, in terms of section 184 of the Mining Rights Act, 1967 (Act No. 20 of 1967), reserved for the purposes of a township a portion of proclaimed land, approximately 197,0237 hectares in extent, situated on the farm Grootfontein 165 IR, District of Nigel, Mining District of Heidelberg, Province of the Transvaal, registered in the name of the Town Council of Nigel and shown on a sketch plan copies of which are filed under RMT R66/88 in the Mining Titles Office, Johannesburg, and in the office of the Mining Commissioner, Heidelberg.

(19/5/1/2763)

**DEPARTMENT OF NATIONAL EDUCATION**

No. 366 23 February 1990

**BUREAU OF HERALDRY**

**APPLICATION FOR REGISTRATION OF HERALDIC REPRESENTATIONS, AND OBJECTIONS THERETO**

**SECTION 7A AND B OF THE HERALDRY ACT, 1962 (ACT No. 18 OF 1962)**

The undermentioned bodies and persons have applied in terms of section 7 of the Heraldry Act, 1962 (Act No. 18 of 1962), for the registration of their heraldic representations. Anyone wishing to object to the registration of these heraldic representations on the

# SA on verge of

W/E ARGUS 24/2/90 210

From CLAIRE GEBHARDT  
JOHANNESBURG. — South Africa is on the verge of its third great mining boom as mining houses gamble for huge stakes on the wealth in the ground.

And the big payoff, according to one prediction, could see 19 new gold mines by the year 2010, six new platinum mines and enormous expansion of chrome, granite and diamond mining.

Gencor executive director Brian Gilbertson says this could lead to huge spinoffs in the form of substantial new employment and increased foreign exchange earnings.

At the Frankel, Kruger, Vinderine investment conference this week he said mining houses were investing millions on exploration

Expenditure had soared from R90 million in 1983 to R254 million in 1987 to probably R400 million in 1990.

"My own house has seen expenditures rise at a compound rate of over 50 percent per annum from R16 million in 1985 to R95 million in 1989."

Stressing the importance of the mining industry, he said it remained the backbone of the economy and offered employment to three-quarters of a million people in 1988.

Output was worth R34 billion of which R27 billion came from export receipts, said Mr Gilbertson.

This accounted for no less than 12,7 percent of total GDP and for 55 percent of exports.

Much of the gold exploration now being carried out was at great depth and massive capital expenditure would be re-

quired to bring such mines to production, he said.

However the application of new concepts and new technology was contributing to a quickening sense of excitement.

And seismic techniques, developed in the American oil fields, could trigger the next "burst" of exploration successes.

Seismic techniques which sent shock waves deep into the earth had enabled Gencor to identify underground rock formations, such as the Central Rand group, which could host gold-bearing reefs.

Mr Gilbertson added that the combination of seismics and tectonics had enabled the mining house to recognise both compressive and extensional regime structures, and had led to an examination of under-explored parts of the Witwatersrand Basin.

## Shallower

"Some of these, we think, might be much shallower than conventional theories would have us believe."

And although exploration in the past had focussed mainly on the Witwatersrand Basin and on the Bushveld Iqueous Complex, he believed there was considerable mineral potential outside of these two major geological features.

But successful exploration was not sufficient to generate new mining ventures, said Mr Gilbertson, mining technology and skill was the second key ingredient.

"It is for this reason that each South African mining house treasures its nucleus of skilled engineers to design the mines of the future and to turn the end-result of an exploration program into a new investment opportunity."

# mining boom



SITimes 25/2/90

210

By David Carte

# Nationalisation the kiss of death

**NATIONALISATION** would be the kiss of death for mining development in SA, warns Brian Gilbertson, a director of Genmin.

At the Frankel Kruger Vinderme investment conference in Johannesburg this week, Mr Gilbertson spelt out the formidable technical and financial risks inherent in new mining ventures

"Of one thing you may be certain there will be no new deep-level gold mines in a nationalised industry Under that scenario we would also see a pretty rapid end to many promising exploration programmes"

## Foregone

Mr Gilbertson was one of four SA speakers at the conference who warned against nationalisation

Sankorp managing director Marinus Dalng listed it as one of six negatives in the SA economy, but he did not think the threat was all that imminent

Mr Dalng said "It is not a foregone conclusion that large parts of the SA economy will be nationalised. President De Klerk and his Government are clearly committed to a market-oriented economy

## Devastating

"Surveys among blacks show that the majority are committed to such an economy and lately even in ANC circles none less than Joe Slovo has said that there may be better methods than nationalisation for the State to achieve its aims

"Mr Thabo Mbeki ... also made a public statement that the creation of wealth is a prerequisite for achieving a better quality of life for all in SA"

Mohale Mahanyele, managing director of Manpower Assignments Consultants, warned "We in SA ignore the devastating consequences

that now engulf nations in Europe, Africa and the rest of the world at our peril ... we have a great opportunity to improve the well-being of all our people, especially blacks But let us not spoil it by pursuing misguided economic policies that have clearly failed here and elsewhere"

Finance Minister Barend du Plessis said that for all its faults, the Government had never nationalised industries Like many other developing countries, SA had merely made large-scale capital investments in industries regarded as too risky by the private sector Through privatisation it was returning these investments to private ownership.

## Mistakes

Mr Du Plessis said "To talk of nationalisation is to turn the clock back 100 years The contrast in Eastern and Western Europe is a stark reminder of the folly of Marxism

"There you have similar types of people with vastly different living standards Nationalisation and redistribution are recipes for stagnation and poverty I believe good sense will prevail in SA"

Mr Du Plessis acknowledged past mistakes One was exclusive reliance on monetary policy — and contradictory fiscal policy. He admitted that Budgets had lost credibility and expressed determination to rectify this

Although reluctant to disclose anything in his Budget scheduled for March 14, Mr Du Plessis said the R1-billion contingency reserve set aside last year was virtually intact

He warned that spending on white health and educa-

tion would tend to stagnate while expenditure on more-needy population groups would increase

An American delegate asked Mr Du Plessis about SA's allegedly huge oil stockpile.

## Blockade

Mr Du Plessis replied "It is true that to counter the threat of a blockade of supplies we have made an immense investment in strategic commodities and industries, such as Sasol, Mossgas, Armscor and even in the nuclear area, where we were obliged to develop enrichment capability to supply Koeberg

"There were substantial technical spinoffs from these investments but they were bought at a terrible price and distorted spending priorities The cost to black education and development may have been R10-billion.

"If these pressures reduce, we can change our spending priorities and draw on wealth previously stored for strategic purposes."

## Payoff

Mr Gilbertson said mining employed 750 000. Its output was R34-billion, of which R27-billion came from export receipts It accounted for 12,7% of gross domestic product and 55% of exports

SA could establish new sources of chrome and manganese ore, coal and platinum group metals more quickly and cheaply than competitor countries "However, to do so would simply lead to an oversupply of the world total market, hence to lower prices and to the impoverishment of the industry and of the country."

He asked whether SA was about to embark on a "third great mining boom with 19 new gold mines by 2010, six new platinum mines and huge expansion of chrome, granite, and diamond mining"

"Judging from the growth in their exploration expenditure — from R90-million in 1983 to R254-million in 1987 and probably to R400-million in 1990 — the six big mining houses are betting on the big payoff"

## Frightening

Genmin lifted exploration spending from R16-million in 1985 to R95-million in 1989, a compound increase of 50% a year "because the rate of spending was too low in the early Eighties and because our geologists have persuaded us that, with new conceptual theories and with new exploration technologies, the payoff might be within our grasp"

Mr Gilbertson said an investment in gold exploration resembled the purchase of an option on the gold price or new technology. The stock market placed no value on such options because mining houses traded at a discount to net asset value

The Potchefstroom Gap illustrated the option idea There was no doubt the gold was there, but it lay at depths from 3,5km to 6km. A reasonable increase in the gold price would make the prospect an important investment opportunity.

"In similar vein, the southern Free State area between Joel, Beatrix, Oryx, Unisel and Harmony will almost certainly be mined in time to come"

Mr Gilbertson said the proposed Buffelsfontein tertiary shaft illustrated the expense and difficulty of deep-level mining investment.

Reef existed at 3500 to 4000 metres, where "nobody has ever been before".

The rock mechanic problems were frightening The shaft would pass through intrusives where strain-bursting would be a problem There could be unstable areas of rock in shaft sinking Lacing would have to be installed on the sidewalls and shot-creted after each cleaning to stabilise shafts

More than R250-million



**BRIAN GILBERTSON ...** risks in deep-level mining

would have to be spent on a 25mW refrigeration unit

"If the refrigeration system should fail for any reason, we would have only hours to evacuate our men before heat-stroke conditions built up Part of this (disaster recovery) planning involves an unusually large underground dam, containing 5-million litres of cold water to supply coolth for three hours

"When all this has been done, we will face the greatest uncertainty of all — whether or not there is enough gold down there to justify our huge investment

"To estimate from 35 Reef intersections the grade we will eventually recover is equivalent in numerical terms to entering a city the size of New York asking the age of the first person you see and using his or her answer as the average age of all the inhabitants"

## Reform

Mr Gilbertson said that by paying taxes of up to 78%, the mines were already semi-nationalised He called for radical reform of the tax system, elimination of lease payments, the existing 100% allowability of capex to continue and abolition of ring fencing

Mr Gilbertson said the Budget might provide a clearer directive on capital gains

"Estimates have been made that the six major mining houses hold about R21-billion's worth of gold-mining shares of which R13-billion might be regarded as mature However, mining houses are reluctant to realise these mature investments, as up to now the proceeds realised could be paid in as tax

"This uncertainty ties up funds that might otherwise be released for investment in new mining ventures."

ROT  
ROI  
LEX  
RAN  
VOGI  
LION

# Mandela meets Relly, Bloom

Star 2/12/90  
By Kaizer Nyatumba

The African National Congress's policy of nationalisation was "perfectly logical" given the historical deprivation of blacks in South Africa, Mr Nelson Mandela said at his Soweto home yesterday.

Speaking at a media briefing after a 30-minute meeting with Anglo American chairman Mr Gavin Relly, Mr Mandela repeated his view that nationalisation was necessary to address the economic imbalances between blacks and whites

"Nationalisation is the policy of the ANC and it is a step which is perfectly logical," he said

Mr Relly said he and Mr Mandela had discussed neither nationalisation nor sanctions, because "we had a lot to talk about"

He stood by his view, however,

that nationalisation was not the right way to address the economic disparities

Nationalisation, added Mr Relly, would have to be addressed "in a quiet and rational way" and it was significant that the issue was open for debate

It was obvious that any future government would have to "try to address historical economic problems and this will call for a re-allocation of funds"

Mr Tony Bloom, former Premier Milling head, spent 20 minutes with the ANC leader yesterday, reports Sapa

Mr Bloom said if former president Mr P W Botha had released Mr Mandela instead of making "that moronic Rubicon speech", the situation in the country would have been very different

Mr Bloom said President de Klerk should be congratulated for his "extremely courageous, far-reaching and visionary moves".

On sanctions, Mr Bloom said the situation in the country until recently had warranted "some stick," but it seemed the time for carrots was due

Although the issue of nationalisation had not been discussed with Mr Mandela, Mr Bloom said he could understand the ANC's attitude as the organisation wanted to flatten the wealth pyramid

He felt the ANC was still prepared to explore other options to this end

Mr Mandela also held talks with a 12-member Italian parliamentary delegation, led by former premier Mr Flaminio Piccoli

REP.  
MEMBER

## Minerals Bill jeopardises investments, says Anglo

By Day 28/2/90 RIAAN SMIT (2.10)

THE recently tabled Minerals Bill jeopardised the mining industry's large expenditure over the years in acquiring mineral rights, Anglo American gold and uranium division chairman Peter Gush said in his 1989 annual review published yesterday.

He said since the first draft of the Bill was published in December 1988, "agreement has now been reached on most principal issues.

"However, we believe the Bill is deficient in the case of state-owned mineral rights."

Gush said existing laws had provided satisfactory mechanisms for the granting of mining leases, or other rights to mine over state-owned mineral rights.

On this basis the mining industry had, over the years and in accordance with current legislation, spent large sums of money on acquiring from private individuals and companies the entitlement to mining leases in respect of state-owned mineral rights.

"This expenditure is now in jeopardy as, in terms of (the Bill), these rights will fall away."

He said further representations would be made for continued recognition of the rights acquired by the mining industry.

□ Chamber of Mines chief legal adviser Peter Ancombe has declined to comment on the mineral rights issue since the Bill was tabled three weeks ago, saying the chamber had made further representations to government.

# Anglo chiefs optimistic on future of gold price

now 28/2/90 (210)

By Derek Tommey

The chairmen of Anglo American's Transvaal gold mines — Mr Peter Gush and Mr Lionel Hewitt — take an optimistic view of the gold price in their annual statements to shareholders today.

They also report substantial new development at the mines, including the likelihood of a new R2,5 billion deep-level gold mine near Vaal Reefs.

According to Mr Hewitt, MD of Vaal Reefs, it has been found to be feasible to mine the adjacent Moab area as an extension of Vaal Reefs.

The Moab mineral rights are held principally by Anglo American and its associates. For techni-

cal reasons the new shaft would be in the South Lease area.

Approval is being sought from the appropriate authorities for the Moab to become an extension of Vaal Reefs' lease. Once approval has been given the question of participation in and the financing of the project will be considered.

However, it was reported today that the project was being held up by Inland Revenue investigation's on the mine's tax shield status.

The Mining Leases Board, of which Inland Revenue is present, is currently investigating the proposals.

On the gold price, the chairman comment that combined pressure from growing Western gold pro-

duction and gold brought early to the market by the widespread use of gold loans depressed the price in 1988 and most of 1989.

But September 1989 saw a strong technical reaction and, supported by investors in the US and the Far East who became nervous about overvalued equity markets, the price has now stabilised above \$400, they say.

Momentous changes in Eastern Europe and Russia, and economic slow-down and inflation pressures in the US had further supported gold, although this positive sentiment in the gold market had yet to attract significant physical demand from either traditional or new investors.

The increased supply of gold to the market may yet dampen the current strength of the price. But it seems likely that the prevailing sentiment will overcome the physical surplus and see higher US dollar gold prices in 1990, they say.

They are pessimistic about the immediate prospects for uranium. The lead time for new nuclear generating capacity could approach 10 years, and the industry could not hope for the stimulus of new demand before the next century.

Providing details of other developments, the chairmen state that Western Deep has reached agreement with neighbouring mines to create a common water sump which will ensure that any loss in pumping capacity in the area will not lead to a build up of water against boundary pillars.

The first step had been taken in reducing the average rate of tax in the gold mining industry to that of other industries.

"It is most important that the phased conversion of the formula tax for gold mines be followed through and that government should commit itself to a firm timetable to achieve this," they said.

Although recommended by the Technical Committee on Mining Taxation, a more flexible system of 'ring fencing' has not yet materialised.

They say the Draft Minerals Bill was deficient in the case of State-owned mineral rights. The mining industry had spent large sums of money acquiring entitlement to mining leases in respect of state-owned mineral rights.

"This expenditure is now in jeopardy as, in terms of the proposed legislation, these rights will fall away."

The removal of racial restrictions on the promotion and advancement of eligible employees has led to 64 black employees now holding blasting certificates in positions formerly reserved for scheduled persons.

## Anglo workers boycott bars

Workers at Anglo American's Western Areas gold mine yesterday launched a boycott of mine bars and canteens

(210) Star 1/3/90  
The National Union of Mineworkers said the boycott had been called at recent mass meetings

Workers wanted a management response to a set of demands, including the right to hold union meetings without magisterial permission and worker control of hostels. — Labour Reporter



Man at the top . . . new Anglo American chairman Mr Julian Ogilvie Thompson at the corporation's headquarters in Johannesburg yesterday. ● Picture by Ken Oosterbroek.

8/21 1/3/90. (210)

## New chairman of Anglo named

By Magnus Heystek, Finance Editor

Mr Julian Ogilvie Thompson yesterday emerged as South Africa's most powerful and influential businessman when it was announced that he has been appointed chairman of Anglo American Corporation.

He succeeds Mr Gavin Relly (64), who announced his retirement after seven years as chairman and 13 years as head of Anglo's executive committee.

Mr Ogilvie Thompson (56) remains chairman of De Beers Consolidated Mines and Minorco, and is also on the boards of several other Anglo companies. In addition, he is vice-chairman of First National Bank.

Mr Ogilvie Thompson's appointment comes

as no surprise. It had been obvious for a number of years that he would succeed Mr Relly.

Mr Relly remains on the boards of several Anglo companies — including AECL, of which he is chairman — but will spend much time looking after Anglo's international interests.

Speaking to journalists after yesterday's board meeting, Mr Ogilvie Thompson said it was doubtful that large-scale nationalisation would take place in South Africa.

He was "quite confident that the other side will be persuaded to come to this point of view".

There were no plans at present for him to meet Mr Nelson Mandela.

● See Pages 11 and 12.

# The man who is handing over

BY FINANCE STAFF

Mr Gavin Relly, who retires as chairman of Anglo American at the end of this month, will be remembered above all as the man who wanted to show the group's hundreds of thousands of workers that capitalism and shareholding can have a pleasant face

In 1988 he launched the group's employee shareholder scheme which entitled every worker to receive, free, a small annual allocation of Anglo American shares

The scheme has been readily accepted by the group's employees. By March last year 133 000 workers — equal to 69 percent of the eligible work force — had become shareholders

Mr Relly's philosophy has been that Anglo's first responsibility is to the community at large as much as to its stakeholders. "For, if it fails in that aim it will lack the means of discharging any broader social responsibilities."

Mr Relly recognised early the need for black people to

move into more skilled jobs on the mines and he has been a staunch advocate of non-racial employment policies. He has also been a leading force in the drive to provide better educational facilities for blacks and to improve their skills

On the political front, he called on the Government a year ago to alter the political landscape by releasing political prisoners and addressing the issue of the state of emergency

As a result, he said, "opposition groups will have to move away from the comfortable stance of protest politics, recognise the hard realities of the South African situation, and negotiate and find compromise solutions that do not satisfy abstract ideological positions". These were prescient words

Gavin Relly was born in Cape Town on February 6 1926 and educated at Bishops and at Trinity College, Oxford, where he read politics, philosophy and economics after war service in Italy with the SA Sixth Division

After leaving university he

spent a short time in the political arena, working for Sir de Villiers Graaf who later became leader of the United Party.

Mr Relly joined Anglo American in 1949 and was private secretary to Mr Harry Oppenheimer and then to Sir Ernest Oppenheimer. In April 1965 he became a director of Anglo American

After working in Lusaka and Toronto Mr Relly was appointed deputy chairman in May 1977 and chairman of the executive committee in November 1978. He became chairman on Harry Oppenheimer's retirement in 1983

Under his guidance the group has prospered greatly. Equity-accounted earnings rose from R638 million in 1982/83 to R2,6 billion in 1988/89 and the group is well placed for further major expansion.

Mr Relly married Jane Glenton in 1951 and they have three children. Janis, Georgina and Giles

When not working, he likes to fish and play golf.

# Anglovaal boosts earnings by 34%

CML-Trans 2/3/90

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By ARI JACOBSON

THE mining, financial and industrial group, Anglovaal boosted consolidated earnings by 34% to a record R105,6m (R78,6m) for the six months ended December, with help from its associated manganese mines and the first time inclusion of a contribution from AA Life.

This performance was enhanced by a maiden contribution to earnings from the Lavino chrome mine and a R4,3m (1988: nil) dividend from the group's Prieska copper/zinc mine. Another positive factor was the cessation of losses incurred by Newcastle coal mines following the sale of its Klipspruit colliery last year.

Attributable earnings of R105,6m (R78,6m) translated into earnings a share of 247c (184c), which covered the increased interim of 30c (25c) a share 8,2 (7,4) times.

Turnover up 36% at R3,2bn (R2,3bn)

was dampened at the operating level by reduced margins from the AVI (Anglovaal Industries) to R263,7m (R228,9m) — a 13% increase.

Income from Anglovaal's gold investments showed no material change over the first half of 1988.

Turning to the group's gold exploration programme in the Northern, Orange Free State, the board reports that Anglovaal's share of exploration and other costs and the purchase of mineral rights, was R31,1m (R20,6m) for these projects, while the total costs under these headings amounted to R41,5m (R23,3m).

The AA Life JSE-listing was obtained through a reverse takeover of a cash-shell — Ocean Appliances Corporation — the name of which has been changed to AA Life Group Limited.

Anglovaal now holds 41,4% of the latter's equity.



# New man at the Anglo helm

By FINANCE STAFF

Businessmen all over the world will welcome the appointment of Mr Julian Ogilvie Thompson as the new chairman of the Anglo American Corporation.

De Beers flourished under his chairmanship, and no one can have any doubts that under his leadership Anglo American will continue on the same highly profitable track as it has under Mr Gavin Relly.

Mr Ogilvie Thompson is a tall man with a shock of grey hair and horn-rimmed glasses, all of which makes him stand out in any crowd.

It is certain that if he had not been a top businessman he would have been outstanding as a leading lawyer or top academic — he would have been a success in any profession where individuality and original thinking are needed.

The top businessman in South Africa invariably also has to play a political role. Mr Ogilvie Thompson already has a record of speaking out for the advancement of blacks.

He is perhaps a little more

fortunate than his predecessors, as the policies propounded by President de Klerk have resulted in relations between business and the Government probably being less strained than for many years.

It is interesting to note that in his statement to De Beers' shareholders last year, Mr Ogilvie Thompson said that the changes taking place in South Africa were slowly creating building blocks for real negotiation.

He said the Government would be wise to exploit this situation, and suggested that it could help itself by "the release of Nelson Mandela and other detainees, the unbanning of various organisations and a clear commitment to the final elimination of apartheid".

It seems that someone could have been listening.

Mr Ogilvie Thompson is the son of a former Chief Justice of South Africa. He was born in Cape Town 56 years ago and educated at Bishops. He won a Rhodes scholarship in 1953 and read philosophy, politics and

economics at Worcester College, Oxford.

He joined Anglo American and was appointed an executive director in 1971. He was appointed deputy chairman of De Beers in August 1982 and joint deputy chairman of Anglo American the following year.

He became chairman of De Beers in 1985 when Mr Harry Oppenheimer retired.

Mr Ogilvie Thompson has a great appetite for work, both in terms of volume and speed of achievement. Close colleagues claim he never stops working.

In 1988 Rhodes University awarded him the honorary degree of doctor of laws — 14 years after it had conferred this degree on his father.

JOT, as he is known to his colleagues, enjoys a close family life and spends as much time as he can with his wife Tessa and their two sons and two daughters, especially at their game farm in the eastern Transvaal. He enjoys bird shooting and trout fishing and is an occasional golfer.

# Ogilvie Thompson is new Anglo boss

BARRY SERGEANT

JULIAN Ogilvie Thompson, 56, will become Anglo American chairman when Gavin Relly retires at the end of March, it was announced yesterday.

Outgoing chairman Relly, 64, will, says Ogilvie Thompson, "be an unofficial ambassador for Anglo and SA" and will spend more time abroad.

The Anglo deputy chairmen remain Graham Boustred and Nicky Oppenheimer. No plans are afoot to fill Ogilvie Thompson's third deputy chairmanship.

Ogilvie Thompson retains the chairmanship of De Beers. He also retains his chairmanship of De Beers Botswana, Namibia's CDM, Minorco (Anglo's offshore arm) and Amgold.

He remains on the boards of several major group companies and local and international non-group companies, including First National Bank, of which he is vice-chairman.

At an informal Press conference yesterday evening, Ogilvie Thompson said he believed a number of "great gold mines remained to be found" under SA's surface, and stressed that Anglo would continue its extensive exploration efforts.

"We have sufficient reserves in place for this decade and into the next century."



Ogilvie Thompson at yesterday's board meeting. Picture: ROBERT BOTHA

He said the group would maintain its focus on reducing mining costs, especially given that the gold price had been flat in rand terms for so long.

In the December quarter, Anglo mined 42% of SA's total gold output. The conglomerate owns Freegold, the world's biggest gold mine.

Ogilvie Thompson said Relly's retirement from Anglo's chairmanship would enable him to devote more time to the inter-active relationship between the

□ To Page 2

## Anglo boss

financial world and community welfare. Relly, who was not present at the Press conference, said in a statement: "As director and member of the executive committee I shall continue to be involved in the group's affairs in SA."

"At the same time, Julian has asked me to spend more time on our international interests which will take me overseas more often," Relly said.

Ogilvie Thompson said he hoped the first black Anglo executive "would be appointed in the '90s", but warned that mere tokenism was not acceptable.

"We will continue to appoint blacks into senior management, but it will be unfair to appoint someone not qualified for the position," Ogilvie Thompson said.

He said that nationalisation was not the route that SA should follow, but that a business community credible to all racial groups should be created.

"It is not the best way to develop SA".

□ From Page 1

# No choice but to be political — Ogilvie Thompson

SOON after Mr Julian Ogilvie Thompson was appointed chairman of Anglo American this week, he admitted that he would have to become more of a political animal.

But, he qualified this by emphasising that first and foremost his duty lay in running a major business concern.

What he was conceding, however, was that as chairman of South Africa's largest commercial and industrial empire he had, by the very nature of the current situation and all of its intertwined socio-political and economic challenges, no choice but to become involved in politics.

He is, of course, already very much an accomplished political animal and his increased involvement in this sphere by no means suggests that he will have to undergo anything like a crash course in political science or diplomacy.

Only a week ago he was very outspoken in an interview with the *Sunday Times* of London when he urged European Community foreign ministers, before their Dublin meeting, to drop their sanctions on South Africa.

He has wasted no time in firmly positioning himself with regard to political and economic policy by agreeing entirely with his predecessor Mr Gavin Relly's rejection of nationalisation and reacted recently to President F W de Klerk's reform announcements by accepting that South Africa had embarked on a "dangerous policy".

He added, however, that to have continued as before "would have been disastrous".

Despite having had an under-standably and relatively low profile during his years as chairman of De Beers, Mr Ogilvie Thompson is not afraid of speaking his mind, which he does very much in



**MR OGILVIE THOMPSON** — Anglo's new chairman.

## CHRIS MOERDYK

the tradition of his predecessors — with considerable dignity and the utmost decorum.

That he should have been chosen to wear South Africa's most

coveted commercial crown has not come as a surprise to anyone.

The choice of chairman by the Anglo board in the past has never raised an iota of speculation within the marketplace or the media. A chairman of Anglo appears to be groomed well in advance for the task and it is by no means difficult for any casual outside observer to recognise, years in advance, the next candidate for the job as he makes his way upward through the ranks along a fairly well-defined path.

Anglo chairmen — not that there have been all that many of them, now only four in fact — do, however, have many attributes in common. Education, career paths, business acumen and, on a personal note, a dignified and gentlemanly bearing.

In a lighter vein, it is fascinating to observe that Mr Harry Oppenheimer, Mr Gavin Relly and Mr Julian Ogilvie Thompson

speak in an almost identical way. Their deliveries and superb command of the English language are very similar, almost to the point where it could be suggested that "Anglo-speak" seems to be a prerequisite to chairmanship.

Mr Ogilvie Thompson is 56 years of age and is currently not only chairman of De Beers but also of Minorco. He serves on the boards of many other Anglo companies and is the vice-chairman of First National Bank.

The son of an eminent lawyer and former chief justice of South Africa, Mr Julian Ogilvie Thompson was born in Cape Town on January 27 1934. He was educated at Bishops where he won a Rhodes scholarship in 1953.

After reading philosophy, politics and economics at Worcester College, Oxford he joined the Anglo American Corporation and spent some time in London with the group's brokers, Rowe and

Pitman, and also with merchant bankers, Lazards.

He returned to Johannesburg in 1957 and was appointed personal assistant to Mr Harry Oppenheimer.

In 1961 he moved to Anglo's finance division where he was closely associated with a number of major developments. In 1965 he was appointed a manager in the finance division which he subsequently headed four years later.

In 1970 he became managing director of De Beers and was appointed an executive director of Anglo in 1971 where he became directly involved with the shaping of policy and financial direction of the company.

He was made joint deputy chairman of Anglo in 1983.

Mr Ogilvie Thompson enjoys a close family life with his wife and children. He enjoys trout fishing and admits only to being an "occasional" golfer.

projects after the appointment this week of Julian Ogilvie Thompson as chairman in succession to Gavin Relly

An early go-ahead for the R2,5-billion Moab gold mine south of Vaal Reefs is forecast, to be followed by the Uitkomst nickel mine in the Eastern Transvaal and a heavy-mineral sands project on the West Coast

A large new coal mine is also a possibility in the Eastern Transvaal

Amic subsidiary Highveld is close to a decision on whether to proceed with Samancor on a stainless-steel plant that could cost R2-billion

Mondi is to spend another R1-billion expanding pulp and paper production

Analysts say staving off nationalisation attempts by the ANC and pushing profits for shareholders will be the new priorities at Anglo American under Mr Ogilvie Thompson

### Inactive

By keeping the chair of De Beers, Mr Ogilvie Thompson has centralised power in his own hands — as former chairman Harry Oppenheimer did. Analysts say he knows De Beers too well to hand over to anyone else

But he may hand the chair of Minorco to Mr Relly, who will be in London as an "unofficial ambassador for Anglo"

Anglo has suffered in recent months by comparison with wide-awake Gencor. It has been comparatively inactive while Gencor has made the running, acquiring, sometimes apparently from under Anglo's nose, such desirable acquisitions as Samancor, Mobil, Mossgas, Western Plats, Sallcor, Usutu and Alusaf and announcing several new mines

Anglo lost effective control of GFSA to Rembrandt, GFSA management and Liberty

Its bid for Cons Gold of London through Minorco appeared an embarrassing failure. But some say the Cons Gold saga was by no means an outright defeat.

Minorco made a huge capital gain in selling to Hanson Trust. If it had not acted, it would still be a powerless minority shareholder in underperforming, underpriced Cons Gold

Anglo observers are counting on the hard-nosed Mr Thompson to do in Anglo what he did in De Beers

### Knees

De Beers expert Winston Floquet, of stockbroker Martin & Co, says "Mr Ogilvie Thompson took over as deputy chairman when De Beers was on its knees in 1982. He acted forthrightly to clear the overstocked supply pipeline. To do that, he had to convince sceptical bankers to provide the finance

"Then, through a series of diamond swops, he got Botswana — the world's most important gemstone producer — committed to the Central Selling Organisation

By David Carte

through a shareholding in De Beers. We all know the result. De Beers has been one of the best performers on the market. Now he has his head, he can make his mark with Anglo just as he did at De Beers"

Mr Ogilvie Thompson is described by colleagues as a remote but brilliant gentleman, less of a people man than outgoing Gavin Relly, more of a numbers man

They say Mr Thompson will have to hone his people skills and maintain, if not actually increase, Anglo's social role in a more democratic SA

Asked at a news conference why Anglo had missed so many apparently attractive acquisitions which went to Gencor, Mr Ogilvie Thompson said "We have always preferred green- and brownfields projects to acquisitions. We did not want to encourage big foreign firms to leave because we felt they had a valuable role to fulfil"

Mr Ogilvie Thompson is content with Anglo's performance for shareholders, saying "A number of our greenfields developments

have been very successful. Look at some of the mining operations, not to mention Highveld, Mondi and Samcor"

He has reason for satisfaction. Numerous Anglo companies are prominent in Business Times top companies rankings which are compiled according to returns to shareholders

### Victim

Anglo has been a victim of discrimination by the Government in the past. The Government steered control of Samancor and Metkor, controlling company of Dorbyl and Stewart's & Lloyds, into respectively Gencor and Rembrandt

The Competition Board is believed to have indicated to Anglo that it should not bid for GFSA when Hanson Trust was selling it less than a year ago. GFSA ended up in the Rembrandt sphere of influence

Anglo has not complained, but is hopeful that that Boers vs Brit antagonism behind those moves is a thing of the past. Relations with the ANC and the National Union of Mineworkers will replace that problem

Sor

Son

Who

# New-look Anglo to speed billions

S Times 4/3/90

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OGILVIE THOMPSON... in Harry's steps

## Karos signs Polana deal

4/3/90

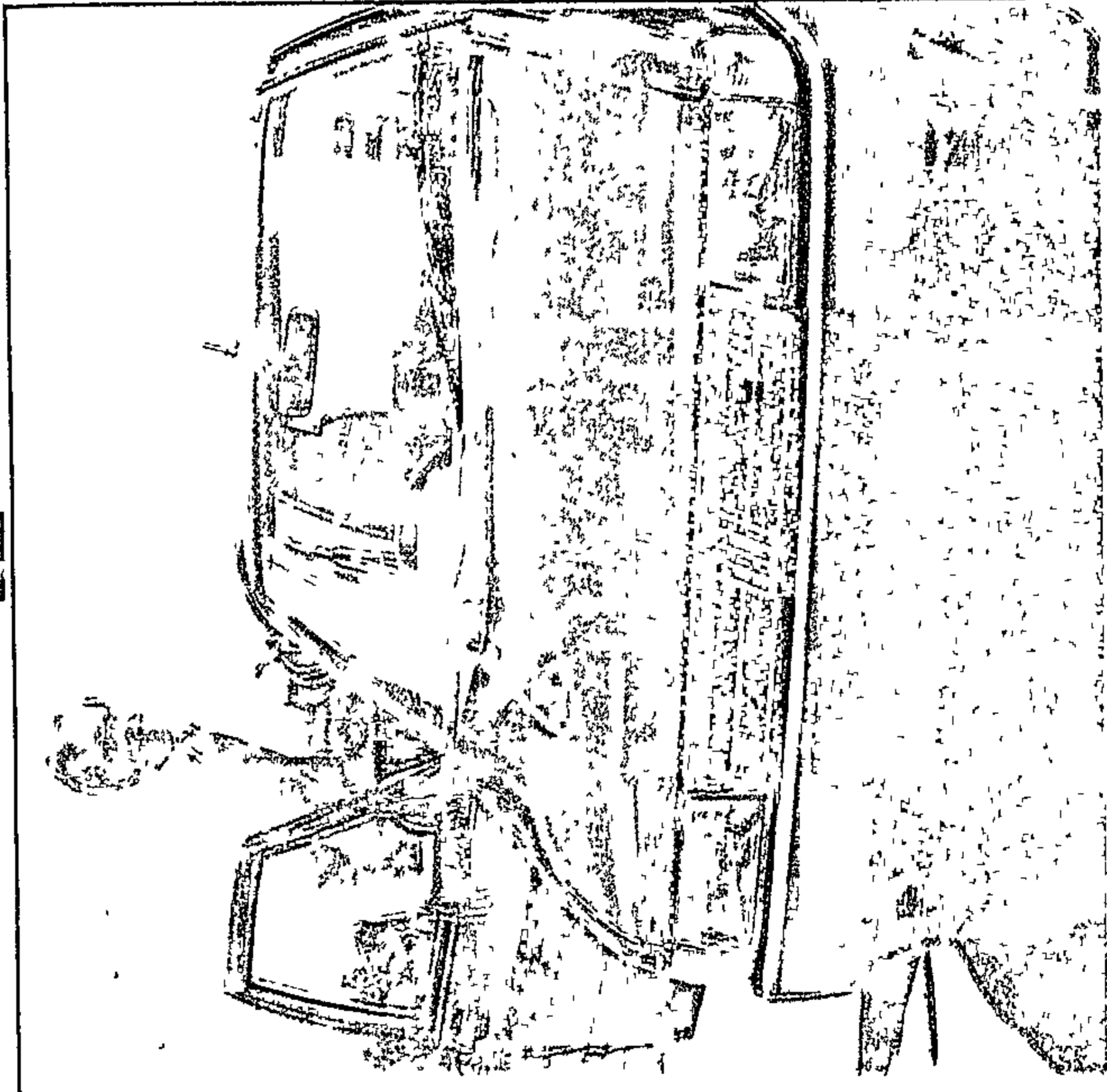
By Ian Smith

JSE newcomer Karos Hotels has beaten off strong South African and foreign competition to tie up the management contract for Mozambique's Polana Hotel

A joint venture company, Hotels Polana Lda has been formed to handle the R30-million refurbishment of the hotel on Maputo's beachfront. It will also develop a chain of hotels in Mozambique

Karos Hotels and private French and Mozambican investors will hold 55% of the company and the Government the rest

**Balance**  
The Government's stake will be held by the Department of State



The first all-new model in SA for a decade... the low-cost Fiat Uno with Nissan SA Marketing chief Stephanus Loubser. Picture: STEVE GREEN

## ANGLO American Corporation is expected to announce several large projects after the appointment this week of Julian Ogilvie Thompson as chairman in succession to Gavin Relly.

By David Carte

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# JOT

## HELLOUSE NORVAL talks to the new head of Anglo American Corporation, JULIAN OGILVIE THOMPSON

**SOUTH AFRICA'S most powerful businessman is as at home in the corridors of power as he is in his rambling old Sandton farmhouse.**

Julian Ogilvie Thompson, Anglo American's chairman-elect, likes nothing better than to relax at home with his wife Tessa, dressed in casual clothes and his favourite velskoens.

Nobody was surprised when "JOT", as he's known to friends and colleagues in the corporation, was appointed to succeed Gavin Rely in the country's top job this week.

His recipe for success "I think you've got to know the limits of your authority and then, every now and again, exceed it. But make jolly sure that you're right when you do."

In his case, other important factors for success are evident as well. For instance, a formidable intellectual arsenal coupled with an astute ability to focus on and dissect relevant facts.

The work ethic is firmly in place. Like most people who succeed in life, he knows only effort brings reward.

The 56-year-old who is also chairman of De Beers Consolidated Mines, Minerals and Resources Corporation (Minorco) and Anglo American Gold Investment Company (Angold) is a tiger of energy.

Over and above the chairmanships, he is a director of several major companies in the AAC group. He is on the boards of South African and international non-group companies, including First National

Despite the workload, he maintains a relaxed, urbane men. We are talking in the living room of his home. The big rambling house with a green corrugated iron roof still retains a rural ambience.

Old pine trees flank one side of the property. A long stretch of lawn ends in informal flower beds in front of the house. Five dogs of assorted lineage romp around.

Inside, the furnishings and atmosphere are essentially informal. Art-tique furniture blends with comfortable sofas. And, away from the grinding pressures of Anglo American's 44 Main Street head office, there is time to talk about matters related to Mr Ogilvie Thompson's business commitments, career and business philosophy.

## Q&A

I soon find out that Mr Ogilvie Thompson is, as I have been told, a very private person who is unwilling to disclose much about himself.

But he admits that he plays golf, a two-ball with his wife Tessa on weekends when they're in Johannesburg. No, he's not very good, he admits. His handicap is 15. "And I very seldom play to it."

Reading, when there's time, and he wishes there was more of it, is of biographies or social, political and economic history.

opera, is a pastime. He has a rod in a trout fishing syndicate. Wildlife is of tremendous interest as are infrequent visits to his 1214ha game farm in the Eastern Transvaal.

He and his wife enjoy walking in the bush. "And I enjoy bird shooting very much. I'm not at all interested in shooting buck and I'm much too frightened, nor have I any desire to go in for what you call big game shooting."

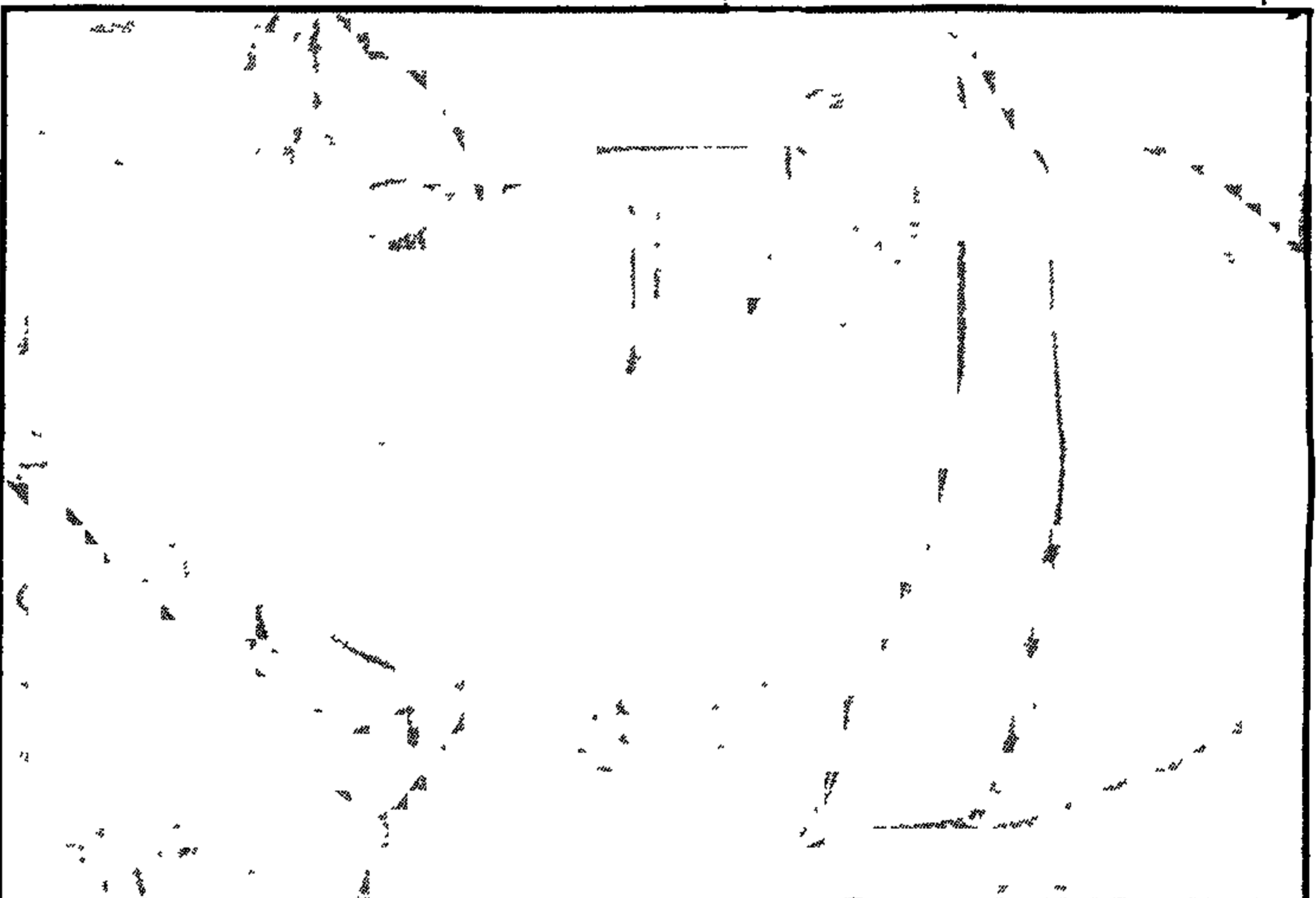
Often referred to as patrician, he is exceptionally tall, white-haired and bespectacled. Mr Ogilvie Thompson's achievements within the corporation have been linked to running a sub-four-minute mile in business. It has been said that after 27 years as Harry Oppenheimer's right-hand man, Mr Ogilvie Thompson became, by a sort of osmosis, a classic product of the Oppenheimer tradition.

What have been the significant highlights in his career and how did they come about, I want to know.

Sitting back, comfortably clad in a pair of old blue trousers and a short-sleeved, open-necked shirt, one vel-skoened foot resting on his knee, he doesn't hesitate before he replies.

"What is obviously the case in any one's career is that a lot of your career development comes from the various whom you worked for at various times."

"Working for some four years as Harry Oppenheimer's personal assistant had a tremendous formative



## FAR FROM THE MADDING CROWD: The private face of Julian Ogilvie Thompson, Anglo's new supremo

approach — indeed on my philosophy of life and my whole attitude to South Africa.

"It goes without saying that Harry Oppenheimer is a particularly remarkable man and that he and his father built up a remarkable organisation."

There is no mistaking the high regard in which he holds Harry Oppenheimer. "Apart from the ability and the experience and his own tremendous work habits, I think Harry Oppenheimer is a liberal thinker in the broader sense of the word, whether it's in business or in economics. Certainly in politics. This

whole philosophy has run through his approach to business and the way in which the organisation has been run."

Son of a former Chief Justice of South Africa, Mr Ogilvie Thompson was educated at Bishops in Cape Town where he won a Rhodes scholarship in 1953.

After reading philosophy, politics and economics at Worcester College, Oxford, he joined Anglo American Corporation. He spent some time in London with the group's brokers Rowe and Pitman and with Lazards, the merchant bankers, before returning to Johannesburg in 1957. The

close link with Harry Oppenheimer continued after he joined the finance division in 1961 where he was closely involved in a number of major developments. "The financial affairs of Anglo were naturally a part of the activities in which Harry took a very close interest."

Four years later Mr Ogilvie Thompson headed the finance division. In 1970 he relinquished day-to-day responsibility for this division to board he had joined in 1966.

Again he worked closely with Mr Oppenheimer who was chief executive of De Beers at the time.

Appointed an executive director of Anglo American in 1971, Mr Ogilvie Thompson became directly connected with shaping the central policy and financial direction of the group. He became closely involved in the development of Minorco, succeeding Harry Oppenheimer as chairman in 1982.

His rise within the organisation was dramatic. In August 1982 he became deputy chairman of De Beers, joint deputy chairman of Anglo American on January 1, 1983 and chairman of De Beers on January 1, 1985.

He speaks in the clipped British accent of an Oxford don. What he says is precise and to the point. At times he is almost pedantic. No words are wasted. He comes across as a man firmly in command within a highly complex, widely diversified conglomerate.

What is his management philosophy and approach within his multidimensional career and when new projects are developed?

"The answer to that is probably

# The tall man in 'vellies' who has become the new Mr Big of 44 Main Street

that in the early stages when a project is basically my responsibility, mine is very much a hands-on approach. However, in everything, there is a sort of second time around and a third time around, a sort of calendar of events, a calendar of meetings and a calendar of decisions. Obviously, as you have other responsibilities, you delegate more as you become more experienced."

Is delegation a problem for him? "It doesn't present any problems as soon as I have really understood and felt I was conversant with the basic facts. It is a case of passing things on to others."

What does he regard as his special skills and strengths within the group? "It's very difficult to talk about one's strengths. I have said on another occasion that I suspect that I am more numerate than literate. I probably find it easier to understand the figures and the numbers quicker than speechifying or writing long essays on something."

## Q&A

Talking to him, one realises that the Anglo ethos is one of teamwork. What comes across is that Anglo is a club of carefully selected members who fit the image and thrust. The members relate closely to each other, understand what is required of them and get on with the task at hand.

"I'm absolutely sure that in any individual's career, whether it's in business or law or almost anything, I can think of, luck plays a major part. Obviously judgment, good judgment is going to play a part."

"There is another factor too Gary

Player once replied after sinking a long putt, to someone who said "Oh how lucky!" "Oh yes, but you know, the more I practise, the luckier I get." I think there is an element of that too."

He laughs. The dogs bark. And we continue to talk. He shifts position in his chair, makes mild gestures with his hands and looks very much at ease. Is he an obsessive workaholic as I have heard?

"Well, I suppose you really do have to do a lot of work because I think there are very few people who can simply rely on intuition and that sort of thing. But I don't know about the word obsessive."

"There is no doubt that if you've done your homework you are much better placed for any meeting or discussion."

In today's complex world of business, what makes for an effective executive? "I think people have to have judgment. The more senior you get in business, the more business impacts on politics in the broader sense. Therefore you have to have some political judgment too."

"The other thing is to be able to identify, recruit and motivate able people and able teams and relate to them. You have to be able to pick up ideas from them and have an exchange of ideas so that in any discussions a synthesis develops."

"You have to keep in touch with affairs. Nowadays you have to pay a lot of attention to industrial relations matters. The more experience and knowledge you have, the better."

The last essential, he believes, is to anticipate problems. "Address these problems and see that your organisation is properly staffed to apply its mind in those directions."

# Gold, the double edged weapon of wealth and survival

Sowetan  
5/3/90

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"IN less than 20 years, Johannesburg was transformed from bare veld into a rich mining city. In this time black South Africans - neither rich nor citizens - came to work on the mines.

The story of the mining industry has often been told as the story of progress - of modernisation, technological achievement and expanding economy. Told that way, the story shows how they (the randlords) were able to gain fabulous wealth - and, at the same time, shape the future of a country.

The same story can be told a different way - as the struggle for survival of those whose hands made the wealth, the workers who came to eGoli. When gold production began, their lives were drawn into a system. The system developed until it affected every part of their lives, from the cradle to the grave." (*Luh Callinicos Gold and Workers*)

More than 200 years ago, agriculture dominated the livelihoods of the majority of South Africans. But with the discovery of diamonds in 1867 and subsequent discovery of gold in 1888, this was soon to change.

The second half of the 19th century witnessed a virtual explosion of industrial development activity as miners, many from foreign lands, came to seek their fortunes.

The consolidation of mining, which pushed forward into the 20th century, transformed SA, ushering in an important new socio-economic system. The mining industry soon became the main-spring of industrialisation and of modern economy in South Africa.

## Urbanisation

Mining was the first really large-scale capitalist industry in South Africa and it was here that the first major racial distinctions became institutionalised in an industry.

Activity on the mines became associated with an entrenchment of

capitalism, industrialisation and the urbanisation of the working class. The far-reaching economic and social changes were soon to provide fertile ground for class and racial conflict.

WITH the unbanning of the ANC and the PAC, the debate whether or not to nationalise the mining industry is raging. The mines and the importance of gold in particular, are inextricably linked to the history of mining development in SA. Lynn Pikhholz looks at the issues involved.

The words, uttered in Kruger's Memoirs by General Joubert in the 1880's, when a burgher came to gleefully inform him that a new gold-reef had been discovered, have been fulfilled in astonishing fashion. "Instead of rejoicing," he said, "You would do better to weep, for this gold will cause our country to be soaked in blood."

Looking at the impact of the mineral revolution and the consequent industrial revolution on labour patterns in South Africa, it is not difficult to validate his statement even though he meant it in reference to the British Government, who, being tempted by the wealth of the country, engaged in the Anglo-Boer war in defence of the Uitlanders.

## Compounds

The migrant labour system and the housing of labourers in compounds, which broke up community and family life, the dangerous and extremely harsh working conditions, the control over workers' lives, and the discrimination that occurred on the mines, caused labourers untold pain and suffering.

What tended to complicate matters was the extent to which government laws and practices acted in the service of the mine owners. As early as 1890, Cecil John Rhodes, a man with enormous mining interests, became Prime Minister of the Cape.

It was not that surprising, therefore, that he arranged laws, such as the Glen Grey Act which was aimed to push black people off the lands

and to become wage earners on the mines and railways.

After the Anglo-Boer war, successive governments passed laws and enforced order in the interests of the mine owners. Such laws included the introduction of taxes, for example, the hut tax (workers would have to earn wages in order to be able to pay them), the Native Land Act of 1913 which dispossessed black people of their land, the Job Reservation and Colour Bar Acts.

In reaction to conditions on the mines, significant formal and informal worker resistance developed and the first African Trade Union was formed.

The reliance, that has since developed, on the "barbarous relics of gold" has made the South African economy extremely vulnerable to any freefall in the gold price and/or any major stoppages in the gold mines.

## Temptation

Whereas common sense dictated the risks in relying on a single commodity too much, the temptation for capitalists was too great. The unlimited pool of labour that was made available to work on the plentiful mines, and the fact that gold was an industry that "feared neither locusts nor cattle diseases, neither drought nor summer flood," (*De Kiewiet*), caused increasing specialisation on the mines.

That gold was exclusively relied upon to bring in necessary foreign exchange becomes a double risk when one takes into account the dependence of the mining industry on foreign countries as the demand for gold, as well as the price, tend to be internationally determined.

After some expensive lessons were learned when the gold price

dropped drastically in the early 1920's, causing substantial damage to the economy, the government began to invest in, and protect, the local manufacturing industry.

Although, in recent years the importance of the gold industry has declined a little, it continues to be the country's single largest generator of foreign exchange.

When, owing to declining international demand for gold, insufficient foreign earnings were brought in to finance our imports, there was a tendency to borrow funds abroad.

This came to an abrupt halt in 1985, when, financial sanctions were imposed on South Africa for political reasons. With another source of finance closed, the dependence on gold was highlighted once again.

## Volatility

The effect of gold price volatility on the South African economy, owing to our large undiversified export mix, is significant.

The fall in our average growth rate from five percent in the 1950 - 1970 period to around two-and-a-half percent in the subsequent 15 years, has been largely attributed to our much lower foreign exchange earnings.

Although the mining industry will continue to be of crucial importance to the South African economy, the emphasis of future policy makers needs to be less myopic.

Given the widespread poverty, massive unemployment and the two and-a-half percent growth rate in the population, South African society has little option but to diversify substantial energy and resources away from its rich mining heritage and to concentrate more thoroughly on developing its human resource base.

Mining will, of necessity, continue to play a pivotal role in this process, although, the benefits that accrue from the industry will have to be directed towards broad based mass development.

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## White miners being attacked - CP

CAPE TOWN — The Conservative Party has asked for a snap debate on the "disturbing and worsening" security situation

In a statement yesterday, the CP's Chief Whip, Mr Frank le Roux, said the party was being "inundated" with information on conflict and assaults all over the country.

The nature and extent of assaults was so serious that white mine-workers were threatening to take the law into their own hands. In other cases they were refusing to go on duty.

The CP said assaults had taken place recently on white mine-workers at the Saaiplaas, President Brand, Harmony and President Steyn gold mines. Similar cases had taken place at Metal Box in the Vaal Triangle — Sapa.



# De Beers shares at new high

By Sven Lunsche

De Beers share price surged to a record high yesterday ahead of the group's results, which are being released later today.

After touching a high of R75 in early trading, the share price closed the day's trading 3,5 percent, or 250c, higher at R74. Over 336 000 shares, valued at R25 million, changed hands in 297 deals.

Dealers said the rise followed on expectations that De Beers 1989 financial results look better than anticipated, despite sluggish sales by its Central Selling Organisation (CSO) last year.

Analysts forecasts of the equity accounted earnings per share range from 900c to R11, a minimum rise of 15 percent on the 780c achieved in 1988.

The total dividend was expected to be raised from 200c to at least 225c a share.

But much of the surge in the share price can also be contributed to the better-than-expected diamond prices received at De Beers first two sights this year.

The level of sales achieved in January was \$500 million and in February \$550 million, an increase of 42,9 and 29,4 percent respectively on the 1988 figures.

There are also murmurings in the market regarding a further diamond price hike, but dealers said it was unlikely that a separate listing of the CSO or a major restructuring of the group would be announced when chairman Julian Ogilvie Thompson addresses a media conference later today.

# De Beers puts foreign eggs into Swiss basket

By Derek Tommey

Diamond producer De Beers said last night it was putting all its non-South African interests into a Swiss-registered company to be called De Beers Centenary AG

At the same time it said its profits last year had risen 37 percent — more than the market was expecting. The annual dividend has been lifted 40 percent.

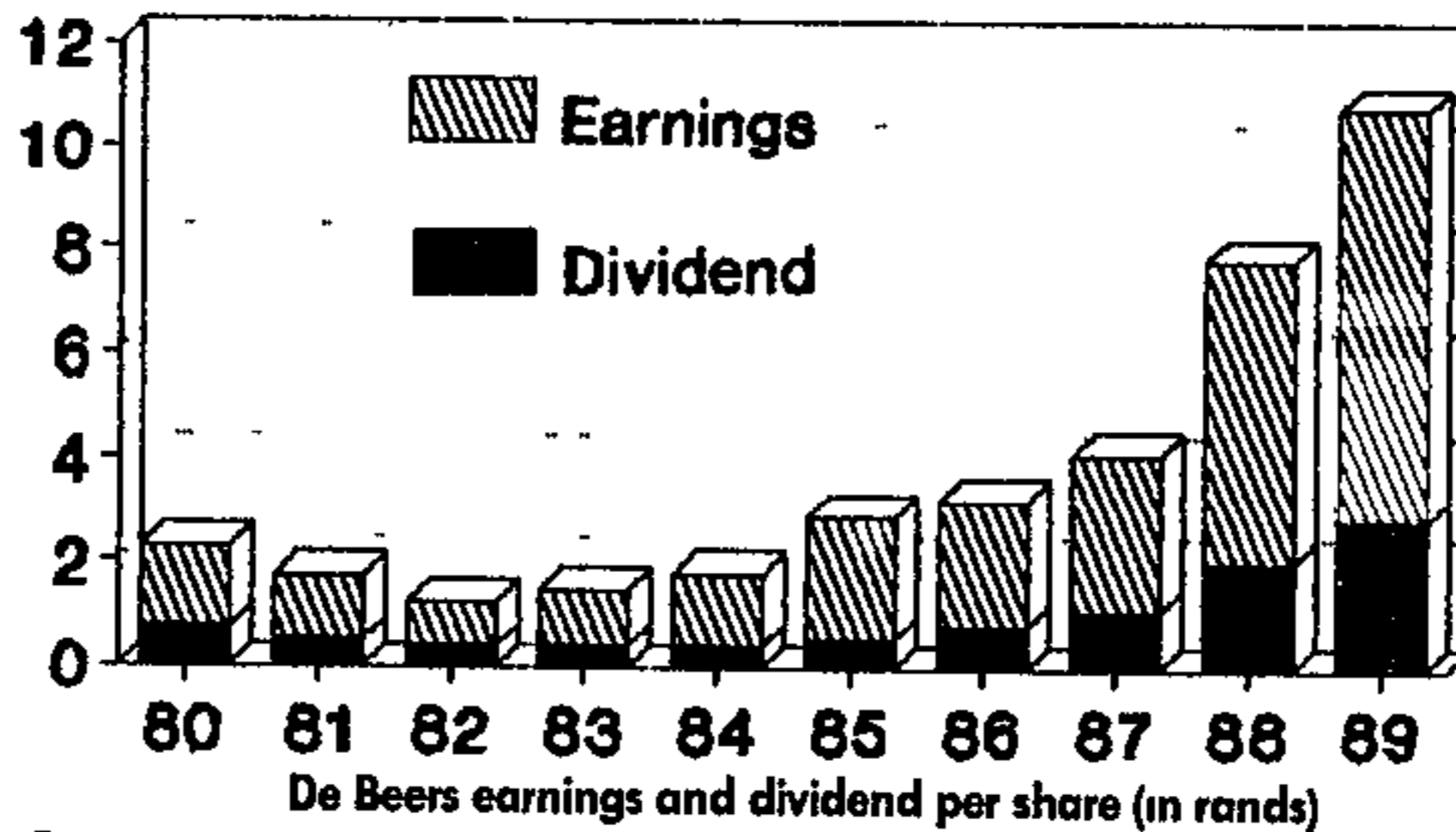
Based on last year's figures, foreign interests produced 80 percent of De Beers' attributable earnings and 60 percent of equity-accounted earnings

When the interests have been separated, De Beers' equity shareholders will own shares in both the SA and Swiss groups. But these shares will be stapled and tradeable only as one unit.

Dr Mannie Pohl, head of research at Davis Borkum Hare, said he saw the move as a positive one which would be well-received by investors.

Julian Ogilvie Thompson, De Beers' chairman, said there were several reasons why De Beers was embarking on this course:

- It would enable shareholders better to identify the earnings, dividends and assets attributable to the foreign and SA groups.
- It would provide shareholders with securities representing direct interests in, and dividends from, the foreign and SA groups.
- It would enable the foreign and South African groups better to develop their business overall



● It would facilitate access to the international capital markets

He denied it had anything to do with recent happenings in South Africa. Planning for the move had begun last year.

He said, "The rearrangement in no way reflects any particular view any of us may have on current developments in SA.

"As you know from other statements by my colleagues we are very encouraged by and warmly welcome these developments.

"There are obviously going to be ups and downs on the way to a solution. But we believe the way has been opened to a fairer and more prosperous SA."

De Beers, however, did not see it as a disinvestment

"No South African assets have been sold. No cash is being transferred across the exchanges. Shareholders will simply come to hold the local assets and the foreign assets separately," Mr Ogil-

vie Thompson said.

The new company will hold.

● All De Beers' interests outside South Africa. Among its holdings will be De Beers' shareholding in Consolidated Diamond Mining in Namibia and its holdings in Debswana operations in Botswana

● The diamond stocks and other assets of De Beers' overseas trading subsidiaries

● The foreign elements of the Central Selling Organisation, including research activities at Maidenhead, England, and diamond facilities in Belgium

● The foreign synthetic diamond business.

● Investments in foreign companies, including Minorco, Anglo American Corporation of South America and Eastern Investments

De Beers (South Africa) will continue to hold its investments in SA companies, including major holdings in Anglo American Cor-

poration, Anglo American Industrial Corporation and Anglo American Investment Trust.

De Beers will retain a direct interest of 95 percent in the Centenary group

Holders of De Beers stapled shares will receive dividends directly from the two companies.

Mr Ogilvie Thompson said the overall capacity of De Beers and Centenary to pay dividends would be unaffected by these arrangements and there would be no change in dividend policy.

The withholding tax on dividends paid by Centenary is expected not to exceed seven percent of the payment and South African unitholders will be entitled to a refund.

The move was well received by investors in London, reports Neil Behrmann. De Beers' shares surged to \$22.50 from \$19 after the announcement.

"It can only be good news, it reduces political risk and will improve the rating of the shares," says John Taylor at James Capel.

He believes that the shares are worth \$31 and the price earnings ratio for foreigners should be around eight, against the present level of under five

About 13 percent of De Beers shares are already held abroad.

"The coupling of the units is confusing, but some time in the future, the shares of the company could trade separately," says David Ridley of Williams de Broe

# De Beers results at top end of market expectations <sup>5th 7/2/90</sup> (200)

By Sven Lünsche

De Beers' share price yesterday surged by 13,5 percent or R10 to close at a record R84, after the announcement of the major restructuring of the group and better than expected results for financial 1989.

Shareholders should certainly be pleased with the excellent performance of the group, which bodes well for this year's results.

Rand profits from the diamond account were 19 percent higher in 1989, investment income was 42 percent higher and interest earned rose by 120 percent.

Total group profits rose R775 million from R2,1 billion to R2,87 billion, equivalent to earnings per share of 754c (550c). The dividend increase of 40 percent from 155c to 217,5c makes a total for the year of 280c (200c)

Including retained earnings of De Beers associated companies, earnings increased by R1,127 billion to R4,088 billion or R10,76 (780c) per share.

In US dollar terms retained earnings profits rose from \$1,243 billion to \$1,609 billion.

The diamond account improved from R2,467 billion (\$1,036 billion) to R2,942 billion (\$1,158 billion), reflecting the March price increase of 15,5 percent and the lower rand-dollar exchange rate

over the year.

Income from investment outside the diamond industry — including De Beers stake in Minorco and Anglo American — leaped by 42 percent to R518 million (R366 million), while the group's huge cash pile and higher international interest rates more than doubled interest earnings to R748 million (R340 million)

The diamond stock at R6,291 billion increased by R1,52 billion — in dollar terms the stock level was \$2,476 billion in 1989 against \$2,003 billion in 1988.

The De Beers board also decided to make a third allocation of 10 shares each to employees who participated in the De Beers employee shareholder scheme.

● The frenzied trading in De Beers shares yesterday boosted overall market sentiment on the JSE.

With almost R50 million worth of De Beers shares traded, and similar interest shown in associate companies like Anglo American, Minorco and JCI, the overall index was given a 3,1 percent boost to 3 201. The all-gold index showed an even better improvement, rising by 4,1 percent to 1 974

Since speculation on the De Beers deal and results started six days ago, the value of shares traded has surged to R135 million. Its share price hit R85,25 in the afternoon before falling back to R84.

# Foreign holdings give many companies potential to go

MANY SA companies, whose cumulative foreign holdings run into billions of rand, have the potential to go the De Beers staple route by hiving off these holdings into distinct, foreign-based corporate entities.

They include companies on all sectors of the JSE board. Their interests span four continents, from Canada to Brazil, Belgium to Denmark, Hong Kong to Australia.

SA industrial conglomerate Barlows, for example, holds 86% of UK-listed industrial and agricultural group J Bibby, which in 1989 brought in R93m (9.3%) of Barlow's R1bn attributable profit.

Information technology giant Altron

holds a controlling interest in UK-listed computer group Telemetrix, which in turn holds interests in related companies.

Anglovaal holds a 29.9% interest (acquired early last year for £16.5m) in UK-listed mineral resources company North Sea & General, since renamed Anglo Pacific Resources to reflect the dominance of its key shareholder and the main area of its operations (Australia).

Johannesburg Consolidated Investments, in its latest annual report, says the market value of its holding in De Beers (since De Beers-Centenary), with holdings in various unlisted and listed diamond

ROBERT GENTLE

trading companies, amounts to R969m.

A Simpson McKie mining analyst estimates the market value to be twice as high.

It is Anglo American that emerges as the most widely-spread SA company. Its latest annual report shows it has 39.1% of Luxembourg-based Minorco, whose own interests were enhanced only last month with the \$705m acquisition of US gold mining company Freeport-McMoran

Anglo also holds a 40% stake in Anglo American South America, a mining com-

pany with interests in Brazil, Chile and Argentina. Its net 1988 income was \$130m.

Gencor holds what it calls a "significant interest" in Sao Bento Gold mine in Brazil.

The list is seemingly endless: Malbak has a stake in UK-listed MY Holdings; FSI has cash-flush UK offshore vehicle AAF Investments currently on the acquisition trail, Liberty Life's 48%-owned UK investment vehicle TransAtlantic holds 75% of UK property company Capital & Counties and 29.9% of Sun Life Assurance

Analysts have little doubt that SA companies so inclined could park off-shore interests under the wing of a neatly created foreign vehicle

De Beers route

The resulting separation, which would merely formalise the existing difference between foreign and local interests, could be reflected in a stapled unit of indeterminate longevity.

The chances of an SA company admitting to plans of this sort are clearly nil, if the example of the PG Group (whose extensive international glass and wood interests traditionally account for 50% of net earnings) is anything to go by

Asked if PG would contemplate doing a De Beers to avoid nationalisation, financial director Michael Read said: "Any restructuring would be for economic reasons, not political."

# Amic runs into some little spots of bother

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By Derek Tommey

The Anglo American Industrial Corporation (Amic) had a difficult six months to December, profit figures show.

But it was still able to increase attributable earnings for the year to December by 26 percent from R517 million (equal to 963c a share) to R653 million (equal to 1 211c a share).

The final dividend has been lifted 17 percent from 205c to 240c, making a total payment of 350c for the year, 20,7 percent more than the 290c paid last year.

Chairman Graham Boustred warns that 1990 will be a difficult year.

It could prove difficult to sustain earnings at last year's levels, although management's objective is to maintain earnings for 1990, he says.

However, he draws one pleasant prospect from current conditions.

The initiatives undertaken by State President FW de Klerk should hopefully result in the normalisation of relations with overseas trading partners, he says.

## Exporting companies

While it is not possible to forecast when sanctions will be lifted, once Amic's exporting companies are able to trade freely throughout the world, particularly in North America and Europe, the group should benefit significantly.

Mr Boustred appeals to the Government for greater economic stability in order to fos-



Amic share price movement

ter and encourage new investment.

Industrialists have had to contend with considerable volatility in the application of economic policies, says Mr Boustred.

Within the last year there have been a large number of inexpedient and ad hoc decisions relating to the import surcharge, depreciation allowances and export incentives.

In order to ensure the export-oriented investment climate it is dedicated to create, it is vital that the Government work towards longer-term sustainable strategies, which can be relied upon by industry with a degree of confidence, he says.

However, he welcomes recent actions by the monetary and fiscal authorities, which provide

evidence of a recognition of past inadequacies and the need to establish a more stable environment to encourage investment and job creation, says Mr Boustred.

What is also needed is evidence that other participants in the unfolding dispensation are equally determined to create conditions for economic to benefit all South Africans.

Amic's figures show that group turnover, after rising 31,4 percent to R2,79 billion, rose only 14,6 percent to R2,99 billion in the second half.

Operating profits, after rising 69,9 percent to R586 million in the six months to June, rose 7,9 percent to R542 million.

Mr Boustred says that after an extremely buoyant first half,

earnings growth progressively slowed towards the year-end, reflecting subdued demand in the local market, and lower commodity prices in world markets, although the latter were offset to a degree by the weakening of the rand/dollar exchange rate.

Highveld Steel was a major contributor to improved performance.

Attributable earnings rose 165 percent to R322 million, equivalent to 450c per share.

## Weaker demand

Scaw Metals' earnings for the year increased by 24 percent from R62 million to R77 million.

These earnings were supplemented by a commendable performance by Haggie, in which Scaw has a 35,3 percent stake.

Weaker demand for paper and timber products locally, and softening world prices for pulp and paper towards year-end, saw Mondi Paper's operating earnings increase at a lower rate than last year.

Mondi's attributable earnings rose from R162 million to R163 million.

Boart International experienced a severe downturn in demand for its exploratory drilling equipment and services brought about by substantial reductions in prospecting activities in many areas.

As a result, attributable earnings fell from R97 million to R87 million.

AECI increased earnings 23 percent from R255 million to R314 million.

## Foreign ownership down six percent

FOREIGNERS owned at least 15 percent of all South African mining shares by the end of last year, but this was down from 21 percent at the beginning of the year, according to a report by stockbrokers Davis Borkum Hare. W/M 9/31 - 15/3/90

DBH's Manny Pohl notes that total foreign interest fell substantially from 1982 to 1988 and more recently United States holdings, through American Depositary Receipts (ADRs), have been falling. The US interest in local mining shares fell from 12,7 percent to 4,7 percent during last year.

Although there has been renewed foreign interest in the last few weeks, there are not enough shares (free scrip) available to sell.

According to Pohl's report, foreign shareholdings in South Africa's gold mines by December 31 stood at 24,2 percent while over one quarter of De Beers' shares were held by foreign investors — down from 32,5 percent during the year. Only 5,4 percent of platinum and 5 percent of mining house shares were in foreign hands.

Alternative avenues of gold share investment have been provided in recent years by Canadian, US and Australian gold mines. Pohl cites this as one reason for declining interest in South African shares. The other is political: "Foreign investor perceptions have historically imparted a 'political risk' to holding South African equities which reduced their relative attractions vis-à-vis gold mines elsewhere in the world," says Pohl.

## Déjà vu for Anglo

Twice this year Anglo American officials have met Nelson Mandela. In January gold and uranium head Clem Sunter went to Victor Verster Prison at Paarl to visit the ANC leader. More recently chairman Gavin Relly conferred with Mandela at his home in Soweto.

Then, last weekend, Michael Spicer — Relly's personal assistant — was part of a business delegation to Harare that met the ANC for talks on the future of the SA economy.

So, while government continues to talk about talks about talks on politics, the largest conglomerate has pushed ahead with talks of its own on the future of business. With nationalisation high on the ANC agenda, Anglo's task is to outline better ways of furthering the ANC's economic goals.

Albie Sachs, of the ANC's constitution committee, says the organisation is looking to the private sector for solutions. That means Anglo will be involved. In Namibia, Anglo chief Harry Oppenheimer met Sam Nujoma before the UN-supervised elections. Anglo has not disclosed its plans for Namibia but it is significant that Swapo is back pedalling on nationalisation. Sachs says SA is likely to follow Namibia's example.

"Business is going to have a very important role to play in a democratic SA, partly through its economic activities and partly because it can become a major agent for nation-building by contributing towards breaking down inequalities.

"We are not keen on the idea of a purely passive or beleaguered business community," Sachs says.

Anglo realises that unless the private sector provides market-orientated solutions to the problem of black impoverishment, an ANC government could be forced to nationalise. There are vast economic aspirations to be satisfied and, to stay in power, Anglo officials believe the ANC might have no choice but to nationalise — the examples of eastern Europe and Africa notwithstanding.

However, the takeover of monopolies, banks and mines will not automatically result in black advancement because few blacks have the skills to staff and run these sectors. The ANC's education arm, the National Education Co-ordinating Committee, estimates that 60% of black adults are illiterate and 40% of black youngsters are not attending school.

Anglo has been there before. It was faced with Afrikaner economic aspirations and threats of nationalisation in the Forties and Fifties.

fairs, who said "Far from being swallowed up in General Mining and Anglo, Federale Mynbou (the Afrikaner company) had won a most valuable stake in a world hitherto out of reach. It could only be to the good of everyone — as Harry had insisted all along." The acquisition of General Mining was followed by the purchase of Union Corp which, with General Mining, now makes up mining giant Gencor.

takeover of General Mining which, ironically, drew a sharp protest from arch Afrikaner Prime Minister Hendrik Verwoerd. He and several Cabinet colleagues attacked the move by claiming it was a trick to trap Afrikaner savings and syphon them off into Anglo's coffers. But unexpected praise came from pro-nationalisation Nationalists, including Nico Diederichs, then Minister of Economic Af-

In the mid-Fifties Anglo chief Ernest Oppenheimer decided to help a mid-sized Afrikaner mining company to gain a large foothold in the gold mining industry after thwarting its efforts for years. This was the Afrikaners' first entrance into the world of big business. Harry Oppenheimer continued the effort after his father died in 1957. It was Harry who drew up the proposal for the Afrikaner

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# Bridge over troubled waters?

■ The challenges ahead go far beyond the bottom line



If Gavin Relly was the icebreaker, Julian Ogilvie Thompson's task as chairman of Anglo American Corp must be to act as a bridge to carry SA's most potent symbol of free enterprise safely

into the new and uncertain epoch. For in all respects, with its depth and diversity, Anglo is the private sector's front line in the battle of ideologies which will rage as the country moves towards what all pray will be a fully democratic, just and equitable society.

Should Anglo fall, who or what will survive in an economy whose potential — internally and as a force for prosperity in the whole southern African region — has yet to be fully realised?

For powerful (often oppressively so) as may be the State corporations, SA looks to the private sector for dynamism, energy and, above all, growth.

Yet turbulence, even if accompanied by hope, is not the usual incubator of confidence. And what, only five years ago, was the unthinkable is now common debate from Murmansk to the Cape of Good Hope. By and large, however, the portents are positive and, barring a cataclysmic reversal, so too are the long-term implications for global economic growth and SA's future as a trading nation.

Fortunately for the new chairman, and the four-headed mammoth he bestrides from April 1, the legacy of Gavin Relly's seven-year stint is one geared to proactive participation in, and management of, change. In terms of the external environment in which business exists, the cornerstone of the Relly philosophy was to anticipate and, where possible, make things happen.

Under the in-house Project 2001, group executives were asked to look back from where they wanted their operations to be at the start of the next century. The object was to establish what should be done now to make those targets possible.

Hence the early encouragement of the National Union of Mineworkers (NUM) and trade unionism generally. The price of learning what industrial democracy can involve was painful, unnecessarily so, for all sides — especially during the 1987 strike. But the lessons can only be beneficial in the longer run.

Hence Anglo's considerable investment in trying to surmount the deadening blockage of the apartheid education system which stifled any significant upward flow into the corporation's ranks of talent from the major-

ity of the population.

Hence, too, the pre-emptive, icebreaking trek to Lusaka to meet the ANC in exile on September 13 1985. Anyone then predicting the contents of President F W de Klerk's February 2 speech, or Nelson Mandela's walk through the gates of Victor Verster prison nine days later, would have been derided for wishful thinking.

The picnic in the Luangwa game park drew a torrent of critical abuse at the time. All who were involved, however, can thank it for establishing the bona fides of business in the reform process — and hopefully ensuring that the coming debate will not be a dialogue of the deaf.

It can be fairly said that, notwithstanding the slings and arrows of the Eighties — inflation, a limping economy, penal interest rates, labour and civil unrest, soaring costs and shrinking margins — Anglo and its



Ogilvie Thompson ... spreading wings

sisters survived pretty well as businesses.

Non-business initiatives (at least for the immediate future) were not complicated by failure to produce profits because of policy and direction.

The downside fiscal years were limited to 1982 and 1983 — blighted by the gold price slump, depressed rough diamond sales after the excesses of a speculative boom, and a global economy in recession in the wake of the second oil price explosion.

Business growth since then undoubtedly owed much to devaluation of the rand and the Anglo-De Beers group's sensitivity to the international value of the dollar.

But SA shareholders at any rate have had little cause for serious complaint about one of the bedrock constituents of any portfolio.

Even though the broad Anglo group produced no massive new projects and appeared to miss out on several (but not all) acquisi-

tion opportunities, its inflation-adjusted growth compared well with the economy and most alternative investments of any size.

Organic expansion continued, however. Highveld Steel (under Les Boyd) and Mondi Paper (under Tony Trehar), the big investments of the Seventies, began to pay handsomely, coal output grew apace and gold production was sustained by the high tonnage/low-grade approach, and with normality restored, diamond sales entered a period of higher volume and higher prices.

Overall, for the 10-year shareholder, Anglo's equity-accounted earnings compounded upwards at an annual 20%, dividends grew at a rate of 16%, and the share price of R14,60 at the start of 1980 reflected Anglo's currency hedge virtues with a tenfold advance prior to the recent sobering in the markets.

Ogilvie Thompson thus takes over a corporation which has no evident unwanted baggage and in whose fortunes he has played a large part. The automaticity of his succession — and retention of the other three senior chairmanships, De Beers, Amgold and Minorco — stemmed from the track record established since 1982, when Ogilvie Thompson was appointed deputy chairman during the black year of the dividend cut.

His management of De Beers (as chairman from 1985) has, to date, been the high spot of a high flier's career. It embraced the deal with Botswana, the flood of new diamonds from Australia, the widening of the market base via the small stones cut in India — where the industry has grown into an army of 750 000 — and putting the CSO's client base on to sounder financial footing.

De Beers' confidence in facing the next downturn is well derived and bolstered by a net cash holding at the end of 1988 equivalent to more than 30% of CSO sales that year.

If there is a smudge in Ogilvie Thompson's book it is on the page recording the loss of the takeover battle for Cons Gold and with it the hope of Minorco's "quantum leap" from being a closed-end investment trust to an actively managed international resources group.

But, as non-executive chairman, his role in the nuts and bolts of tactics in the bid — the chief source of argument — was limited. Last month, of course, Minorco did make a leap under its new troika with an agreed US\$705m offer for Freeport McMoran Gold of the US which is turning out to have more future promise than history.

As a member (since 1971) of a collective executive which prides itself on having Cabinet characteristics — but with more in com-



mon with the British *primus inter pares* concept than that presided over by Margaret Thatcher — Ogilvie Thompson signals no big changes in direction. If there are any differences between himself and Relly, he told the *FM*, "I think Gavin makes better speeches than me. There aren't differences on broad policy."

By admission, Ogilvie Thompson's numeracy outweighs his literacy and he has a reputation for being a ruthless pursuer of bottom-line growth and something of an intellectual tyrant. Yet, when he answers questions about policy, Ogilvie Thompson echoes statements by Relly — though in a manner which has more in common with Harry Oppenheimer, whose personal assistant he was for three years.

"In the new SA," he agrees, "businesses will have to spend more on social responsibilities or what some call social investment. We must create a South Africa that is really credible. There is no single answer and there will be a lot of debate about what is the best way to create that scenario."

Ogilvie Thompson is also committed to involving all races in the running of Anglo on the basis of ability — "tokenism is hopeless" — and publicly said that the first black executive director will be appointed in the Nineties.

Inside betting is heavily on Don Neube (43), a graduate recruit in 1975, who has been industrial relations consultant for Anglo for the last three years, committee member of the Chairman's Fund and serves on the Steel and Engineering Industries Federation (Seifsa) management board.

"Jot"'s business abilities are questioned by few, if any. And Ogilvie Thompson's gargantuan appetite for work, prodigious grasp of detail and retentive powers are legend at 44 Main Street. Thus his choice as a man to lead Anglo into a new era of growth faces no dissent.

It will be a big and challenging decade after the lull of what were perceived as the "sleepy Eighties."

**Costing it out**

According to ballpark figures floating around Anglo, new projects awaiting final decision will require investment of R8bn — from the R2,5bn Moab extension of Vaal Reefs, the first large new gold development since Elandsrand, to R1bn for a Mondi pulp-line, R2bn proposals for a joint venture stainless steelmaking plant between Highveld and Samancor, the Uitkomst copper-nickel-sulphuric acid (with platinum group byproducts as a profit sweetener prospect) in the eastern Transvaal, to a beach sands operation in Namaqualand.

Yet the man's public image does give rise to questions as to whether Ogilvie Thompson will prove sufficiently flexible in approach to deal with the political and socio-economic changes ahead. Not all of them may be palatable to free marketeers.

Relly's qualities of adaptability, being able to take the long (and optimistic) view, to



**Godsell ... planning into the next century**

instil calm, avoid over-reaction and the stamina to talk to a wide range of people with opposite views, have all been evident during his tenure. He is more of a politician than his successor.

As such, Relly is well-suited to his new function of what Ogilvie Thompson calls "representing" the Anglo group and SA to the international community. Relly does feel a new SA, which, post-sanctions and apartheid, joins the rest of the free world as a full democracy, will be re-rated as a market and, along with it, Anglo American. Proof of that pudding will be seen when the share price discount to net asset worth — only 12% the week after De Klerk's speech against 30%-35% in past years — narrows consistently and SA's creditor banks ask to roll over their loans.

The problem with Ogilvie Thompson is that he projects — however unwittingly — a



**Boyd ... making the acquisitions pay**

polite, enigmatic superiority. His height and mien seem better fitted to a Whitehall mandarin, with a similar education and background, who regards politicians as unhappily necessary in the process of government. But what people talk about in beerhalls may be more relevant in the years ahead than cosy chats in the Rand Club.

**Primary focus**

He admits that his political profile will inevitably be raised, says he has met "one or two" ANC leaders and hopes to talk to Mandela, when the latter's schedule permits. "It's bound to happen when you are placed at the interface between business and politics and the people. But I don't propose to become a totally political animal. My primary focus will be the running of a large corporation."

It seems likely that the day-to-day job of external affairs will be delegated to the younger generation. Deputy chairman Nicholas Oppenheimer (45 this year) will be more active in SA and probably at the head of a group including directors who have been at the forefront of the political debate: Clem Sunter (45), the new head of the gold division, and Bobby Godsell (38), industrial relations and public affairs. Mike Spicer, Relly's personal aide in Anglo's engagement approach to the political future, is being retained by Ogilvie Thompson.

In fact there is a belief that Ogilvie Thompson represents the last of the old Anglo-Oxford mould which has dominated the executive. Boyd of Highveld is an abrasive Scot, Godsell went to a government school, Grosvenor Boys High in Durban, and while Winchester and Oxford-educated Sunter has the "right" background he also plays guitar and has composed a song for pop group Mango Groove.

More than has been the case in the past can be expected to be heard from the young Oppenheimer, whose admitted ambition to be chairman now seems more than a probability. Two years ago, when business seemed to be retreating into its shell, Oppenheimer (in an interview) said "I certainly believe businessmen must keep their heads above the parapet to keep pressing the government. It is clear that companies such as De Beers and Anglo, if they want a role in the future of SA, have got to persuade the country as a whole that the free enterprise system is the best system. But they have also got to deliver the benefits to their employees so that they can be living examples of what we are talking about."

So the voices emanating from Anglo are likely to be more of a collective expression of broadly based politics than before. Certainly, Ogilvie Thompson will need all the help he can muster. He is 56 and will reach the "retirement area" in 1998-1999.

And if Anglo is both to successfully expand and survive, its structure and policy will require the tensile strength but flexibility of a steel cable suspension bridge. Obdurate stone crumbles.

John Cavill

# Threat to whites: mine shaft closed

Star  
10/3/90

~~Star~~  
DREW FORREST

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CONFLICT between white and black miners in the Free State goldfields took a turn yesterday when Anglo American closed a shaft at its Western Holdings mine after "whites were threatened with violence"

The conflict, apparently sparked by a National Union of Mineworkers' campaign for "peace, justice and democracy" on the mines, centres on the preferential hoisting of supervisors, who are mainly white

Employers have denied NUM claims that hoisting schedules are racially discriminatory, saying the issue is one of status.

This week, the Conservative Party said in Parliament whites had been assaulted at the Saaiplaas, President Brand and President Steyn and Harmony mines, linking this to "the disturbing worsening of the security situation". The NUM denied it.

It is understood the CP plans to raise the issue in Parliament again on Monday.

NUM assistant general-secretary Mr Marcel Golding said the Western Holdings shaft had been closed after whites refused to go underground, adding that the union planned curt action against "the illegal lockout of our members".

Confirming "isolated" assaults on whites at three mines, Anglo spokesman Mr Paul Clothier said "We will discuss reopening the shaft, but we want guarantees from the NUM that there will be no violence."

## Govt racist in stand on mines — chamber

12/10/90 14/3/90 ALAN FINE (210)

THE Chamber of Mines yesterday accused government of seeking to reintroduce racially discriminatory regulations on the mines — an attitude which “flies in the face” of official government policy on the removal of segregationist laws

Chamber vice-president Clive Knobbs was commenting after the Appeal Court yesterday granted the Minister of Economic Affairs and Technology leave to appeal to a full bench of the Transvaal Supreme Court against an order that declared part of the Mines and Works regulations invalid

The original judgment — which eliminated regulations the chamber termed “potentially discriminatory against black employees” — was delivered by Mr Justice Olivier in the Transvaal Supreme Court on August 18 last year

The regulations required that mines should provide “adequate latrine and change-house facilities after negotiation with individual employees’ organisations as to the needs and preferences of their members and having regard for their physical, moral and social welfare”.

Knobbs said mining industry employers had learnt “with dismay and astonishment” government’s apparent intention to pursue the matter through the courts. He hoped the Minister would not pursue the appeal

However, a ministry spokesman said the fact that Minister Dawie de Villiers had sought leave to appeal meant he had every

□ To Page 2

## Mines 12/10/90 14/3/90 (210)

□ From Page 1

intention of following the matter through.

Comment on the chamber’s allegations is awaited

Knobbs added that the Minister’s proposed action also contradicted moves towards deregulation of the economy.

Knobbs said employers in the mining industry appreciated the desegregation of change-house facilities was a sensitive issue and the matter was approached with the utmost discretion

“Large numbers of change-houses have already been integrated successfully and I have no doubt that if the matter is left in the hands of management and employees the process will in due course be completed with minimal problems

“The mining industry has, also, a highly developed collective bargaining system which can deal with problems that may arise. Employees who remain dissatisfied have the option of taking their grievances to the Industrial Court,” Knobbs said

# 4 300 workers down tools at Anglo gold mine

## Labour Reporter

About 4 300 workers have downed tools in further unrest at Anglo American's Vaal Reefs gold mine and a strike linked by the National Union of Mine-workers to its defiance campaign has erupted at an Amcoal colliery in Witbank

Anglo spokesman Mr Adrian du Plessis said management

was meeting unionists at Vaal Reefs to determine the cause of the strike, launched on Monday

Safety concerns are central to the dispute, according to the NUM. But workers were also protesting against a delay in talks on "discriminatory" hoisting schedules and wanted the reinstatement of two colleagues fired "after trying to form a

non-racial queue underground"

Hoisting procedures — based on seniority not race, says Anglo — have been the focus of an NUM defiance campaign which has sparked widespread conflict between white and black miners in the Free State goldfields

Anglo also confirmed that 1 500 workers launched a wild-

cat strike on Monday at the SA Coal Estates colliery near Witbank. It said a list of grievances had been presented to management, but declined to elaborate.

NUM press officer Mr Jerry Majatladi said curbs on union rallies, including a ban on political T-shirts and songs, were a key grievance

Siac 14/3/90

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## Govt move dismays mines

By Drew Forrest

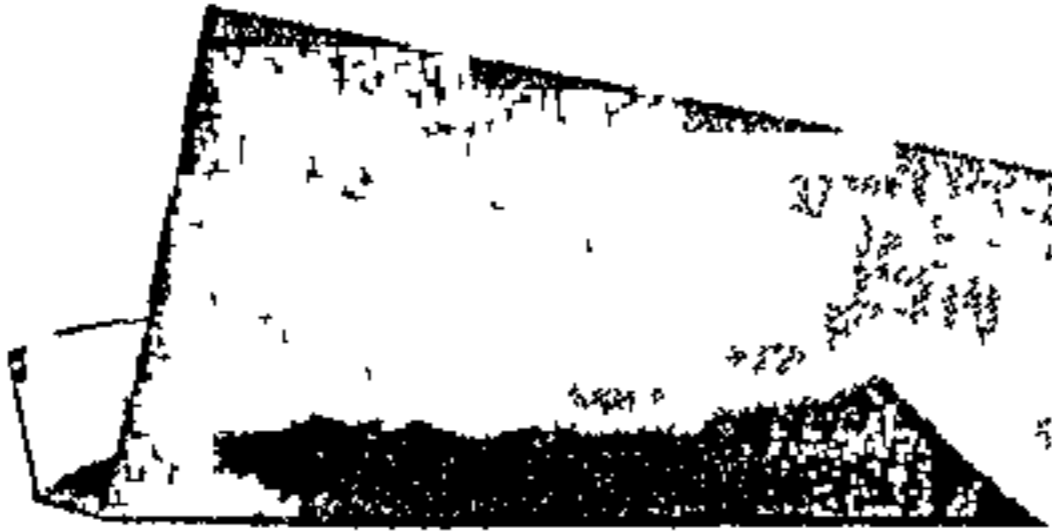
The Chamber of Mines has reacted with dismay to Government legal steps apparently aimed at reinstating a regulation which could discriminate against black miners.

This week, the Chief Justice gave Mineral and Energy Affairs Minister Dr Dawie de Villiers leave to appeal against a Supreme Court judgment invalidating the regulation on grounds that it was not authorised by the Mines and Works Act.

The regulation, requiring the

mines to negotiate with unions on the provision of change-rooms and toilets, could impede the desegregation of these facilities. Segregated change-houses are a key target of the National Union of Mineworkers' defiance campaign.

The Chamber's vice-president, Mr C G Knobbs, said the move "flew in the face of Government policy on deregulation and the abolition of racial segregation". "If an appeal is lodged, the Chamber will certainly oppose it," he said.



Stanley James late of  
Springs will take place on  
Thursday 15th March at

HOMES TRUST  
FUNERAL SERVICES  
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SAMSON

Star 14/3/90 (210)

## Govt move dismays mines

By Drew Forrest

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The Chamber's vice-president, Mr CG Knobbs, said the move "flew in the face of Government policy on deregulation and the abolition of racial segregation".

"If an appeal is lodged, the Chamber will certainly oppose it," he said.



# Package to boost new mines

CAPE TOWN — A mining tax package aimed largely at stimulating the development of new gold mines was announced by Finance Minister Barend du Plessis yesterday

Provision was made for implementation of the second step in the phasing in of a lower formula for gold mines and the phasing out of the surcharge for other mines *BIDAM 18/3/90*

Du Plessis said it was essential for the industry to be encouraged by the gradual reduction of the maximum marginal tax rate which was theoretically a maximum of 68,7%

Last year's concessions had brought some tax relief but had not been sufficient to encourage development of new mines. This was addressed by an increase in the existing capital allowance for new mines from 10% to 12%

In addition, the "ring fencing" applied to the capital expenditure of mines was partially relaxed. This would have the

LESLEY LAMBERT

effect of making 25% of an existing mine's tax base available for the writing off of the development cost of a new mine as long as the new mine remained the property of the same taxpayer

To unlock capital for the creation of new mines, Du Plessis said it was possible that the Commissioner for Inland Revenue would agree to the application of section 24A of the Income Tax Act in an exchange of shares where use was made of a host company and the sole purpose of the exchange was to finance a new mine

He said "new mines" referred to mines which had opened after March 14 1990. *(210)*

The cost to the Exchequer of these adjustments would be R36m for gold mines and R32m for other mines in the 1990/91 financial year

# Ring-fencing move disappoints mines

By Derek Tommey

Mining industry officials have expressed disappointment with the limited relaxation of "ring-fencing" announced by the Minister of Finance.

The move might encourage the development of small shallow mines, but it would do nothing to stimulate the opening of the large deep level mines South Africa so badly needs, Gary Maude, managing director of Gengold, said last night.

The Minister said 25 percent of the tax base of an existing mine could be used to write off a new mine's development costs in cases where both mines were the property of the same taxpayer.

Mr Maude said there had been no change in the ruling that the tax benefits of such concessions would apply only when the new mine reached production.

This meant, in the case of a deep level gold mine, that the tax benefits might not accrue for 10 to 12 years.

## Capital allowance

Mr Marius van Blerck, Anglo American Corporation's group tax consultant, welcomed the increase in the existing capital allowance for new gold mines from 10 to 12 percent.

He said this meant that any capital expenditure that could not be offset against a mine's tax base could be carried forward to the next year and increased by 12 percent.

He also welcomed the announcement of the second step in the phasing-in of a lower tax formula for gold mines and in the phasing out of the surcharge on other mines.

He said it was a further step in the right direction. It reduced the maximum rate of tax on a gold mine from 73 to 71 percent and the maximum tax

rate on a non-gold mine from 56 to 54.5 percent.

He believed the conditional exemption from tax of profits from the sale of shares held for more than 10 years would have a considerable effect on the cash flow of the mining houses and other institutions.

They would be able to sell their mature investments to insurance companies and other non-risk investors without penalties and raise substantial sums of money for new investments.

## Spur to new mines

The Chamber of Mines has broadly welcomed tax concessions for the mining industry announced in the Budget speech as a spur to the development of new mines, reports The Star's Labour Reporter.

At the same time, National Union of Mineworkers' economist Martin Nicol warned that the concessions were part of a process set in motion by the Marais committee on mining taxation which would lead to the mining of less marginal ore and fewer mining jobs.

"We are seeing a move away from the preservation of mineral resources to a strict emphasis on short-term profit," he said.

Chamber of Mines economist Ivor Leibowitz said the most significant government move was the lifting of tax on the sale of shares held for more than 10 years.

This would enable the mines to sell off large blocks of mining shares where such revenue would previously have been taxed at marginal rates.

Although the partial lifting of "ring-fencing" was to be broadly welcomed, in terms of cost and high risk involved in developing new mines, the 25 percent write-off was too low, Mr Leibowitz said.



# Difficult year ahead, says Amic's chairman

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Sowetan 15/3/90

By JOSHUA RABOROKO

AS matters now stand 1990 will be a difficult year, the chairman of Anglo American Industrial Corporation (Amic), Mr Graham Boustred, has said in his annual review.

It is clear, he says, that Government is determined in its efforts to bring the domestic economy under control and to reduce inflation. While in the longer term this will be to the benefit of the country as a whole, the short term effects will continue to restrain business activity.

However, says Boustred, sustained modest growth in the major industrial nations should enable some sectors to increase export volumes provided a further market appreciation of the rand does not occur.

## Volatile

As a result of the uncertainties emanating directly from the political arena, industrialists in South Africa have had to contend with considerable volatility in the application of economic policies, he adds.

However, he says, in order to foster and encourage new investment, it is the government's responsibility to provide as reasonable a degree of stability in its industrial policies as possible.

He says recent announcements and actions by both the monetary and fiscal authorities provide evidence of a recognition of past inadequacies and the need to establish a more stable environment to encourage investment and job creation.

The initiatives undertaken by the State President, Mr FW de Klerk, and the political process which is now underway will hopefully result in the normalisation of South Africa's relationships with its overseas trading partners.

## Prospects

While it is not possible to forecast when sanctions will be lifted, he says, once Amic's exporting companies are able to trade freely throughout the world, particularly in North America and Europe, the group should benefit significantly.

In the review, Boustred says Amic has declared a final dividend of 240 cents a share following a 26 percent increase in its attributable earnings to R653 million (1988: R517 million) for the year ended December 31, 1989.

Total dividends for the year amount to 350 cents a share, a 21 percent increase over the 290 cents a share paid last year.

Earnings per share increased from 963 cents to 1 211 cents and dividend cover increased from 3,3 to 3,5 times.

1989/90

1989/90

1989/90

# Ailing mines face fiscal doomsday

BIDA 15/3/90  
RIAAN SMIT (210)

GOVERNMENT will no longer assist unviable mines and a committee will draw up guidelines during 1990/91 to facilitate consistency in state aid, the Budget Review says

Assistance will be considered only where relevant operations are not dependent on state assistance

Under the Assistance to the Gold Mines Act of 1968, which has been scrapped, mines fulfilling prescribed requirements automatically qualified for assistance.

□ Government budgeted for a drop in revenue of R229m from mines and gold mining leases for the 1990/91 financial year.

Revenue from gold mines is down 1,5%, and revenue from diamond and other mines is expected to decrease 9%. Revenue from gold mining leases is down 8%.

The cost to the Exchequer of the 25% concession on ring-fencing, an increase in capital allowance from 10% to 12%, the lower tax formula for gold mines and the phasing out of the surcharge on other mines would be R36m for gold mines and R32m for other mines, Finance Minister Barend du Plessis said

# Mining will get tax concessions

210

Sweeten 15/3/90

TAX concessions for the mining industry were announced in the Budget by the Minister of Finance, Mr Barend du Plessis, yesterday

The Government had accepted various recommendations of the technical committee on mining taxation (the Marais committee) and steps were being taken to implement the first-phase.

The mining industry played an important role as earner of foreign ex-

change and a creator of jobs. It was therefore essential to encourage the industry by gradually lowering the maximum marginal tax rate which could presently be as much as 68,7 per cent.

The following concessions would be made:

- \* the second step in the phasing-in of a lower tax formula for gold mines and in the phasing out of the surcharge on other mines;

- \* a partial lifting of the

so-called "ring-fencing", which means that 25 per cent of the tax base of an existing mine could be used to write off a new mine's development costs in cases where both mines were the property of the same taxpayer, and

- \* the increase of the existing capital allowance for new gold mines from 10 to 12 per cent

These concessions would result in a total estimated revenue loss of R68 million in 1990/91.

# Mixed reaction to mining taxes

CMT Times 15/3/90 210

Own Correspondent

JOHANNESBURG — The Anglo American Corporation yesterday said it was "most disappointed" that the relaxation of ring fencing in the Budget was not more substantial.

"It is unlikely that this measure will provide a significant impetus to the development of large new gold mines although it may assist some smaller projects," it said in a statement.

Chamber of Mines vice-president Clive Knobbs also said although the industry was encouraged by the partial lifting of ring fencing, it was felt greater concessions were required to create real stimulation for the development of new mining ventures.

Knobbs and Anglo said the 10-year "safe-haven" rule on investment disposals was a positive move, as it would encourage the realisation of mature, passive investments and re-investment into active projects.

An Anglovaal spokesman said the

rule was "certainly a very good move to encourage the development of new mines".

Knobbs and Anglo both welcomed the confirmation of the second phase of the reduction of mining tax rates, which had the ultimate objective of equating these rates with ordinary company tax rates.

Anglo said it welcomed the increase of the gold mine capital allowance from 10% to 12% as this allowance partially compensated for increased interest rates and costs of capital.

Goldfields of SA executive director Bernard van Rooyen said the three measures announced by Du Plessis would encourage investment in the mining sector.

Goldfields had projects that would benefit from the measures over the next three to five years.

It would be difficult to identify immediately the number of these projects because further technical analysis was needed, he said.

# Mining shares react with euphoria 210

MINING shares on the JSE reacted with initial euphoria to the Budget proposals, but leading stockbrokers were divided in their views, with some welcoming it as imaginative and others expressing disappointment.

News of the wide-ranging proposals affecting mining shares came shortly before the close of trading and lifted prices of leading shares sharply higher. The JSE overall index closed 44 points up at 3 304.

Max Borkum, of Davis, Borkum Hare & Co, said: "This is an imaginative Budget which will be favourably received. The overall strategy — there was a modest increase in excise duty on cigarettes, beer and spirits — shows a greater emphasis on indirect as opposed to direct taxes, which must be an indication of future trends."

"The mining industry will benefit to the greatest extent simply through the encouragement of new mining ventures. There will also be a knock-on effect for the

MERVYN HARRIS

amelioration of the unemployment rate through the release of funds.

"Local beneficiation has been encouraged through the abolition of excise duty on beneficiated products. This will stimulate exports and be good for the mines."

Borkum said a long-term benefit for the share market would be derived from the scrapping of marketable securities tax (MST), starting from next year.

"On the negative side, construction companies are likely to suffer through the consideration of consumables and work in progress as trading stock.

"In addition, those companies which have a LIFO reserve will see this phased out over 10 years at 10% a year," he said.

David Shapiro of stockbrokers Max Pollak & Freemantle, said "There was

□ To Page 2

## Mining shares 210

very little to encourage the market in the Budget. The phasing out of mining tax has already been discounted.

"The lifting of tax on dividends for individuals might be a move towards high yielding second liners by individuals. In the longer term it will encourage share ownership. We are disappointed that MST has not been abolished immediately."

The 10-year safe haven would prompt some mining houses to consider selling shares. This might lead to more trade but

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much of the selling could be passed to the market.

John Rogers, of Edey, Rogers & Co, said: "The Minister has made more encouraging noises than in the past but this time it has been accompanied by practical action. Most striking were his proposals on gold mining tax and exemption of tax on dividends for individuals. This will persuade people to increase their investment in shares instead of in fixed interest deposits."

## Decision on ring-fencing is not clear

BARRY SERGEANT 210

FINANCE Minister Barend du Plessis's announcement about a partial lifting of ring-fencing for mines has raised two burning issues, according to investment experts.

Du Plessis said ring-fencing would be partially lifted to the extent that 25% of the "tax base" of an existing mine could be used to write off a new mine's development costs in cases where both mines were the property of the same taxpayer.

Ring-fencing, which allows a profitable mine to absorb the working costs of a developing mine, reduces the overall tax paid by the owner of the two. Yesterday Tax Advisory Committee (TAC) chairman Prof Michael Katz said the lifting had been only partial to protect the tax base.

The investment community, however, is waiting for an exact definition of "tax base", a "new" mine, and whether or not such a mine had to be contiguous to the existing mine.

The Department of Finance and Inland Revenue said yesterday the matter was a proposal announced in the Budget and that draft law had not yet been finalised. *Blom 16/3/90*

The term "tax base", according to Anglo American's tax division, was the same as "taxable income". The interpretation could be significant, as in the December quarter gold mines produced taxable income of almost R700m. Crudely annualised, and assuming that all mines had taxable income that could be used by a developing mine, the 25%-rule announced in the Budget could be worth R700m to the mining houses.

On the question of "new", Aiken & Peat partner Alister McKenzie said "it should be noted that a new mine is one where mining commenced after March 14 1990".

# Appeal not a deviation from govt policy <sup>(210)</sup> De Villiers

GOVERNMENT's intention to appeal against a court decision that certain mining regulations were ultra vires should not be seen as a deviation from policy on racial segregation and de-regulation, says Mineral and Energy Affairs Minister Dawie de Villiers.

A clash on the issue between De Villiers and the Chamber of Mines began on Tuesday when chamber vice-president Clive Knobbs said he had learned of the move "with dismay"

ALAN FINE

The Rand Supreme Court last August declared null and void a regulation requiring a mine to "provide adequate latrine and change-house facilities after negotiation with individual employees' organisations as to the needs and preferences of their members and having regard for their physical, moral and social welfare"

The chamber believed the regulation

was "potentially discriminatory" De Villiers said as the matter was still sub judice he did not wish to comment fully

However, the statement left "the impression the chamber is not committed to prior negotiation with workers on these matters", he said, adding the appeal should not be seen as a deviation from policy as it was "of a purely legal nature — whether the relevant provisions of the regulations are intra vires the enabling section of the Act or not".

BIP 1613190

**HIGHER STILL**

Six months to	Dec 31 '89	Jun 30 '89	Dec 31 '88
Turnover (Rm)	314,4	390,3	453,8
Pre-tax profit (Rm)	8,5	10,7	5,7
Attributable (Rm)	6,9	8,9	5,2
Earnings (c)	254	333	198
Dividends (c)	57	125	45

year because of strong exports. The group claims to be SA's largest exporter of capital equipment. Last full year, Bateman Industrial and Batepro contributed 31% and 69% respectively of attributable profit.

Executives say the hiving-off and accompanying complex "golden handcuffs" management share scheme concentrated their minds wonderfully. This seems to be supported by the latest results. Apart from whatever may be happening to interest received, the group is apparently continuing to steam ahead following strong results in the last full year. It's also likely that "conservative accounting" at interim stage will mean even stronger growth for the full year.

Following lower earnings in the 1987-1988 year, the share hit a nadir of about R17 in mid-1988. Since last year's results, it has risen steeply to R33, where it yields slightly less than the engineering sector average. In anticipation of higher growth in full-year earnings, it could go higher.

*Teigue Payne*

**Going strong** ~~210~~ (210)

Excessive secrecy, long a characteristic of E L Bateman, is sadly still reflected in the report for the half-year to December.

Since December 1988, when the group hived its two divisions into separate companies, Bateman Industrial (which supplies capital equipment to various industries, particularly mining) and Bateman Project (engineering and project management), with a view to later listing, it's taken a more open approach, even employing PR consultants.

But this is not reflected in the interim report, which shows only interest paid, not interest earned. As there was about R70m net cash at June year-end, compared with R50m at June 1988, much of the 28% increase in interim earnings could come from interest. However, cash balances fluctuate through the year. Also, some interest earnings can be seen as part of operating income — some contracts are apparently paid for in advance in return for price rebates.

Bateman also always stresses that because of the phasing of some large projects, the relationship between turnover and profits varies between accounting periods. Thus, for instance, turnover was 31% lower in the latest half-year.

The tax rate more than doubled to 10%, but is unlikely to be any higher for the full



# Minorco boosted by interest receipts (210)

By Derek Tommey

The need for Minorco to acquire investments somewhat more dynamic than some of its existing ones is highlighted in the group's interim statement for the six months to end-December.

Minorco, the Anglo American Corporation's offshore arm, recently made a tender offer of \$705 million for an American gold mine, Freeport-McMoran Gold. The tender offer closes on March 23.

Earnings from operations in this period increased 20 percent from \$86.8 million to \$98.9 million.

But part of the increase was the result of higher interest receipts from the cash received from the sale of its stake in Consolidated Gold Fields.

From the end of March, however, that income will fall sharply, as the company will be spending about 30 percent of its \$2.4 billion liquid resources on the acquisition of Freeport McMoran Gold.

Earnings before extraordinary items dropped from \$136.1 million to \$102.3 million.

This reflected a \$50 million decrease in Minorco's share of undistributed earnings of associate companies.

Of this figure, \$28 million stemmed from the sale of its stake in Consolidated Gold Fields.

Contributions from Adobe Resources and Inspiration Resources were both negative.

Net extraordinary earnings in the six months were \$60.1 million, comprising \$6.5 million from the sale of its holding in Gold Fields, less Minorco's share of Engelhard's after-tax

restructuring provision.

This brought earnings after extraordinary items to \$703.1 million (year ago \$125.8 million) — equal to \$4.13 (74c) a share. Earnings before extraordinary items were equal to 60c (80c) a share.

The interim dividend was raised by 14.3 percent to 16c.

Minorco reports that Adobe's results were depressed by write-downs of international exploration costs and weak US gas prices.

However, Adobe's production from its significant discoveries in the Gulf of Mexico started in the December quarter.

Inspiration was affected by non-recurring charges in its agribusiness subsidiary and start-up problems at a Canadian nickel mine.

Engelhard's results, before restructuring charges, were significantly improved, mainly because of gains arising from asset sales.

Engelhard made a restructuring provision of \$160 million after tax, reflecting its decision to re-focus its business on core operations.

It will be selling certain businesses and in future will be concentrating on catalysts, pigments and additives, platinum products and precious metal services.

Charter's increased earnings resulted from improved contributions from all operating divisions.

Anglo American Corporation of South America (AMSA) significantly improved its contribution to Minorco's earnings.

Its base metal mining in Chile and Brazil and its Brazilian gold interests were the principal contributors to Minorco's earnings.

# Anglo in UK ad campaign

5/Day 20/3/90

LONDON — Anglo American yesterday launched its overseas ambassadorial offensive to raise the group's international profile in the politico-economic debate now starting in SA. (204A)

Advertisements in The Times and The Guardian, each of two full pages, signalled the start of a campaign revealed when Anglo chairman Gavin Relly announced his retirement and new role as unofficial ambassador for the group and SA.

Both proclaim Anglo's whole-hearted commitment to a fully democratic, free market society.

The Times advertisement says SA's democratic constitution, "however it is finally devised, must reflect a political and economic structure that creates wealth rather than re-allocates poverty".

The Guardian advert announces Anglo's intention to invest R8bn over the next three years and says: "In a post-apartheid

JOHN CAVILL

SA all its people must have equal access to both the ballot box and the market place, if they are to be liberated not only from oppression, but from poverty."

Anglo plans to use all the UK "quality" newspapers and The Economist (204A)

Yesterday's advertisements may have cost £63 000 and similar placements in three other newspapers could amount to another £133 800. Matching-size advertisements in the four "serious" Sunday papers could add another £190 000 to the bill.

Michael Spicer, assistant to Relly, said in London yesterday: "The advertisements are part of an exercise to gradually raise Anglo American's profile (210)

"It will embrace Anglo as a business and, on the political agenda, what we can contribute to, and stimulate, the coming debate in SA."

# Taxman agrees mines get break

IN A MAJOR breakthrough for the mining industry, Inland Revenue has confirmed the tax shield of one type of mining operation can be used for another.

The only limitation is that taxable income and capital expenditure will have to be directly mining-related.

In practice this could mean, for example, that Rustenberg Platinum's substantial tax shield could be used to develop the South Deep gold mine.

It also means diamond giant De Beers's tax shield could be used to develop a mooted seven new gold mines in the "Potch Gap", the world's last large untapped goldfield.

Mining industry sources said last night legislative clarification on "ring-fencing" relief announced in last Wednesday's Budget was awaited with keenness. Confirmation from Inland Revenue that the legislation, which would be tabled later in the year in the Income Tax Amendment Act, would contain "cross-sector" allowances would be met with unqualified acclaim, the sources said.

Analysts said that four projects at the post-feasibility stage may receive the go-ahead. These included JCI's South Deep, Anglovaal's Sun Project, Vaal Reefs' Moab shaft, and Freegold's Du Preez Leger Jonkers Rust.

In broad terms, each project was a deep-level mine that would cost about R2,5bn in mid-1990 money, according to analysts reports. However, the green light would depend on long-term gold price forecasts,

BARRY SERGEANT

working cost escalations and world production levels

In an interview, Inland Revenue told Business Day that the reference in the Budget to "tax base" was synonymous with "taxable income after capital expenditure"

The ring-fence, as announced in the Budget, would be uplifted to the extent of 25% of the taxable income of a mining company. Ring-fencing limits the capital expenditure of a new mine a mining company may offset against the taxable income of another older profitable operating group mine

Inland Revenue said this meant, for example, that if a mining company spent (say) R1bn capex on the development of a new gold mine, in the year of commissioning ("when the first gold is poured"), the mining company could bring the R1bn into its accounts for tax purposes

If the mining company had another mine with taxable income of say R4bn, 25% of this or R1bn, would not be taxed. Tax on only R3bn would be paid. Inland Revenue said the delay in allowing the capex to be written off against the mining company's taxable income was "because it was deemed expedient that gold should first be produced".

However, Inland Revenue and mining analysts agreed that it was highly unlikely

□ To Page 2

## Tax break

that any mine would receive a full 100% "bullet" payment in its year of commissioning, due to the limitations on available tax bases at the time, and the 25% rule

Moreover, analysts said it would be impossible to predict today prevailing revenues and costs in about six years time when new deep-level mines, started today, could be expected to pour their first gold. Accountants and consultants Price Waterhouse said the partial lifting of the ring-

fencing relating to individual mines is to be welcomed

"It is a realistic compromise between the impediment to the development of new mines represented by the inability to offset the related capital expenditure against income from existing mines, and the threat to the government's tax base represented by an unfettered right to defer tax indefinitely by way of a continuing capital expenditure programme."

□ From Page 1

# Anglo starts big UK campaign

20/3/90 The Star Bureau (210)

LONDON — Anglo American has spent an estimated R250 000 on the first two advertisements in what is to be an extensive publicity campaign in the British press.

Anglo says the advertisements, which appeared in The Times and Guardian yesterday, are aimed at encouraging "healthy debate" about investment opportunities and political change in the "new South Africa"

It has also published a booklet, "Shaping a future South Africa — a Citizen's Guide", which readers can receive free on request

Anglo believes the cost is modest for what is essentially the most visible public campaign yet for political dialogue by a South African group

As an employer of 300 000 people, the company believes its views on a range of issues can make a contribution to the debate. And, as a business, it is striving to point out what it sees as the

folly of wholesale nationalisation and one-party politics.

The Times ad, different from the one in the Guardian and the more hard-hitting of the two, quotes sections of the ANC's Freedom Charter referring to work, food and houses for all.

Anglo points out that South Africa's growth rate is only 2 percent, while inflation runs at 15 percent. Sixty percent of the population is under 20 years of age.

"If these people are to have the jobs, houses and education they rightfully expect in the future, a huge economic recovery must take place," says the ad. "It will not happen if South Africa merely substitutes one State-controlled, interventionist society for another."

"Any new constitution, we believe, must not only offer freedom of opportunity to all South Africans, it must welcome and encourage free enterprise and wealth creation. It must retain and attract foreign investment."

# Budget moves <sup>210</sup> set to trigger ~~201~~ <sup>203/90</sup> mine projects

THE 25% drop in the ring fence, together with the scrapping of capital gains tax on investments older than 10 years, will trigger the development of a number of mining projects this year.

Max Pollak & Freemantle's Gerhard Potgieter predicts development will start at South Deep, Sun, Doornrivier, east of Doornrivier, north of Joel, Vermeulenskraal-Noord, Jonkersrust-Du Preezleger and south of Harmony. Other sites are could join the list soon.

Potgieter lists the benefits of Budget proposals for mining companies, the introduction of Phase 2 of the Marais Committee proposals (which he predicts will be improved upon by the authorities), the increase of capital allowances from 10% to 15%; the use of 25% of a mine's taxable income to develop new projects and; the reduction in the surcharge on imported mining equipment from 15% to 10%.

The graph shows the full effect of the

LIZ ROUSE

new SA mining tax formula on taxed profits of mining companies, which will rise from under R2bn to R2,3bn in the 1995/1996 tax year.

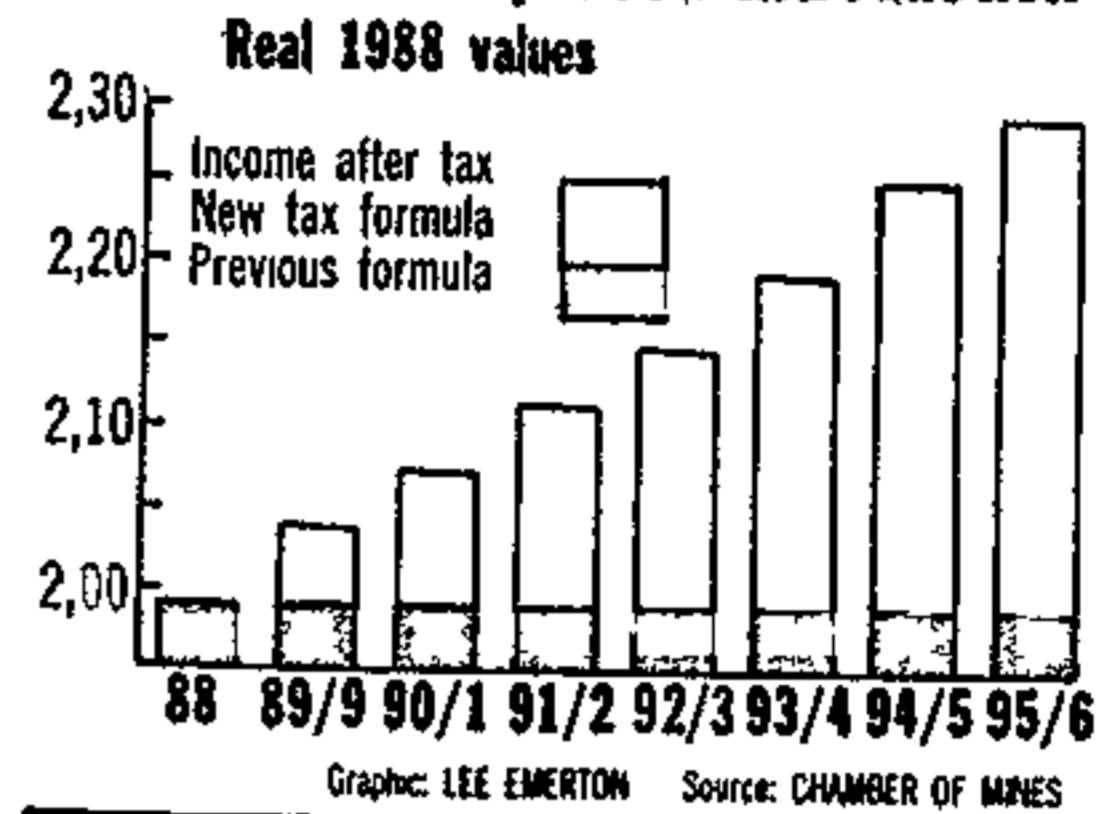
In fact, says Potgieter, the mines can expect even greater tax benefits in future as policy tends towards a reduction in mining tax to below 60%.

Potgieter predicts ring fencing will eventually be scrapped entirely, simply because the contribution from the indirect tax of mining supply companies, employees and general businesses when a new mine is established will far outweigh the loss in direct tax.

He says the raising of capital allowances is an unexpected windfall for mines, and will no doubt encourage capital spending.

Shares that will benefit most from the gold projects are the exploration sector Randex, East Dagga, Lydex, Barnex and South Wits; the mining holding companies Genbel, Amgold, New

New SA mining tax formula  
Effect of the phased introduction



Wits and New Central Wits and; the mining houses Genmin, Anglos, JCI, Anglovaal and Rand Mines.

As far as the gold share market in general is concerned, the Phase 2 introduction of the mine tax formula is already discounted in share prices.

Potgieter scotches the fear that share prices will come under pressure because of large-scale selling. He says the scrapping of the capital gains tax on shares held longer than 10 years should lead to a controlled sell-off of a number of mature investments held in mining house, mining holding and large insurance company portfolios.

A mining house's mission is to develop new mines and derive income from these mines, rather than be holding companies of gold shares.

The scrapping of dividend tax is also expected to favour dividend-stripping of high yielding shares.

Lastly, the scrapping of MST over the next four years will free up the JSE by reducing the financial penalties on the trading of shares.

# Retief takes over helm at time of a major JCI expansion drive

By Sven Lunsche

Pat Retief takes over the reins at Johannesburg Consolidated Investments (JCI) at a time when the mining group is embarking on a major expansion drive.

JCI said yesterday Mr Retief would succeed Murray Hofmeyr as chairman when the latter retired on July 1.

Mr Retief will remain managing director and stays on the board of many JCI subsidiaries, retaining the chairmanship of newspaper group TML.

Mr Hofmeyr will sever all ties with JCI, but will become chairman of the Argus Group on April 1.

Mr Retief's appointment is a break in the long tradition of Anglo American-appointed chairmen at JCI. He joined the group in 1962 and has been rising through the ranks since then, being appointed MD in 1987.

His intimate knowledge of the company will be of invaluable benefit because the group is embarking on a major expansion drive in its gold, coal, and plati-



Pat Retief  
Star 2/13/90  
num subsidiaries

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Topping the list is the South Deep gold prospect, where Mr Retief says work is at an advanced stage. A major announcement should be made in the next two months.

Analysts conservatively estimate that the costs of establishing the mine could reach R4 billion, although some of the substantial tax shields of other mines in the group could be used to develop it when proposed legislation, tabled in the Budget, becomes law.

The venture will demand a major funding exercise by JCI, but the group does not expect to call on shareholders for cash.

In platinum, both Rustenburg and Lebowa are planning expansions.

Mr Retief says details of the projects will be released soon and are expected to focus on a substantial increase in production, given the rising demand for platinum from the motor industry worldwide.

On the coal front, JCI's subsidiary, Tavistock Colliery, has just taken a 40 percent stake in Mid delburg Mines, SA's major exporter. Mr Retief says that a further export project is being pursued at the Phoenix opencast mine.

Mr Hofmeyr took a high political profile as chairman and Mr Retief expects that a similar stance will be demanded from him "since business and politics are inseparable".

"We have to address ourselves seriously to the political situation and contribute to the fulfilment of black aspirations," he says.

# 'Limited benefit in tax ruling'

Business Day Reporter **210**

A LIMITED number of mines are likely to take advantage of the partial relaxation of "ring fencing", argues Trevor Roadley of stockbrokers Kaplan & Stewart and suggests the only certainty is heavyweight Vaal Reefs "Vaal Reefs can be expected to go ahead with the Moab project now that the lines here have been cleared but this was already anticipated"

Roadley says that in 1989, three mines — Driefontein, Vaal Reefs and Harties — paid 62% of R1,57bn tax paid by mining companies. Another five, Kloof, Western Deeps, Buffels/Beatrix, Freegold and Kinross, paid a further 26%

"For the rest, much of the tax paid was of a non-mining nature. Thus, only a handful of mines would benefit in any way from the Budget proposals and few of these are likely to do so." *B/Dam 22/3/90*

Roadley argues that the apart from Vaal Reefs mines that may take advantage of the partial relaxation of ring fencing are Harties and Kinross. Unisel might be expected to go into the Vermeulenskraal Noord area but they have a rather narrow tax base from which to operate".

# Mining cashes in on soaring exports

Star 23/3/90

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By Derek Tommey

Soaring mineral exports helped the mining industry earn R36,7 billion last year, which was R4,4 billion, or 14 percent, more than it earned in 1988, says the Chamber of Mines in its 1989 annual review.

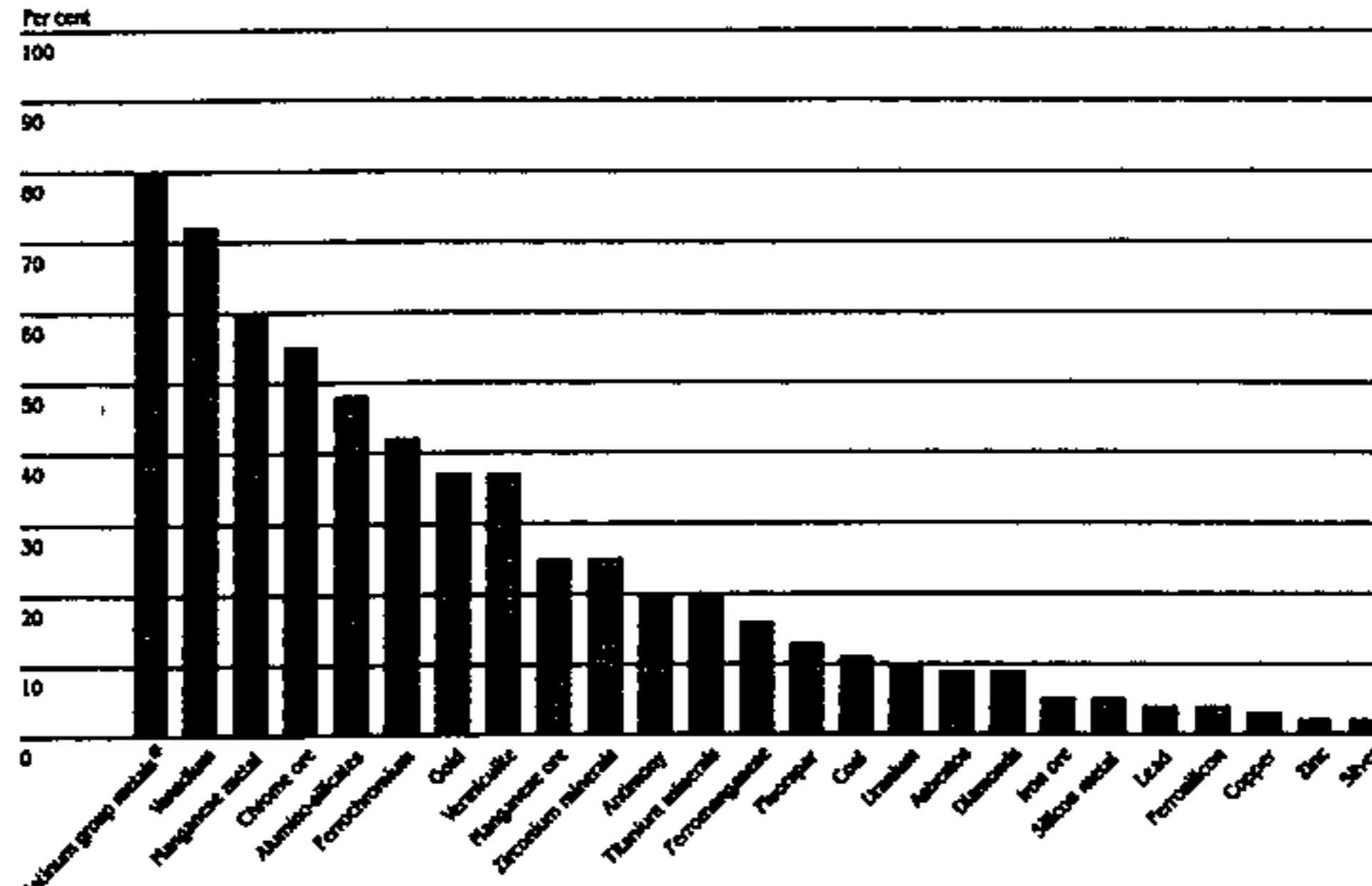
Gold earnings virtually stagnated, rising only 3,6 percent from R18,6 billion to R19,2 billion.

But sales of almost every other metal and mineral increased dramatically.

Sales of minerals and metals other than gold rose 27 percent from R13,7 billion to R17,4 billion — equal to real growth of 13 percent, while exports of these commodities rose 33 percent from R7,3 billion to R9,8 billion.

Coal made a significant contribution to growth. The industry currently contributes nearly 19 percent of total mineral sales revenues and is now well established as SA's second-largest foreign exchange earner.

Total coal sales rose 21 percent to R7 billion, while exports, running at around 44 million



\*Includes Bophuthatswana

SA's role in Western mineral production

tons, rose 30 percent in value to R3,6 billion.

Buoyant demand in the international steel industry boosted chrome and manganese.

Increased volumes and hardening prices led to the value of chrome exports rising 58 percent to R275 million.

Manganese exports rose 120 percent to R612 million and iron ore exports 56 percent to R495 million.

Platinum group metals were

in exceptional demand in 1989. This was primarily because of strong demand for platinum and rhodium as a result of last year's record production of cars.

Platinum and rhodium are the essential elements for catalytic converters used to clean noxious gases from exhausts, and which are now mandatory in most industrialised countries.

Export earnings of "miscellaneous metals, including platinum, rose 20 percent to

R3,2 billion.

Asbestos exports showed a strong recovery, rising 73 percent to R168 million.

Exports of copper were 66 percent higher at R820 million, while zinc sales rose 92 percent to R67 million.

Other metals and minerals exported on a significant scale included fluorspar (R99 million), lead concentrates (R100 million) and "other minerals", which include vanadium, alumino-silicates, zirconium, antimony and titanium (R447 million).

Kennedy Maxwell, president of the Chamber of Mines, says the export figures show the dependence of mining on international markets and, conversely, how important the industry is as a supplier of vital raw materials to the manufacturing industries of the world.

While weakening base metal markets may have a negative effect on some mining sectors, a firmer gold price and growing international demand for coal should ensure that 1990 will prove to be a good year for South Africa mining, he says.



# TerreBlanche tells white miners to arm themselves

Pretoria Correspondent

The Afrikaner Weerstandsbeweging is to call on white Welkom mine workers to arm themselves following incidents of intimidation and assault.

Mr Eugene TerreBlanche is expected to meet angry rightwing miners tonight to discuss "black on white violence" in the town

A statement issued by the AWB leader said: "Under the circumstances we are compelled to call a meeting in Welkom to mobilise our people to arm and defend themselves"

Copies of the statement were sent to the Minister of Law and Order, Mr Adriaan Vlok, the Minister of Justice

and Free State leader of the National Party MP for Welkom, Mr E J Jordaan, and the secretary of the white Mineworkers Union, Mr Peet Ungerer

Mr TerreBlanche said law and order in Welkom was suffering and urged the four men to "do something urgently"

The Welkom representative of the Mineworkers Union, Mr Koen Schoonraad, said incidents of black on white intimidation were increasing, particularly after the release of ANC deputy leader Mr Nelson Mandela

Fifteen cases of assault and intimidation had been reported to the Welkom office of the Mineworkers Union

Mr Schoonraad said the union has called on its members not to arm themselves before going underground because it would make the situation more "dangerous"

A spokesman for the Chamber of Mines said the industry did not support workers arming themselves before going underground

"The industry is concerned about the incidents of violence from both sides. The incidents have not been one-sided and cases of white on black intimidation were in fact higher than black on white intimidation"

A spokesman for Anglo American, the mining house which owns the Fredries Gold Mine, Mr Adrian du Plessis, said the company rejected any call by anyone for employees to arm themselves in the work place.

He refused to say whether incidents of assault and intimidation had increased in Welkom mines recently, saying this would require a detailed investigation.

However, he confirmed a "new pattern of unprocedural industrial action, where workers are trying to solve problems by themselves, and not going through the proper channels. We insist on non-violent and orderly procedures"

He said "most strenuous" efforts were being made to combat violence and intimidation

## Race conflict flares at Welkom mines

23/3/00 By Julienne du Toit

The AWB would make its own law and order on Welkom mines if the authorities did not address the problem, an angry AWB member said yesterday.

Mr 'Blikkies' Blignaut said a black man had been beaten to death by businessmen because of the consumer boycott there, which is directly linked to the racial conflict on the mines.

Police could not confirm this, but a National Union of Mineworkers spokesman said a black man was chased, beaten and shot by a "white thug who arrived in a car with an AWB flag"

Mr Blignaut also said whites had started firing at blacks

He said blacks were deliberately seeking conflict by pushing iron nails into whites in the cages in the mines. 'They spit at us and swear at us. They expect the whites to stand back while they get into the cages to go underground, and when there's an incident, they always get off scot-free because the Anglo American disciplinary code favours them.'

"Whites will not swallow more of this nonsense. We will not swallow Anglo American bias," he warned.

Sta 23/3/90

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'Unskilled, semi-skilled pay has risen four-fold'

# Mines release wage report

## Labour Reporter

Unskilled and semi-skilled pay on South Africa's gold mines has risen four-fold in the past decade, according to the Chamber of Mines' 1989 review

In the report, released yesterday, the chamber says the monthly average wage in these categories rose from about R160 a month in 1980 to R720 last year

## Real earnings

The report also details the narrowing of the racial wage gap in gold mining

Since 1971, it says, the real earnings of semi-skilled and unskilled workers have risen four-fold, while skilled wages adjusted for inflation have remained unchanged.

The sharpest rise in real earnings was in the period

1972 to 1975 — before black miners were unionised. The past five years have seen marginal real wage gains for unskilled and semi-skilled goldminers, the report indicates

Stressing that unskilled/semi-skilled workers last year received an additional R255 a month in fringe benefits, such as food and housing, the report says pay for the mining industry's predominantly unskilled workforce compares favourably with most other sectors of the economy

The review also reveals that

● South Africa's coal and gold mines paid R7 billion in wages and allowances last year, as against R1,5 billion in 1980

● The Employment Bureau of Africa — the chamber's recruiting arm — last year paid out R708 million in deferred wages, remittances and other payments, largely in rural areas

# JCI boss in no hurry to take over the reins

5/Time 25/3/90  
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**Business Times Reporter**  
**PAT RETIEF** will not rush to take over the chairman's office at JCI when Murray Hofmeyr retires at the end of June. The present managing director of Johnnies has been on board for a long time, having joined the group in 1962. After a 20-year gap — which, Mr Retief points out,

was filled by three very able men — JCI has a homegrown chief at the helm, not an outside appointee.

Mr Retief has been in charge of the day-to-day operations since Gordon Waddell left in 1987. He will retain executive responsibility but will take a broader view of activities in the challenging socio-political climate.

Mr Retief views this challenge with circumspection. "Some are better at it than others." He pays high tribute to Mr Hofmeyr for his overall contribution to the affairs of Johnnies over the last three years.

No radical changes are on the cards at JCI. Mr Retief divides Johnnies' interests into managed and non-managed investments.

The managed side includes gold, platinum, coal and base metal operations and property. The important investments are in the Premier Group — diamonds, newspapers and Toyota, among others.

Platinum is the most enticing, with the world's swing to a clean air environment. But Mr Retief is quick to warn that he has seen the market collapse several times.

The viability of proposed and existing gold mines will occupy his time. Mr Retief believes that the gold grade is imperative, and that as long as there is a reasonable cushion between expected operating costs and estimated revenues, the project has every chance of succeeding — notwithstanding the risks inherent in mining.

He is also encouraged by developments affecting mining taxation announced in the budget.

## Confident

He is not deterred by developments at the Joel mine in the southern Free State. "It is taking a little longer to reach the areas of wider reef and higher average grades, but we know they are there," he says.

Since 1980, JCI has developed an export market for its coal through the establishment of the Arthur Taylor colliery in a joint venture with Total SA. Another export mine could be on the cards.

Mr Retief is the chairman of Times Media and Mr Hofmeyr will soon take the chair of the Argus Group. A free, English-language Press is important, he says.

A Sandhurst-trained officer, Mr Retief is married, has three children and enjoys tennis and reading in his spare time.

## Another top exec leaves Fintech

By Ian Smith

**NEILL DAVIES**, long-time righthand man to electronics supremo Bill Venter, has joined the exodus of top people from Fintech, the computer arm of the Venter empire.

Mr Davies, who retires from his executive positions on July 1, follows Marius Furst, Llew Jones, Clive Jandrell and Barry Schechter out of executive responsibility at Fintech.

The company ran into trouble when it absorbed computer high flyer Punch Line two years ago. The company will be posting bigger losses for the year to end-February than had been feared at the half-way point.

Mr Davies's reduced commitment is unconnected with present or future troubles. It was announced well ahead of results to avoid unfair inference.

Mr Davies, who has just turned 54, told Altron chairman Bill Venter two years ago that he wanted to disengage in order to spend more time on personal affairs.

In association with his good friend Peter Gush, former head of Anglo American's gold division, he has bought a farm in the Natal Drakensberg.

Mr Davies will spend half his time on Altron affairs as a consultant and will remain non-executive chairman of Fintech. He will keep his seat on the Altron board.

"The last two years have been extremely tough and Neill feels it's time to let go," says a colleague.

Fintech's new chief executive, David Redshaw, takes over a slimmed-down group that consists of the SA operations of NCR, Xerox and Punch Line.



Sunpak chairman Tubby Gericke at the company's R3-million environmentally friendly plant

## Now ozone-friendly Sunpak invests R3m

By Robyn Chalmers

**SELF-CONFESSED** crayfish poacher of yore, and today chairman of hot-performing Sun Packaging, Tubby Gericke, is making a R3-million investment in the environment.

Sunpak, which announced first-half earnings of R4,8-million this week, is to switch its polystyrene packaging plants from ozone-damaging chloro-fluorocarbons (CFCs) to environmentally-friendly butane 5/Time 25/3/90. "International and local environmentalists have criticised polystyrene manufacturers for the damage they do to the ozone layer. We believed this was something important which had to be addressed."

"We've eliminated the use of 1 000-tons of CFCs a year by our decision. We've also started a 24-month countdown for all Sunpak foam to be bio-degradable by December 1991."

Mr Gericke has been a leg-

end in deep sea diving ever since funding his BA (Archaeology), MSc (nuclear physics) and MBA at the University of Cape Town by catching 1 200 crayfish a day. He made his first fortune salvaging silver from six ancient wrecks off the Cape coast.

He is ~~known~~ to have been the only director's personal assistant to be fired from Anglo American Corp before doing his MBA and making Sun Packaging one of the best performing new listings in the space of such in 1986 and 1987.

The sole asset of his first company was a boat which had been converted into a refrigerated stern trawler.

Listed on the JSE in June 1988, Sunpak has steadily expanded its market. It now claims more than 40% of the polystyrene foam packaging market — and plans to ensure a technological lead in the local industry.

## Those amazing smart cards

Thirty-two A4 pages of information — this is the present capacity of a microchip embedded in today's "smart" plastic cards. Find out more about the technology involved in producing plastic cards and their applications in the Business Times feature on pages 5, 6 and 7.

## Cons Murch faces an uncertain future

8 May 26/3/90

ROBERT GENTLE

THE overtraded world antimony market has claimed its first victim in the form of cash-strapped Anglovaal producer Consolidated Murchison, which today warned shareholders that the company's future was being evaluated.

A cautionary notice, released five minutes after the market closed on Friday, was greeted uneasily by analysts, who spoke of a probable massive scaling down of operations (210)

Cons Murch is the world's largest single antimony producer, accounting for about 12% of world production.

It has been plagued by steadily declining production and loss of export market share over the years

The first hint of serious trouble for Cons Murch came in December 1988 when the company passed its interim

dividend because of continuing weakness in world antimony prices

The cautionary says "all available options" are being evaluated.

An analyst from stockbroking firm Edey Rogers envisaged a massive scaling down of production, the running down of stocks, closure of certain shafts and rationalisation. An analyst from stockbroking firm JD Anderson saw the mine being put on care-and-maintenance, reasoning that outright closure would be difficult to reverse if the market ever picked up again

No comment could be obtained from Cons Murch, Anglovaal or JCI, which, according to the latter's 1989 annual report, holds a 24% stake

(210)

# Shift of mining shares into SA hands accelerates

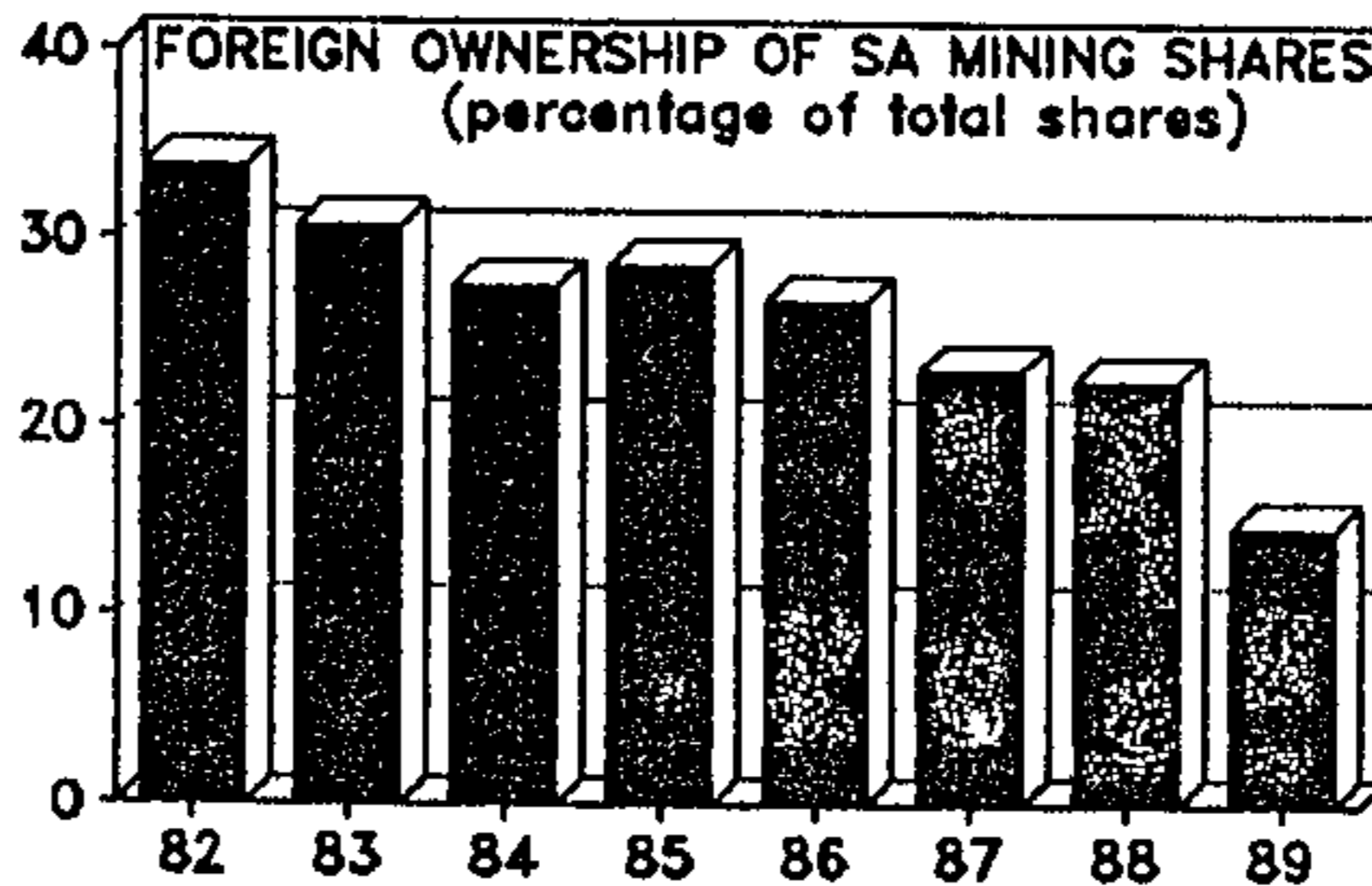
By Trevor Walker  
 CAPE TOWN — South African investors now own more of the country's gold shares than ever before

Stockbrokers Davis Borkum Hare said in a paper at the beginning of the year that from a peak of 42 percent in 1979, foreign holdings in the country's mining shares had progressively declined to 14,5 percent by 1989

Analysts at Davis Borkum this week expressed the opinion that this trend had strengthened after the ANC reasserted its policy of nationalisation and, in particular, the recent slump in the gold price.

The market bounded ahead after the government's decision to release Mr Mandela and all that this entailed, but this was sharply curtailed by subsequent ANC policy statements

So once again South African institutions are "buying back the farm" but on a scale largely different from that which pertained after Sharpeville and the Soweto riots.



South African institutions, with their huge daily cash inflows, are prohibited from investing abroad and this captive money has to be placed in land, buildings and shares in South Africa.

Analysts say the investor returns shown by the big institutions in recent years has been phenomenal and the next round of profits could come from selling gold shares back into the

market if and when it improves

South African investors have a tradition of being bullish supporters of gold shares and, given the present trends in Eastern Europe, Mrs Thatcher's difficulties and the excessively strong dollar, the reverse side of the investment coin could yet prove to be very profitable for investors in traditional hedge instruments.

French investors, probably

the largest number of small European investors in South African gold shares, have remained fully committed and still constitute a formidable interest in Rand Mines gold mining companies

According to Davis Borkum Hare, the four Rand Mines gold mines have a foreign ownership made up, as follows — Blyvoors 76 percent, Durban Deep 48 percent, ERPM 65 percent and Harmony 70 percent

An analyst at the firm says these investor interests have historically proved to be very solid and have based their ideas not so much on dividend return as gold price leverage

At present this could prove to be a profitable bet and local financial institutions appear to be taking a similar view

Institutional investment managers in the City this week were all in the market for gold shares and said that in the shorter-term they were looking to raise the proportion of their total invested funds in gold

# Balanced spread of interests in Rembrandt's portfolio

THE Rembrandt Group has achieved a well-balanced spread of interests, with high cash-generator tobacco interlinked with large mining and other operations, estimates show.



Mining interests are now valued at R3,57bn, 44,8% of total group assets of just under R8bn, but they only contribute 32,15% of forecast earnings of R724,17m in 1990, according to Davis Bokum Hare (DBH) estimates.

The tobacco interest and smaller interests in liquor are valued at R2,59bn, 32,52% of total assets, but represent

32,6% of forecast earnings for 1990.

DBH analyst Pierre Greyvensteyn says the tobacco interests should not be underestimated in their contribution to growth.

These interests are currently growing at about 17% per annum, much in line with the downturn in consumer spending.

He estimates that market share is still 80% and expects growth to resume at a higher rate from 1991 onwards as the black market expands.

Greyvensteyn says statistics show that Third World countries are experiencing real growth in cigarette consumption. The standard of living of the black population should increase at a steady rate.

Coupled with the fact that the black

## LIZ ROUSE

market already represents the major portion, growth in future tobacco sales should be sustained in real terms.

The Rembrandt Group has planned for future expansion, which is evident in its acquisition of a new cigarette production facility in Brits.

The group's mining interests comprise Gencor Behrende, valued at more than R1,85bn, GFSA at more than R1,54bn and Transhex at R1,73bn.

The much-improved performance of Gencor (contributing an estimated R170,95m or 23,6% of forecast earnings) has had a profound effect on Rembrandt's investment portfolio evaluation, says Greyvensteyn.

The improved contribution from non-

goldmining interests has given Rembrandt a far greater spread of indirect interests — Sappi, Malbak, Implats, Samcor and the newly formed Engen.

GFSA's contribution to total earnings should increase from 5,3% to R51,13m or 7,1% in 1990. GFSA's contribution to Rembrandt's underlying asset value of 1,536 amounts to 19,3%, which has had a significant effect on the share's performance in recent months.

Greyvensteyn expects growth to slow down in the short to medium term as a result of the huge capital expenditure programme, but in the longer term benefits should emerge. Forecasts are based on a rand gold price of R1 050.

He says there may be a misconception among some investors about Rem-

brandt's high dividend cover (5,76 times for 1989). The higher cover has come about as a result of the large portion of equity accounted earnings. Once these have been excluded, the dividend cover in respect of normal earnings in fact amounts to 3,66 times.

The additional investment in GFSA this current year, amounting to R911m, has been financed from the group's existing cash resources.

Financial interests (Volkskas, Momentum, Stanbic, Boland Bank and Sage) are estimated to contribute R53,44m or 7,38% to Rembrandt's total 1990 income, while industrial interests (Fralax, Huntcor, Metkor, Dorbyl and Henkel) should contribute R128,96m or 17,81%.

# Unit trusts favoured industrials, with R2,4bn invested

LIZ ROUSE

SA's general equity trusts are weighted in favour of industrials, which also make up a reasonable portion of the specialist trusts

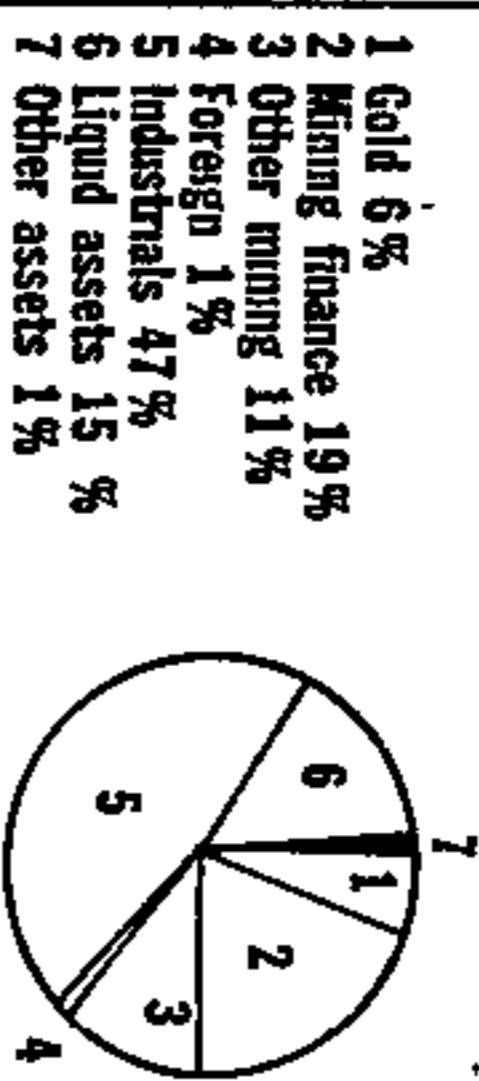
Industrial blue chips comprised 47% of general equity trust portfolios at the end of 1989, against 36% invested in gold, mining finance and mining, according to the Association of Unit Trusts 1990 Yearbook

Industrial shares accounted for nearly R2,4bn of their total assets at the end of 1989, up 69% on 1988's value of R1,42bn

Market value of their mining financials amounted to R978,7m (19%), more than double 1988's R488m (16%). Other mining shares were valued at R561,8m (11%), up from the previous year's R313,2m (10%)

The percentage content of gold shares was unchanged at 6%, but the

## General equity trusts 1989



GRAPHIC: LEE HERRON SOURCE: ASSOC OF UNIT TRUSTS

value rose to R318,5m from R181,2m. Foreign investments accounted for only 1% of total assets, but here again the value increased to R46,7m from R15,1m

Total market value of equities held by general equity trusts rose by a massive 78% to more than R4,3bn from 1988's R2,4bn

Liquid assets accounted for R804,3m,

15% of total assets of R5,1bn, compared with liquid assets of R535,8m, 18% of 1988's total assets of just over R3bn.

The specialist equity trusts concentrate on mining shares, which made up 94% of their total assets with industrials accounting for 18% of total assets of R1,2bn

Gold shares were valued at R312,7m (26% of total assets), up from R246,7m (22%) at the end of 1988. Mining financials accounted for R311,3m (25%), up from the previous year-end's R230,1m (20%)

Specialist equity funds reduced their liquidity to R1,57,8m (13%) from R209,4m (18%), taking advantage of the surge in the gold and mining finance sectors towards the end of 1989

These funds concentrate their investment focus on one particular area or sector of the stock market and invest in the shares involved, for instance, in the development of SA's natural resources

or gold R10,4m 28/3/90 210

There are also specialist equity trusts which have capital growth as their main thrust

High income trusts operated in an unfavourable market last year and their liquid assets increased to R143m (47% of total assets of R306m) from R74,3m (34% of total asset valued at 219,7m at the end of 1988)

The value of their approved assets declined slightly to R89,8% (29% of total assets) from R93,1m (42% of 1988 total assets)

The unit trust capital index and the income index both peaked at the end of 1989, reflecting the record performance of the funds

The capital index stood at 164,70 at the end of 1989, up more than five times on 32,47 at the end of 1979.

The income index at 1 917,01 at the end of 1989 showed an almost similar growth from the 1979, year-end's 386,66

Quarterly



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29/3/90  
Talk of mine closures is premature

Finance Staff

To speak of gold mines closing as a result of the drop in the gold price, was premature, a spokesman for the Chamber of Mines said yesterday

He was reacting to a news report that if the gold price remained at current levels, 25 percent of the country's gold mines will be threatened

"When the gold price reaches levels which affect mine viability, then certain mines can be affected, but to speak of closure of 25 percent of the gold mines, is premature. Besides, mines do not shut down just because of a temporary drop in the gold price," the spokesman said

At the current gold price, the industry's pre-tax profit margin is at an all time low of R216 per ounce before capital expenditure, report said

A minimum pre-tax profit margin of 35 percent before capex and tax is required to provide the industry with sufficient cash flow to continue a satisfactory capital expenditure programme on existing mines

MINING TAX F/M 30/3/90

## No bonanza <sup>(210)</sup> ~~(220)~~

Don't count on the Budget concession on mining tax (a 25% allowance on ring-fencing) to achieve a gold mining boom, warns a leading analyst. When allowance is made for all the built-in adverse factors, the financial

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hurdles to be overcome in launching a new deep level mine remain formidable

The main points to emerge from discussions with Revenue and other research are

□ Only "new mines" started *after* March 14 1990 will qualify for the 25% ring-fencing allowance and may be developed on the back of an existing mine's tax base Revenue takes a restrictive view of "new". If any preliminary site work started before March 14, a mine will be disqualified,

□ Revenue confirms the 25% may be deployed from one mining sector to another A gold mining company could open a platinum mine and claim the deduction But significant problems are associated with such a scheme

For one thing, there has been a trend towards tighter focus in the operations of quoted companies Thus, Randfontein hived

off exploration activities into Barnex; and

□ Capital expenditure for a new mine (with accumulated 12% annual allowance) can only be redeemed when production has started (Non-contiguous mining areas have always been subject to this restriction) It takes some eight years to bring a new deep level gold mine into production

To make meaningful use of an accumulated loss means making heroic assumptions about which mines will still be making big profits in eight years' time Without a much higher gold price, even some high-grade mines may then be much less profitable

We must also take account of what that tax base, arrived at after deduction of capex and lease payments from working profits, actually comprises At present, only a handful of mines have a significant tax base — Driefontein, Vaal Reefs, Hartes, Kloof,

Western Deep and, perhaps, Freegold

If a deep level ore body turns out smaller or of lower grade than expected, it will obviously be a worse financial proposition than expected and the amount to be recovered out of the tax base of the operating mine will be so much larger The 25% allowance might not be enough for this (especially when the 12% a year allowance on capex is taken into consideration) Bear in mind a new deep level gold mine could cost R2bn-R4bn

It's more reasonable to hope to develop small, shallow gold mining propositions with a lead time of three to five years Another interesting possibility is to piggy back base metal mines (which are generally shallow) on to the tax bases of profitable gold mines

In the last resort, only a sustained significant rise in the real rand gold price can make new gold mines attractive again ■

# Anglovaal, Mid Wits seek to raise R1,2-bn

Sta 30/3/90.

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By Derek Tommey

Anglovaal and associate Mid Wits are seeking to raise more than R1 billion in new capital by way of a rights issue

Between them they intend to raise R1,2 billion from shareholders.

The terms of the rights offer will be published on April 5

Anglovaal says it needs the money to ensure the group will be able to follow up future investment opportunities, including new gold mine developments and to follow its rights in Mid Wits

Mid Wits wants money for new investments and new gold mine developments

However, the market will be a little disappointed with the vagueness of today's statements

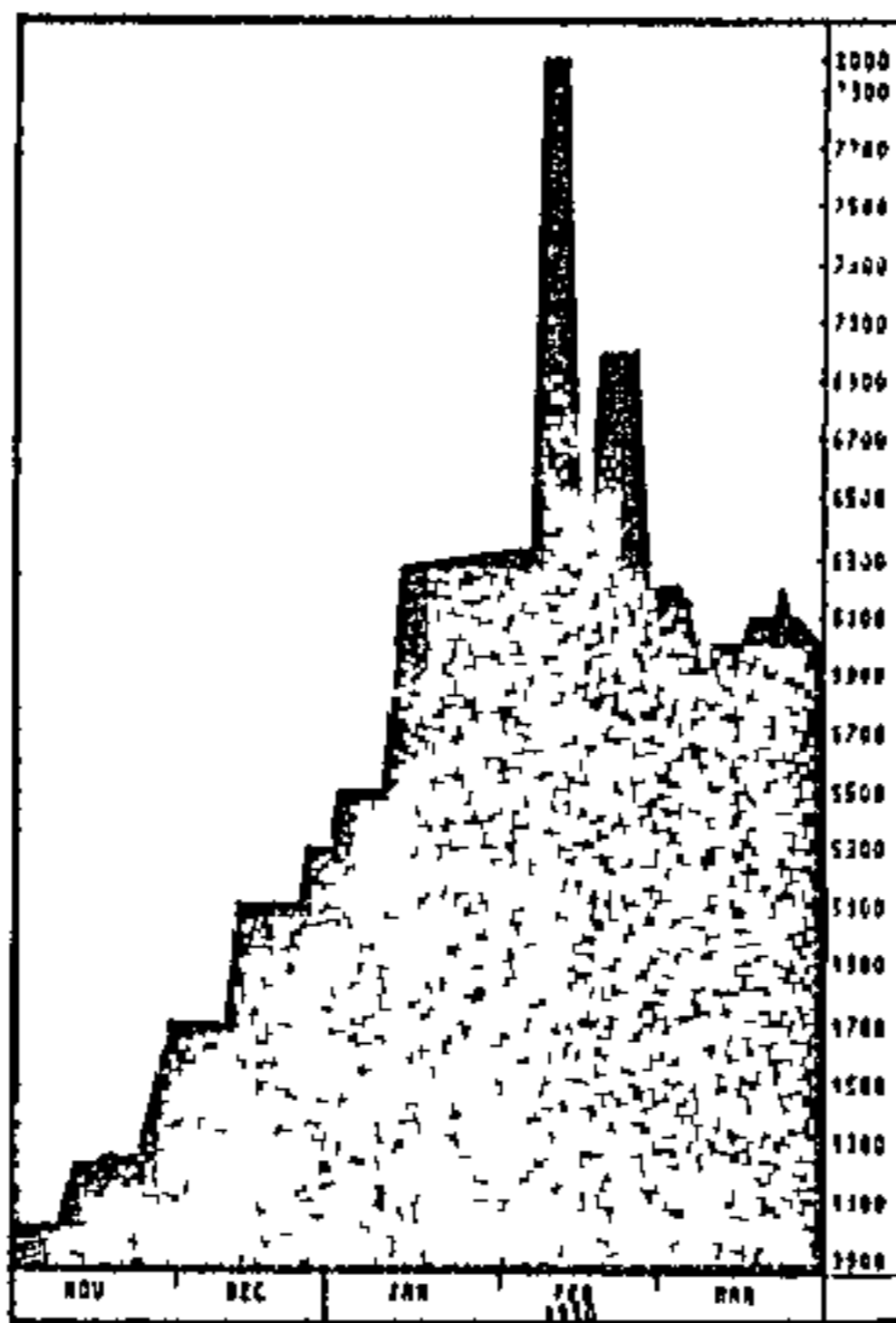
It was expecting the announcement of the rights issue to be accompanied by news of the proposed new gold mine on the Sun prospect in the Bothaville gap.

Anglovaal and Mid Wits have already spent several hundreds of millions drilling the prospect, which is believed to be extremely promising

## Final dividend

Because Anglovaal will not receive the money from the rights issue until May, the new shares will not rank for the final dividend for the current year

Anglovaal expects to pay a final of not less than 60c, against last year's 51c. This would make the total dividend for the year not less than 90c — 18,4 percent more than the 76 percent paid



Anglovaal shares rose strongly towards the end of last year only to dip sharply after the ANC call for nationalisation of the mining industry.

last year

Anglovaal's call on its shareholders comes not long after another large mining house, Gencor, raised R1,5 billion

The huge sums being raised from shareholders reflects a number of things, including the enormous costs of new ventures, the large cash holdings of insti-

tutions and, last but not least, the steep decline in the value of money

Anglovaal should have no difficulty in obtaining the money it is seeking. It has an excellent track record

Earnings have increased by an average of 28 percent and assets by an average of 54 percent annually over the past five years

Anglovaal has been preparing for the rights issue for some time and has changed its share structure

This was done so that the two families running the group could retain control without having to take up 50 percent of Anglovaal's shares every time there was a rights issue

This has been achieved by creating two classes of shares — the 5c ordinaries and the 0,01c N shares. Both shares have the same rights and privileges, with one exception — their issued value measures their voting rights

The 5c ordinary, therefore, has 500 more votes than the 0,01c ordinary N share. The Anglovaal rights issue will be in N shares

Anglovaal expects to raise

R800 million to R900 million while Mid Wits, in which Anglovaal has a 53 percent stake, will raise R400 million to R500 million

The Anglovaal issue will be underwritten by UAL Merchant Bank and the Mid Wits issue by Anglovaal

## Shopping spree

Anglovaal has an urgent need to replenish its coffers, especially if it's planning to finance a huge mining project

In the past 12 months or so, it has been on an extensive shopping spree, paying more than R1 billion, mainly in cash, for many important acquisitions

These included Goodyear Tyre & Rubber, AA Life Assurance, a British acquisition North Sea & General, Laviosa SA, M&PD Electronics and Mor River Textiles

It also increased its stake in Associated Manganese Mines, Ferralloys and Prieska

And it bought out the minority shareholders in TW Beckett Globe Engineering, Steelmeta and South Atlantic

PAT RETIEF

FIM 30/3/90

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# Good sense will prevail

It's unlikely there will be many radical changes at JCI when Murray Hofmeyr retires as chairman at the end of June to head the Argus Group.

His successor and MD Pat Retief (57) has been with JCI for 27 years and is the longest serving member of the Johnnies' executive committee. He's also been responsible for the day-to-day operations of the company since Gordon Waddell's departure in 1987.

Retief, also chairman of Times Media Ltd, Rustenburg Platinum Holdings and Lebowa Platinum Mines Ltd, will retain his executive responsibilities at JCI. The post of MD will fall away.

Though his appearance and demeanour suggest a courteous and unassuming nature, Retief is described by colleagues as a very strong and determined personality who is scrupulously fair and honest in all his dealings. TML MD Steve Mulholland regards him as the ideal chairman: "He deals with issues thoroughly and quickly and knows the detail without losing sight of the broader picture."

But, while the chairman-elect will in many respects be treading familiar terrain, he takes the reigns of JCI at a time when SA's mining houses face new challenges.

On the business front, Retief hopes to continue JCI's successful growth pattern of the past 10 years. Already there are plans to open at least two new mines soon — a gold mine at South Deep and an opencast coal mine at Phoenix. JCI also intends increasing coal exports and is set to expand its platinum production.

Retief, however, is most concerned with the socio-economic challenges. He believes it's essential that businessmen participate in realising black aspirations in the economic and social spheres. "To make a meaningful contribution, it's essential we increase training programmes to upgrade skills which will enable greater participation in the technical and management fields," he says.

And, while talk of nationalisation continues, he believes it is an issue which needs to be debated with blacks, trade unions and the ANC. He says it's unlikely the State will

gain more revenue by nationalising the mining industry — already heavily taxed. "Certainly government can't manage the mines more effectively than they are now being run," he says. He stresses, however, there is a need for some form of restructuring of the economic environment. "I believe that in the final analysis, good sense will prevail."

Retief is particularly heartened by recent political and economic developments. "The latest Budget indicates government's recognition of the contribution business has made and will continue to make to the overall development of resources — both material and human," he says.

"On the political front, we at last seem to be taking steps to move towards that non-racial democratic society which is essential if SA is to progress on a stable course," says Retief. However, while he doesn't expect increased economic pressure from abroad, he doubts whether sanctions will be lifted before more progress

is made towards a settlement.

Trade unions, he says, will remain highly politicised while most of the population continues to have no voice in central government.

However, on the industrial relations front, he says the mining industry has reached agreement on annual wage negotiations without the violence and intimidation of 1987. "Perhaps we've both successfully moved through a learning curve."

Born in Johannesburg, Retief's formative years differ from the typical Anglo mould. After completing his schooling at St John's College he joined the British Army where he served for a number of years before joining Metal Box as a management trainee. On his return to SA he worked for Metal Box SA before joining Chloride Electrical. By 1962 he was sales manager, working closely with the GM at the time, Michael Edwardes of Minorco. Edwardes and Retief remain friends.

Retief joined JCI in 1962 as personal assistant to the late David "Dab" Watson, then chairman of JCI and Rustenburg Plats. In 1967 he was made an assistant manager

and head of the newly formed Platinum Division. In 1969 he was appointed a manager of JCI and an executive director of Rustenburg Plats. In 1972 he became an executive director of JCI, aged only 40, and in 1987 was appointed MD.

Though Retief's schedule is hectic, he finds time to read extensively — particularly biographies and history. He enjoys playing tennis and is beginning to take an interest in what he describes as "a very frustrating game of golf." He and his wife, Joan, have three adult children. Simon, their eldest, works for an industrial and chemical firm in Frankfurt, while daughter Frances works on the *Financial Times* in London. Adrian is in the hotel business at the Carlton.

Of his management style, Retief says he likes working with people as a team. "I like to think I'm fairly relaxed in my dealings with people and I certainly like to hear all points of view before taking a decision of significance." But Retief remains a firm believer in executive responsibility. "As chairman, I will be responsible for any ultimate decisions — the buck stops here." ■



Pat Retief ... on familiar terrain

PEET VAN DER WALT

## Clear focus

Through the mixed fortunes of the industrial conglomerate Federale Volksbeleggings, its service sector has been a consistent success. Since 1974, the service contribution to the bottom line has increased from R1m to more than R30m, companies such as Avis, Priceforbes and Interleisure have been built into market leaders. FIM 30/3/90

It was, therefore, hardly surprising when Peet van der Walt (51), who is responsible for services and pharmaceuticals, was appointed Federale MD from April 1.

Van der Walt hasn't unveiled his complete strategy for the group yet, but he is prepared to say "We need to regain focus and not get too diversified as we did in the past. There are some weak points in the company which aren't providing good returns and there'll have to be some rationalisation."

He says Federale will still look at opportunities, but only within its defined core businesses — food, motor components, services, pharmaceuticals, domestic consumer goods and mineral fibre.

Van der Walt is a career Federale man. "I have had the good fortune to enjoy new career challenges within the Federale group, first within the finance department and then through my line responsibilities."

Born in Burgersdorp and educated at Rob-

By Des Parker

DURBAN — The sparkle that lit up jewellers' eyes after the scrapping in the Budget of the 20 percent ad valorem duty on jewellery sales has dimmed with the discovery of a technical hitch in the law that is making them collect GST on sales to foreign tourists.

Sales are being lost, says Jewellery Council executive director Michael Goch, particularly to well-informed Taiwanese visitors who for several years have taken advantage of the cheap rand and the sales tax exemption to buy large quantities of jewellery in South Africa.

He says urgent representations have been made both to Inland Revenue and to the Department of Customs and Excise.

In terms of a 1985 amendment to the General Sales Tax Act, foreign tourists were exempted from paying sales tax on purchases of jewellery from jewellers licenced by Customs and Excise to sell to visitors to the country without charging ad valorem excise duty.

With the scrapping in the Budget of the duty on all jewellery transactions, Customs and Excise "VSJ licences" held by jewellers no longer are of any force in law.

However, in terms of the sales tax legislation, GST-exemption for tourists necessitated jewellers being licenced.

"As a result, there is technically a requirement for jewellers to charge GST and the Commissioner for Inland Revenue confirmed as much to us in a memorandum sent on March 16.

"We made urgent representations for an interim arrangement to be made, but in the meantime we have had to advise jewellers through the Jewellers' Association to continue collecting GST from tourists. I

## Budget sparkle dims for jewellers

have numerous calls from jewellers, diamond dealers and others saying they have lost sales"

A Durban jeweller who asked not to be named estimates sales to foreign visitors make up 55 percent of his business. He has "five foreign deals cooking right now" which would fall through if the customers had to pay GST.

Mr Goch stresses that the problem has arisen from an oversight and it was not the intention of the Minister of Finance to penalise the jewellery industry.

The Sales Tax Act will have to be amended. However, drafting changes will take time and interim measures are required to deal with a very worrying situation".

It would be possible to introduce a temporary solution based on the British value-added-tax (VAT) system whereby tourists are refunded the VAT paid on jewellery purchases by customs and excise officials when they leave the country and the goods are exported.

Failure to sort out the problem soon could damage South Africa's reputation as a good place for tourists to buy jewellery.

Most countries exempt foreigners from paying sales tax on jewellery, Mr Goch says.

# Namibia to adopt a cautious strategy to up its stake in mines

WINDHOEK — Namibia would no longer allow South Africa to control its mining, but would move cautiously in making changes, Mining Minister and General Secretary of Swapo, Mr Andimba Toiva ya Toiva, said this week.

"Over the years, through the mining industry, Namibia has developed an abnormal degree of dependency on a foreign country. Such an economic dependency threatens the political aspirations of a sovereign state and cannot be allowed to continue.

"The government's three-pronged aim will be to avert an economic collapse, to consolidate our fiercely won independence and to establish a solid foundation for the development of future policies," he said.

Revenue from the mining industry is expected to provide the financial muscle for the new government's nation-building programme.

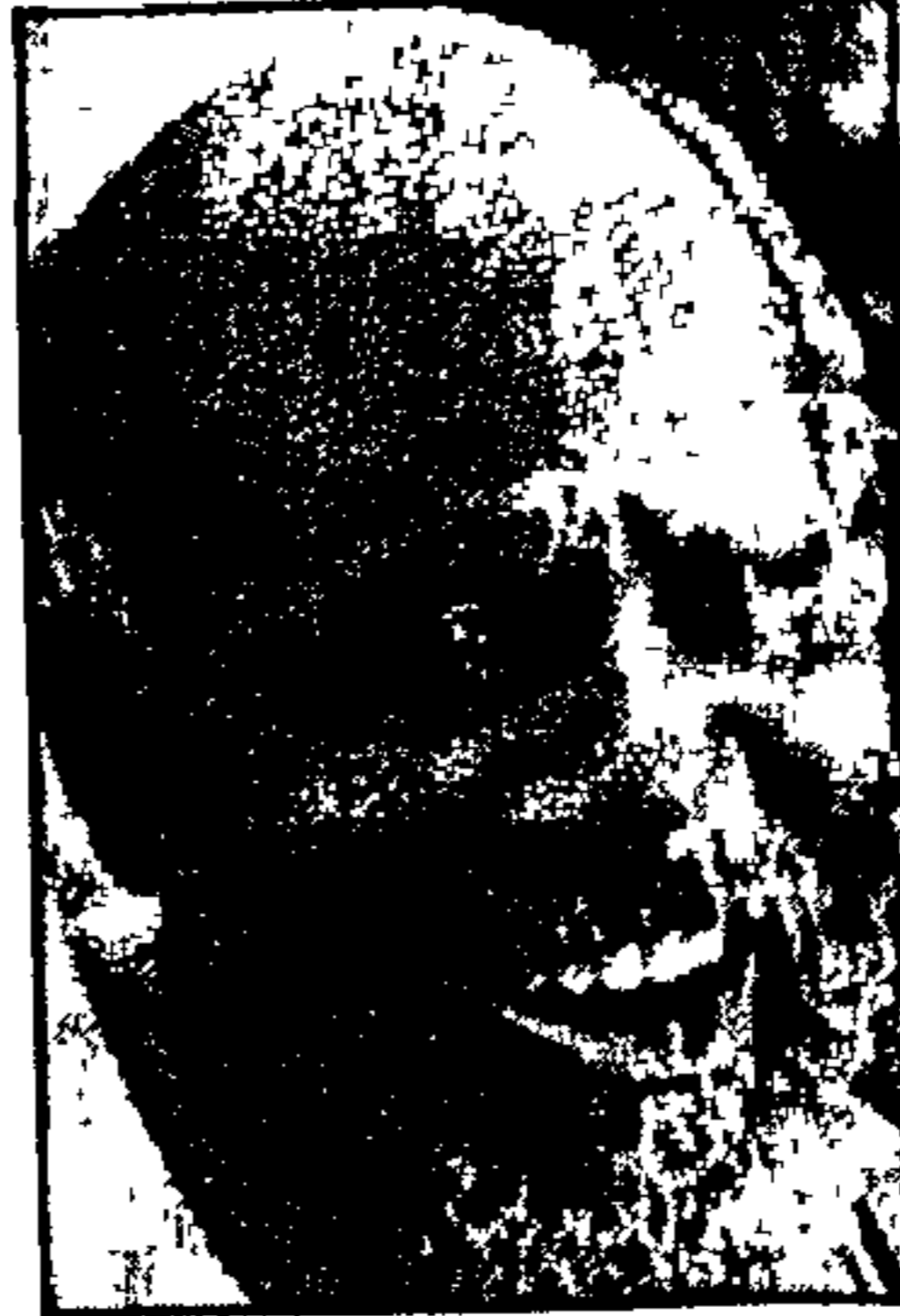
The Minister said the mining industry would have to be integrated into the Namibian economy and government intervention would have to focus on ensuring the key industry gave priority to technical and management training, which he claimed had been sadly neglected in the past.

Namibia's mining industry accounted for 72 percent of the total export revenue in 1988. Almost all of Namibia mineral exports are channelled through South Africa for processing and are re-exported overseas.

"Neither will Namibia tolerate the same high degree of the repatriation of profits to foreign countries," he said.

A 1989 UN study reveals that the large foreign ownership of the mining industry has seen a substantial outflow of Namibia's wealth.

However, he said, given the crucial importance of this indus-



Mr Toiva ya Toiva . . . outright nationalisation not on cards.

try to the establishment of a healthy economy the government would have to ensure that any changes did not threaten production.

"That is why we are studying the situation carefully and walking cautiously towards the implementation of a new policy in this industry that will contribute to social and economic development."

Various policy options that include management rights, tax rates, repatriation of profits and capital recovery are being investigated by the government.

## Joint venture

Diamonds, uranium oxide and copper, which are currently the key minerals in Namibia's mining industry, are controlled by three multinational companies. Consolidated Diamond Mines (CDM), which is in turn controlled by the De Beers Group, Rossing Uranium, and Tsumeb Corporation.

Given that CDM exports comprise about 50 percent of mineral exports the Namibian government might have to consider entering into a joint venture

with the company so that part of the profits could be used more effectively to benefit the people, Mr Toiva ya Toiva said.

"Several factors militate against outright nationalisation of the diamond industry, not least of all is CDM's legacy of a labour force untrained to immediately assume technical and management functions."

Because of this and other similar constraints in the mining industry as a whole and the economy in general the Namibian government could not implement its promises overnight.

He said investigations into the mining industry would include a review of prospecting regulations, mining licences and strategies for medium- and long-term exploration. Perhaps even more important was the need to address employment and training.

"We have already secured the services of Finland who will be training our miners here in Namibia and offering specialist training overseas for selected miners." Namibia would also be sending its people to Canada for specialist training.

He said on a recent visit to CDM, which accounts for more than 40 percent of the profits of the multinational De Beers Group, he was appalled at the lack of training programmes for black Namibians. Trained blacks pointed out to him came from South Africa.

The Minister said he was, however, heartened to learn that Rossing Uranium had decided to establish a mining college in Namibia and he hoped this would develop into a technical centre for other industries.

He warned Namibians that the government had no miracle measures and that change and socio-economic benefits depended on hard work and courage to face and address the challenges ahead — Sapa.

# Reducing CFCs <sup>CAPE</sup> will cost <sup>Times 4/190</sup> SA mines <sup>210</sup> millions <sup>70</sup>

Own Correspondent

JOHANNESBURG.

The mining industry could spend "many millions of rands" in switching from the use of ozone-depleting chlorofluorocarbons (CFCs) in its underground cooling systems to meet Montreal Protocol requirements.

The Montreal Protocol, which South Africa signed in January, requires that CFC use by signatory countries must fall to 80% of 1986 levels by mid-1993 and to 50% by 1998.

However, the protocol is expected to be tightened in June at a London meeting to support "total phase-out" by the year 2000.

Mr Michael Bailey-McEwan, chief engineer of the Chamber of Mines research organisation environmental engineering division, said mines could face severe difficulties if restrictions on consumption of CFCs between 1990 and 2000 were stepped up further.

The changes expected were that 50% of 1986 consumption levels would have to be reached by 1994/5 and 15% by 1998.

The industry felt government should take the impact on mines into account before it agreed to a timetable for the phase-out of CFCs.

The mines already faced escalating production costs because of the unfavourable gold price

# Switch to ozone-friendly coolants could cost mines many millions

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THE mining industry could spend "many millions of rands" in switching from the use of ozone-depleting chlorofluorocarbons (CFCs) in its underground cooling systems in order to meet Montreal Protocol requirements.

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The mines already faced escalating pro-

duction costs because of the unfavourable rand gold price.

SA's mining industry consumes 5% of SA's present production of CFCs.

The gold mines are almost totally reliant on CFC11 and CFC12 as refrigerants to maintain acceptable working conditions underground.

Bailey-McEwan said the capital investment of the mining industry in refrigeration in present day values was upwards of R600m.

Changeover would incur capital costs, as well as running and maintenance costs. In most cases it would be difficult and costly to convert existing equipment to the use of alternatives, he said.

In addition, alternatives would initially cost between four and five times as much as present CFCs and were likely to be somewhat less efficient.

The crucial consideration to be taken into account was the safety and health of the underground workforce.

There was some concern about a faster tightening of the Protocol as the mining in-

dustry required time to find cost effective and safe means of change over, Bailey-McEwan said.

The industry had formed a working group, co-ordinated by the research organisation with Bailey-McEwan as chairman, to investigate the most cost-effective means of changeover.

One alternative available is HCFC22 which has only 5% of the ozone-depletion potential of other CFCs. But it might not be available in the long term if the Montreal Protocol is extended to phase it out at a later date.



COMPANIES

11 Day 5/4/90

# Anglovaal aims to raise R822,1m through rights offer

FINANCIAL, industrial and mining group Anglovaal Limited has announced the terms of its rights offer.

It is to raise R822,1m by a rights offer of its "N" ordinary shares to shareholders and stock-holders. These shares are to close at 5 200c on the JSE yesterday.

The company is to offer 30 "N" ordinaries at 4 900c each for every 100 ordinary or "N" ordinary shares held and 21 "N" ordinaries — also at 4 900c — for

BARRY SERGEANT

every 100 units of loan stock held

The last day to register for the offer, underwritten by UAL Merchant Bank, will be April 12 when Anglovaal will publish the listing and other salient dates of the offer.

In terms of the Anglovaal rights offer, Anglovaal Holdings (Avhold) is entitled to 2 690 217 "N" ordinary

shares, but it is to renounce its entitlement over 2 654 408 of these (for no consideration) in favour of its shareholders.

This will be achieved through a renounceable rights offer of 29 "N" ordinaries for every 100 Avhold shares held. The balance of 35 809 "N" ordinaries will be sold for the benefit of Avhold.

Last week Anglovaal and 53% subsidiary MidWits (MidWits) said they were to raise about R1,2bn between them through rights offers.

Because MidWits does not have a sufficient reserve of ordinary shares for such an offer, it is to call a shareholders general meeting to authorise creation of additional shares. Further details of its proposed rights offer will be made known when the meeting is convened.

Anglovaal said it would be raising cash via the rights offer to help fund more than R1bn of acquisitions in 1989 and to take advantage of future acquisition opportunities.

# March bid by miners is halted

ste 5/4/90

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Staff Reporter

Mine security officials and police prevented about 28 000 mineworkers from leaving their hostels in Carletonville yesterday afternoon to take part in a march protesting against racism on Anglo American mines, according to a National Union of Mineworkers (NUM) statement released last night.

Permission for the march was refused by the local magistrate.

The NUM statement claimed armed police in armoured personnel carriers, and mine security, blocked all routes leading to the Western Deep Levels and Elandsrand mines from which mineworkers planned to march.

Copies of the mineworkers' list of demands were handed over to mine officials.

In a statement, the mineworkers said they were oppressed and exploited and had been forced to take drastic steps (the planned march) to articulate their grievances.

Their demands include:

- That every mineworker, black and white, must be subjected to queuing underground and the hoisting of whites workers first must be done away with.
- That employment opportunities should be available to all regardless of skin colour.
- That every person in a position of authority treat workers with respect and dignity.

DURBAN — A costly technical legal hitch following the Budget, which reversed the GST-exemption given to foreign tourists on purchases of jewellery, is being remedied, says Jewellery Council executive director Michael Goch.

Although he had not been told how the new "interim" system would work, he had been advised by Government officials that they were "in the process of making provision for a system to be introduced which will allow the sale of jewellery to foreign tourists free of GST.

"I believe it will be run

# Jewellery regains sparkle

DES PARKER

801 714/90 (210)  
along the lines that we proposed in that forms similar to the tourist declaration forms completed at the sale will be stamped by passport officers at the point of departure and returned to jewellers for submission to Inland Revenue," he said.

The problem arose after the Minister of Finance in the Budget announced the scrapping of the 20 percent ad valorem excise duty on all sales of jewellery.

As a consequence, Customs and Excise licences issued to jewellers, enabling them to exempt foreign tourists from the duty, were no longer of any force in law.

"Consequently, we were faced with the legal position that jewellers had to resume collecting sales tax from foreign tourists, despite the amendment 1985 to the Sales Tax Act which provided the exemption," said Mr Goch.

# Mining towns are feeling the pinch of boycott

By DAN DHLAMINI

THE situation is tense in the Western Transvaal mining towns of Klerksdorp, Orkney and Stilfontein, following a spate of detentions of activists and a week-old boycott of white businesses.



The refusal of these towns' councils to open public facilities to all and the mass detention of civic association leaders and activists since March 20 sparked the boycott, a Jouberton Civic Association statement said.



Hit hardest are small businesses in Klerksdorp's central business district and the new multi-million Terminus complex which opened last weekend.

*8/4/90*  
*C/MS*

Big businesses, in Klerksdorp such as Pick n Pay, Checkers and OK said they were not affected by the boycott.

Lawyer RA Bradie, regional president of the Westvaal Chamber of Business, said his organisation was trying to arrange a meeting with the civic associations to resolve the matter, but was worried there would be no-one to talk to as most civic leaders were in detention.

A fugitive Jouberton Civic Association (JCA) spokesman said arrangements to meet the chamber would be made after a community meeting.

The spokesman added the JCA had not received any response from the Jouberton Town Council regarding a petition demanding investigation of council corruption, site allocation, and the scrapping of rents, handed to the council on March 3.

Ikageng residents are to start a consumer boycott following Potchefstroom Town Council's decision to bar blacks from local amenities.

# Answer is not to rob the rich but to uplift the poor

Sowetan 11/4/90

In this article the president of the Chamber of Mines, Mr Kennedy Maxwell, responds to Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers, who last week spoke about what he termed repression on the mines and other issues affecting black miners at the workplace. It takes two to tango, Mr Ramaphosa, says Mr Maxwell...

**THE South African mining industry welcomes Mr Cyril Ramaphosa's proclamation of 1990 as the Year for Justice, Democracy and Peace on the mines.**

It agrees with the general secretary of the National Union of Mineworkers when he writes (the *Sowetan*, April 3) of the social and economic damage done by apartheid, especially to black people

And yes, it agrees that a new ray of hope has emerged; that resolution of conflicts through peaceful means is "the new international norm of our time"

Regrettably, that course is not served by the emotional tenor and sweeping assumptions that colour Mr Ramaphosa's article.

## Division

The first and most dangerous assumption, because it ignites unrealistic expectations that cannot be fulfilled, is that South Africa is a wealthy country, and that a fairer division of its wealth would ensure prosperity for all

The hard fact of the matter is that this is not a wealthy country; that if all personal wealth was pooled and equally divided, most whites and many blacks - including the majority of his union members - would lose but the gain spread among the masses would be minimal.

And those with the skills which generate wealth and create employment would take those skills elsewhere - leaving behind a further impoverished country.

The answer is not to rob the



Mr Kennedy Maxwell

rich but to uplift the poor A look at the wealthy nations of the world will indicate that a country's most valuable asset is not its mineral or other natural resources but its human resources

The only way to increase wealth, or the size of the cake to be divided, is by greater productivity and economic growth

## Inferior

South Africa has one of the lowest productivity rates in the world, and part of the reason for this has been inferior black education under the apartheid system - exacerbated by the township dictum of "liberation before education".

Mr Ramaphosa refers indirectly to the changes in Eastern Europe, where socialism has so dramatically failed, and then proposes that failed system - including nationalisation - for South Africa.

He does not say how nationalisation of the mines is going to be achieved or how it will create more wealth, but it is worth looking at some facts

During 1989:

1. 33 percent of the revenue earned from gold sales was paid in wages;
2. 39 percent was paid to suppliers of stores, materials and services required to produce the gold;

## FOCUS

3 15 percent was spent on capital expenditure items to keep the mines going,

4 Eight percent went to taxation and lease payments, and

5 That left five percent for the shareholders which meant that they earned a 3,2 percent return on the market capitalisation of all the gold mines Hardly profiteering!

## Confidence

How would Mr Ramaphosa propose to re-arrange these figures? How would he compensate shareholders if the industry was nationalised? How would he retain the confidence of local and international investors without whom new mines will not be opened up to create more jobs and more wealth?

It is patently absurd to write off the economic contribution of the mining industry with the comment that it has enriched only a tiny minority

Some R7 000 million was paid out to 513 000 employees in the gold and coal mining companies during 1989 and two thirds of all foreign currency earned by exports came from the mining industry.

## Backbone

It has given birth to whole towns, to educational and medical institutions, dams, roads and railways. It is the backbone of the economy

At the same time, the Eighties have not been good for South African gold mining. During this decade inflation has seen our mines move from being the lowest cost producer of gold in the world to the highest.

Since 1980 real annual profits have fallen every year, and the fall in the price of the metal means that by July half the mines will be operating at a loss

What is needed now is further improvement in productivity and efficiency, not political rhetoric which provocatively seeks to place the Chamber of Mines and "the apartheid State" in the same camp

The mining industry fully supports peaceful moves toward the creation of a non-racial, democratic post-apartheid society

Its opposition to apartheid has been expressed frequently and effectively through representations to win full and equal trade union rights for all employees, irrespective of race; through successful efforts to secure the abolition of the "scheduled person" definition from the statute books, scrapping statutory job reservation; and through numerous other motivations including the scrapping of the Group Areas Act

The industry has also initiated legal action against the Government and conservative unions over the training of coloured winding engine drivers, the segregation of change houses; restrictions on the number of people employed with blasting licences (which could restrict the entry of blacks into jobs requiring this certificate), and on the admission of qualified blacks, Asians and coloureds to the Mine Employees Pension Fund

## Confuses

When Mr Ramaphosa wilfully confuses recruitment with abduction, employment with slavery and hostels with prisons, when he makes totally unfounded allegations about workers being denied the right to organise themselves or elect their own representatives, then he mocks the peace he proclaims.

The Government has conceded that apartheid is doomed. What is now at stake is what is to take its place, and how

Only if we work together constructively will we be able to match our common aspirations of building a prosperous nation in which democracy and an equitable distribution of wealth is fully realised

# Phase 1 drilling at NCW extended

By Derek Tommey

210

Boreholes sunk in the past six months on the farm Gerhardminnebron where a Western Deep Level mine might be established appear to indicate where the gold isn't, rather than where it is

New Central Witwatersrand Areas (New Wits) says that of the three phase-one boreholes in progress at the end of last September, one (MGM9) was terminated when drilling failed to intersect the Cobble Reef because of faulting

Deflection drilling on the Bird Reef conglomerate formation in borehole MGM4A is now complete, with acceptable assay results for the Cobble Reef ranging from 149g/t to 532g/t at a depth of 2459m

The results indicate that the tenor of gold mineralisation for this reef decreases in the eastern part of the property, says New Wits

Borehole MGM4A was subsequently deepened to 3023m where it was stopped on the Roodepoort formation

Deflection drilling is now in progress for the Carbon Leader and North Leader Reefs

In borehole MGM10, deflection drilling for the Bird Conglomerate Formation has been completed and available assay results for the Cobble Reef are disappointing, with a peak gold value of 2,19g/t over a width of 62,8cm

Borehole MGM10 is to be deepened to 3500m to obtain additional

geological data. The will put back the completion of Phase I of the prospecting programme to early 1991 from the third quarter of 1990 as originally planned

In the Phase II programme, drilling is in progress in seven boreholes, while an additional three are at the pre-drilling stage. Phase II involves the drilling of up to 16 boreholes at an estimated cost of R50 million in 1989 money

New Wits has declared an unchanged interim dividend of 47c a share. Earnings a share in the six months to March increased to 78,8c (63,6c)

Income from investments was R1,465 million (R1,298 million) and earnings rose to R1,392 million (R1,123 million)

*Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament*

\*10 Mr P G SOAL — Law and Order [Question standing over]

Transkei: criminal prosecutions

\*11 Mr F J LE ROUX asked the Minister of Foreign Affairs † *Hansard 17/4/90*

Whether he has at any stage made any requests or representations to Gen Bantu Holomisa of Transkei regarding criminal prosecutions in Transkei against certain companies, organisations or persons, if so, (a) when, (b) against what companies, organisations or persons and (c) with what result?

The MINISTER OF FOREIGN AFFAIRS  
B701E

I wish to refer the honorable member to my reply dated 4 April 1990 to parliamentary question no 255

Constitution: drafting by certain persons

\*12 Mr L F STOFBERG asked the Minister of Constitutional Development †

Whether he has commissioned certain persons, whose names have been furnished to the Minister's Department for the purpose of his reply, to draft a constitution for the new South Africa, if so, (a) when, (b) what are the names of the two persons concerned, (c) how much time have they been given to submit a draft and (d) what was the purport of this commission?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT  
B702E

No

- (a) falls away
- (b) falls away
- (c) falls away
- (d) falls away

Government-controlled assets: privatising

\*13 Mr H J COETZEE asked the Minister of Mineral and Energy Affairs and Public Enterprises † *Hansard 17/4/90*

- (1) Whether it was announced on or about 16 March 1990 that the Government would

HOUSE OF ASSEMBLY

The MINISTER OF JUSTICE

- (1) (a) and (b) At present the civil liability of organisers of protest marches for damage caused to another is governed mainly by the common-law rules regarding delicts

Claims against organisers of protest marches for damage caused by participants in such marches will consequently have to be founded on such common-law rules. It is further known that some local authorities require under their municipal by-laws from the organisers of processions an indemnity in the form of a cash deposit or an insurance policy with a view to compensating for damage caused by participants in the processions

In a press statement on 30 March 1990 as well as earlier in this House I however announced that legislation regarding the regulation of orderly meetings in accordance with notifications as a prerequisite is at present receiving attention. The various problems regarding damages that accompany these meetings is one of the aspects that has been identified and which specifically has been noted to be addressed in this Bill. The Bill is at present in an advanced stage and I contemplate to introduce it in Parliament in the near future

- (2) Particulars of such claims, if any, are not readily available

\*15 Adv T LANGLEY — Defence † [Withdrawn]

Fanie Botha Dam at Tzaneen

\*16. Adv T LANGLEY asked the Minister of Public Works and Land Affairs †

Whether the odd pieces of land of the Fanie Botha Dam at Tzaneen have been allocated to any person or persons for utilisation, if so, (a) on what conditions, (b) at what compensation and (c) for what term?

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS  
Yes

- (a) The pieces of the land which remained in the possession of the State were allocated for nature conservation and recreational

*Hansard 17/4/90*

TUESDAY, 17 APRIL 1990

purposes as well as a recreation resort for Coloureds and Indians and placed under the control of the Transvaal Provincial Administration

- (b) No compensation
- (c) For as long as it is used or required for the relevant purposes

Police action: Khutsong

\*17 Adv J J S PRINSLOO asked the Minister of Law and Order †

- (a) How many persons were arrested in terms of the emergency regulations in the Police action in Khutsong on Wednesday, 14 March 1990, and (b) (i) how many of these persons are illegal immigrants and (ii) what are their countries of origin?

The MINISTER OF LAW AND ORDER  
(a) 25  
(b) (i) None  
(ii) Falls away

Contingency reserves

\*18 Mr D G H NOLTE asked the Minister of Finance †

- (a) How were the contingency reserves spent in the 1989-90 financial year and (b) (i) what amounts were paid out and (ii) to whom?

The MINISTER OF FINANCE

The information appears on pages III to V of the Estimate of Additional Expenditure, document R P 1-1990, which was Tabled in Parliament on 19 February 1990 and which was further elucidated in my speech to Parliament on the same date

Coastal dune area at St Lucia: mining activities

\*19 Mr J CHIOLÉ asked the Minister of Mineral and Energy Affairs and Public Enterprises †

- (1) Whether he intends taking any steps to stop proposed mining activities in the coastal dune area of St Lucia, if not, why not, if so, (a) what steps and (b) what are the motives for these steps;

# RM's ERPM mine posts R20m loss

STP (7/1/89) Finance Staff 210

New plans for survival are being considered for Rand Mines' highly marginal East Rand Proprietary Mines (ERPM), which showed a loss of R20,2 million in the first quarter of this year on top of a R7 million loss in the previous quarter.

The mine was hit by the combined effect of lower gold prices and continued poor grades, and will need additional funding to maintain it as an ongoing concern once the present facilities have been exhausted.

The mine has drawn R297 million out of the R300 million made available by the government and various institutions and further rationalisation plans are afoot, although Rand Mines has not yet made a decision.

However, timely rationalisations and labour cutbacks towards the end of 1989 and early this year, when gold prices were higher, have paid dividends for Rand Mines (RM) three other gold producers.

Harmony, Blyvooruitzicht and Durban Deep between them earned after-tax profits of R31 million in the March quarter — R7 million higher than the previous quarter's R24 million. The group's star performer was Blyvoor, which showed a five-fold increase in bottom-line profits from R2,1 million to R11,4 million.

Tonnage was up from 572 000 to 603 000 tons, which with higher grades (4,01 g/t against 3,93 g/t) led to an increase in gold production from 2 249 kg to 2 421 kg.

The margin between cost a kg of R28 869 and the gold price received of R33 886 a kg was a comfortable R5 000 (R1 200 in the previous quarter).

A highlight of the quarter was the strong turnaround in the group's other marginal producer, Durban Deep, thanks to an injection of R18,7 million (equal to R8 a share) as a result of a Transvaal Provincial Administration expropriation of 667 ha of its property. The mine lifted bottom line profit from R1 million to R2,5 million.

Harmony had a steady quarter, with both tonnage and grade unchanged from the previous quarter.

Costs a kg were R31 773, leaving a margin of just under R2 000 a kg on the average selling price of R33 691 a kg. Taxed profit was R17,2 million, down from R21 million in the December quarter.

Capex was just under R4 million (R5 million) and there are commitments for a further R3,5 million.



# Anglo, NUM concerned over mine violence

By Shareen Singh  
The recent spate of violent incidents on the mines, particularly in the Free State, is of major concern both to employers and the National Union of Mineworkers.

In the past six weeks there have been numerous work stoppages, sit-ins and protest marches against racial discrimination in the workplace. Segregated amenities, hoisting practices and racist attacks on black miners in Welkom have sparked industrial action.

Intervention by mine security during these protests has often resulted in violent clashes.

Mounting racial tensions in the Wel-

kom area between white rightwingers and black workers is intensifying the conflict and causing major problems in the area, NUM spokesman Mr Jerry Majatladi said.

A black mineworker wearing an ANC T-shirt was allegedly kicked and beaten to death by six white men last month. NUM also reported incidents of workers allegedly being abducted and beaten up by whites.

But the white Council of Mining Unions said the union was disturbed about the increasing number of attacks against its members by black workers since January.

The issue was raised in Parliament a few weeks ago and Minister of Law and Order Mr Adriaan Vlok pointed

out that according to official reports, the incidence of whites attacking blacks was considerably more than blacks attacking whites.

Anglo American said NUM's campaign for "peace, justice and democracy", which calls on mineworkers to protest against alleged racial discrimination, was not in accordance with laid-down procedures.

The company's public affairs manager, Mr Adrian du Plessis, said last week that Anglo opposed racial discrimination in any form. Where evidence of racism existed, Anglo was committed to its removal, in consultation with those involved.

Anglo did not regard differentiation on the basis of seniority as discrimina-

tion. Management would not tolerate violence, as channels and procedures existed for the peaceful resolution of conflict, Mr du Plessis said.

NUM assistant general secretary Mr Marcel Golding criticised Anglo for making public statements on democracy and non-racialism but not putting them into practice.

NUM was concerned about the tense situation on the mines, in particular the excessive use of force by mine security personnel in dealing with mineworkers' peaceful protests against racial discrimination.

The cycle of conflict and tension was likely to continue if the issues were not seriously addressed, Mr Golding said.

# In search of the true heart-beat of the

In any search to find the heart-beat of the Oppenheimer empire, perhaps one should start at Brenthurst, the 20 ha estate enfolded in the seclusion of Johannesburg's more exclusive northern suburbia and the home of the current ruler of the dynasty

It is in the private library here that Mr Harry Oppenheimer, surrounded by the finest collection of Africana in the world, likes to retreat to meditate over the future

The meditation is rarely confined to balance sheets of the multibillion-rand empire that reigns as the world's largest gold and platinum producer, controller of most of the world's diamond supplies, and which stretches from banking and insurance to supermarkets and vineyards

There is not a single volume about mining or finance on the shelves. Here, the most powerful business tycoon in South Africa is more likely to reach for such favourite poets as Byron, Keats and Shelley

It reflects the intellectual preoccupations of the patriarch about the role of the Anglo American Corporation and De Beers in society as well as on global stock markets — and concern about the shape of the new SA awaiting a combined labour force running well above 200 000 workers

Now in his 80s and in semi-retirement, Mr Oppenheimer leaves the hard-nose day-to-day business for visits to 44 Main Street, the empire's head office in the heart of Johannesburg's financial district

That is where Bill Jamieson makes his next stop in the hunt to feel the pulse of the corporate giant.

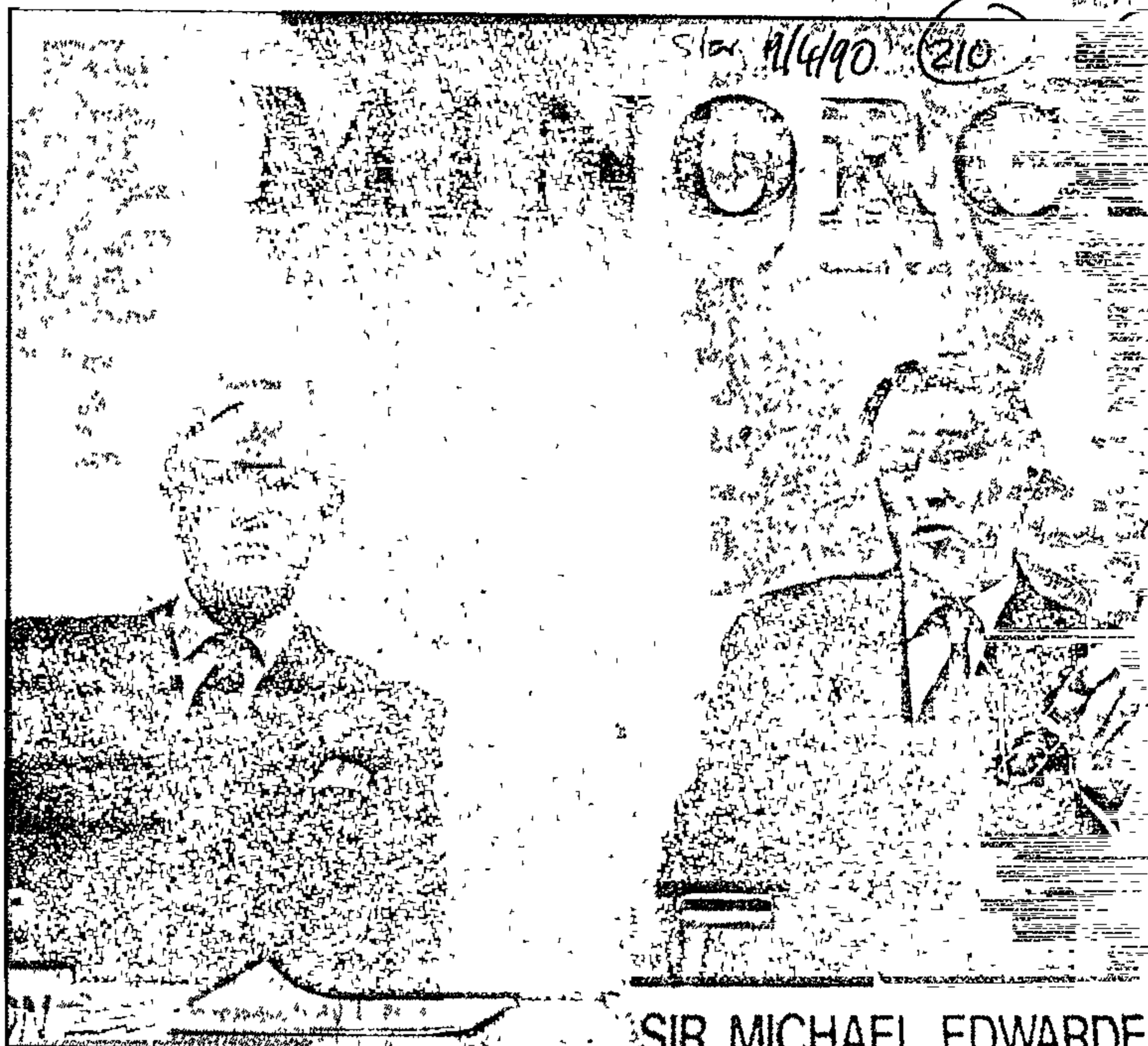
## Cathedral

And that is where the piquant irreverence of the book starts, making it plain the author has little use for the golden prose of press releases.

"Sir Ernest Oppenheimer said he wanted a building that was a marriage of a gold mine and a cathedral," he writes. "He ended up with what can be best described as a police station designed by Mussolini."

Jamieson makes clear at the outset a determination to underscore the hold of the Oppenheimer dynasty on the empire, whatever the announcements of retirements and moves at boardroom level.

What he hopes it shows is that the Oppenheimer family's direct shareholding in Anglo American of a relatively modest 8.3 percent belies the enormous influence it wields and its dominance over corporate culture — "Sons and son-in-laws (sic) and godsons and cousins



SIR MICHAEL EDWARDES

Minorco's battering ram Sir Michael Edwardes (centre) makes his point at the press conference to launch the Julian Ogilvie Thompson (left) and Minorco's finance brain, T-

pepper the hierarchy".

It especially shows, he feels, in the opulence of the private dining room retained for the Oppenheimers — where even the cigar cutter is encrusted with diamonds.

But the author of *Goldstrike!* sounds as if he is equally close to finding the true pulse of the empire when he meets Mr Falang Mobe, a 40-year-old machine operator from Lesotho who works at Anglo's Western Deep Levels mine, 70 km west of Johannesburg

He follows Mr Mobe down into the deepest gold mine in the world to watch him drill into the rock in temperatures as high as 55 deg C — and hears how he tries to support a family of seven on R28,85 a shift

The author was moved. In fact, he has dedicated the book to Mr Mobe, along with two of his workmates

Jamieson's odyssey to try to solve the Oppenheimer enigma takes him hopping around from South Africa to Britain, the United States, Luxembourg, Australia — and layer after layer of the empire comes under the microscope

But the author — not surprisingly as deputy city editor

In a new book, "Goldstrike!", British financial journalist Bill Jamieson fathom the enigma of the Oppenheimer rule over the Anglo American gold and diamond empire, and what went wrong in the famous takeover over Consolidated Gold Fields. MICHAEL CHESTER reports

of *The Sunday Telegraph* of London — shines best when he flexes his knowledge of high finance and the manoeuvres that go on behind the scenes in complex business deals

In particular, *Goldstrike!* homes in to concentrate on the attempts of Minorco to camouflage any links with Anglo or De Beers or South Africa, and so escape political flak, when it swooped into its famous 1988 takeover bid to gain control of the multinational Consolidated Gold Fields group in London.

## Alarm

Jamieson makes the battle of the giants — the biggest and most bitter takeover bid ever seen on the London stock market — a thriller that will startle most readers by its duplicity and intrigue

He adds to the excitement by a liberal sprinkling of all the different code-names that were used in the attacks and count-

er-attacks — Mark (Minorco), Caesar (Gold Fields), Achilles, Hector, Wedding of the Romans, Snakepit

Cons Gold, it will be recalled, exploited the Anglo parentage of Minorco in spreading alarm about the chances of absolute control of the world gold market landing in South African hands — and laid booby-traps galore to sink the bid

Minorco managed to defuse most of the booby-traps. It even succeeded in securing a majority vote from Cons Gold shareholders — throwing its own shares into the pool — to put the seal on the takeover

But the booby-trap that finally torpedoed the takeover was one set in the New York District Court, which ruled a standstill on the bid because it could involve South African control of Newmont Mining Company, the biggest gold mining group in the US, with close links with Cons Gold

The clock struck midnight

— and for the chimed frustration

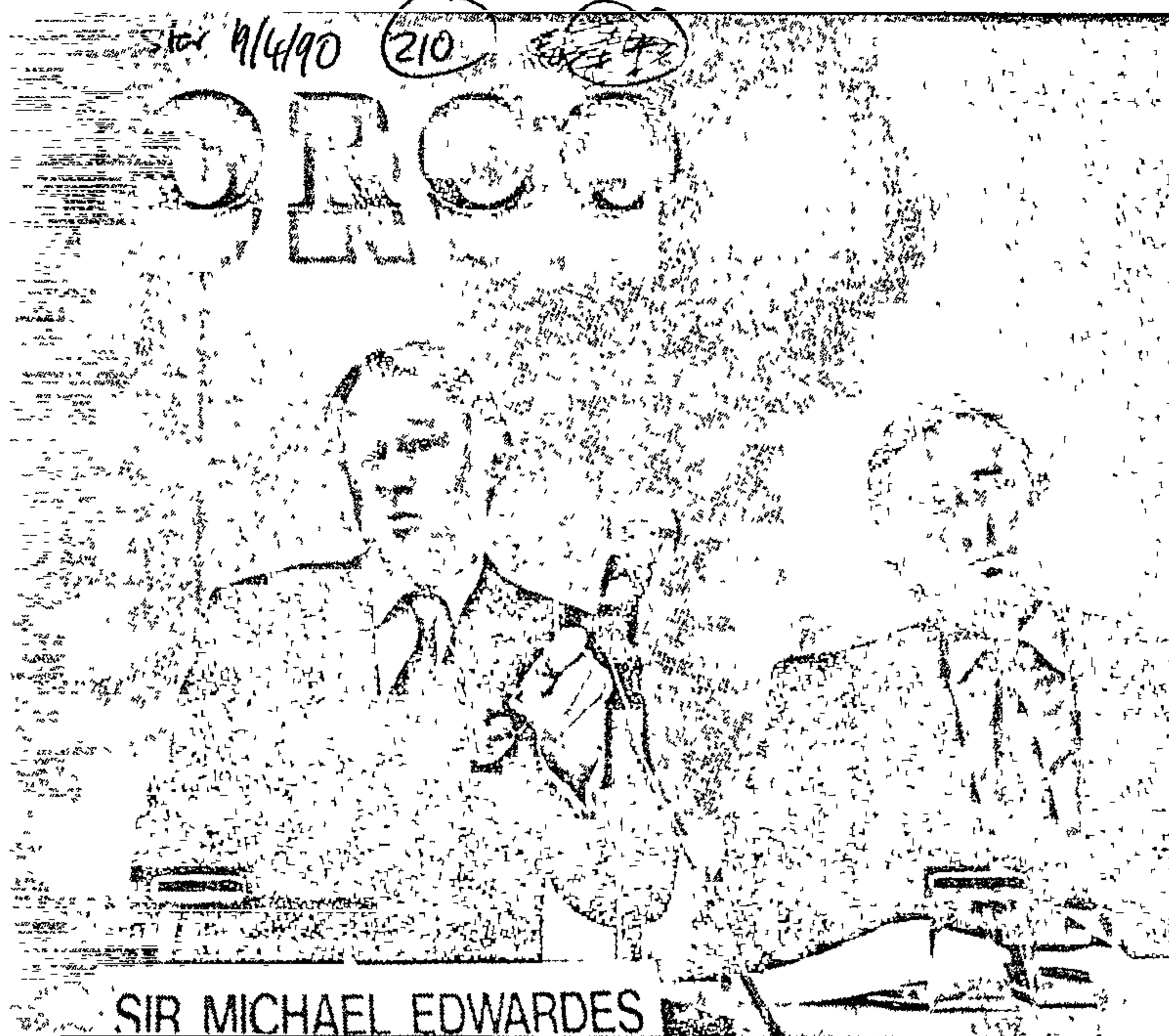
The on legal sides. shared day while

Yet, cleared there was for Sir M. the "goodbye".

A lift the camp over was pro Lord Ha. takeover possible

Sir Cons Gold takeover South Africa

# Heart-beat of the Oppenheimer dynasty



SIR MICHAEL EDWARDES

... makes his point at the press conference to launch the epic bid, flanked by Anglo American deputy chairman Ogilvie Thompson (left) and Minorco's finance brain, Tony Lea.

... "Goldstrike", British financial journalist Bill Jamieson attempts to enigma of the Oppenheimer rule over the Anglo American/De Beers ... and empire, and what went wrong in the famous Minorco bid to take over Consolidated Gold Fields. **MICHAEL CHESTER** reports.

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The clock struck midnight

— and the strict deadline set for the expiration of the bid chimed out Minorco, in total frustration, had no option it had to throw in the towel

The only winners were the legal experts engaged by both sides. Between them, they shared well over R1 million a day while the battle raged

Yet, even as the gunsmoke cleared from the battlefield, there was still an opportunity for Sir Michael Edwardes to toss in what the author calls the "Minorco cyanide kiss of goodbye"

A chance at vengeance, to lift the despair of the Minorco camp over the failure of its bid, was provided on whispers that Lord Hanson, the celebrated takeover king of Britain, was a possible next predator

Sir Michael sold Minorco's substantial 29 percent stake in Cons Gold to milord — and Lord Hanson moved in with a takeover offer, unsullied by South African connections, that

Cons Gold found it couldn't refuse

So far, so good

Where the author strays into the real minefield of controversy is listening too hard to the remarks made by Mr Rudolph Agnew, chairman of Cons Gold, on first news of the defeat of the Minorco bid

"What we proved in New York," Mr Agnew is quoted as saying, "was that South African control is just not acceptable in large areas of the world"

The harm comes from direct political opposition right across the spectrum to subtle denial of business by local authorities and private industry, people who are members of the anti-SA industry

"The second reason was the dead hand of Anglo American the examples are a multitude of the failures of Anglo investments overseas. And when they came to make their biggest acquisition move overseas in what was the largest takeover ever, the dead hand appointed a godson and a son-in-law to lead the bid. You see, at Anglo there is a family agenda and a corporate agenda. And the two are mixed up"

One suspects that the part-

ing shots delivered by the Cons Gold chairman were a main motivation behind a final chapter in the book in which the author sets out an argument that the Oppenheimer empire faces at least a trio of crises

● An investment crisis — "both at home, where inflation and political uncertainty have put a question mark on long-term investment, and abroad, where there are few natural resource areas which would not challenge the entry of Anglo American or its affiliates"

● A crisis of management succession,

● A political crisis — "Here, Anglo American faces a central Catch 22: how, on the one hand, it can help speed up political change at home and, on the other hand, protect itself against the consequences of that change — one likely to result in a multi-racial state where the principal new actors are committed to socialist solutions, and, at best, a limited role for the market economy"

Unhappily for the author, the clock that defeated the Minorco takeover bid was against him too. The deadline for last copy for the book came too soon to record interim events

An investment crisis? The goal-posts may have shifted as SA starts to promise to make amends for its catastrophic apartheid policies — and seeks to remove the tarnish in the international arena

A crisis of management succession? The author had no chance to see the smoothness of the accession of Mr Jullan Ogilvie Thompson to the chair at Anglo, with Mr Nicholas Oppenheimer moving into place as an almost certain successor.

A political crisis? True, that still needs to be settled

The final chapter of Goldstrike in many ways brings us back to the prologue, with Mr Harry Oppenheimer sitting in his private study at the Brenthurst looking at a Thomas Baines painting of Table Bay — with galleons at anchor

## Chuckle

Jamieson takes the view that the galleons have nowhere to go — each a Flying Dutchman, doomed to sail the oceans with every port closed to it

One can also visualise Mr Oppenheimer looking up from the desk in his Brenthurst library to admire the galleons from a much different angle. Not totally without consternation, perhaps. But with an irrepressible chuckle as he charts new routes on the world's new shipping lanes

● Goldstrike — The Oppenheimer Empire in Crisis, by Bill Jamieson, published by Hutchinson Business Books

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BACKGROUND

# Anglo's contribution to political debate in SA

Early this year, a secret document was flown to Lusaka for presentation to the ANC and delivered to the desks of various government Ministers — creating the impression that the incoming Anglo American was seeking endorsement for its own ready-made constitution for the new South Africa.

Now, the document has been uncovered and has been presented to the people it was actually meant for — South Africa's citizens.

The document aims at equipping ordinary people with the knowledge to actively and effectively participate in shaping their society's future.

The book was commissioned by now-retired Anglo boss Mr Gavin Rellly. It was researched and written by Mr Bobby Godsell, a director of the corporation responsible



Equipping ordinary people — Mr Bobby Godsell, a director and chairman of the Anglo American's Fund.

for public affairs and industrial relations, Mr Michael Spicer, Anglo's public affairs consultant, Mr Mike O'Dowd, a director and chairman of the Anglo American Chairman's Fund, and public affairs special assistant Ms Margie Keeton. A panel of international experts screened the report.

South Africans are bombarded daily by political jargon, echoing through jam-packed sports stadiums and city halls, and spread across newspaper columns. Anglo's report assists the layman by clarifying some key terms of the political debate.

Concepts such as democracy, group rights and socialism — used regularly but often incorrectly — are discussed in the context in which they are applied in various countries.

"Shaping a Future South Africa" also analyses various constitutional options — a divided or a united country, a federal or a unitary state, one or two chambers of Parliament.

Drawing from international experience, it discusses the advantages and disadvantages of various constitutional models used in countries ranging from the US to Japan and Brazil to Botswana.

"People often say South Africa's problem

is simply an excuse for confronting the issues. There is a whole body of experience available, suggesting various ways in which to tackle our problems," says co-author Mr Spicer.

Although he stressed that the authors, all members of Anglo American's Scenario Planning Team, had spelt out options rather than offered solutions, suggestions are made on the type of government needed in South Africa.

They seem to favour a multi-party democracy in a united South Africa — possibly divided into federal states in order to accommodate group diversity, an option "not available" in a centralised state.

Dealing with the choice between a unitary or divided country, they say secession — an option preferred by right-wing groups in South Africa — could be costly both in terms of human relations and the duplication of government.

Anglo American's long-awaited contribution to the political debate in South Africa, "Shaping a Future South Africa: A Citizens' Guide to Constitution-making" (Human & Rousseau and Tafelberg), was published yesterday. Political Reporter ESMARE VAN DER MERWE wrote the following report

The alternative is a united country, functioning either as a federation or a central state.

Dealing with the centralised state in only one paragraph, the authors merely cited examples of unitary states (such as Britain and France) and explain that all powers and functions are concentrated in national institutions.

Far more space is devoted to federalism.

Political power is shared between a central administration and federal units such as in the US, the Federal Republic of Germany and Switzerland.

Although a federation does not necessarily resolve group conflict, it offers opportunities to accommodate group diversity — first because different groups may exercise power in different federal units, second because devolved decision-making allows for "different patterns of govern-

ment as well as the competitive presence of rival policies"

Because federalism allows people to "vote with their feet", it promotes popular participation in government and provides greater scope for local decision-making.

The authors' preference for the devolution of power is demonstrated by the suggestion that "the more dispersed and numerous the forms of state power there are, the easier it will be to accommodate divergent and rival groups within the institutions of government"

Using education — a central political concern — as an example, the authors suggest that decisions about schooling should be taken at community level.

"When national or even regional education authorities determine education they choose sides between both parents and between competing concepts of education. Where these decisions are devolved to the neighbourhood or community, these divisive, emotion-charged choices are avoided.

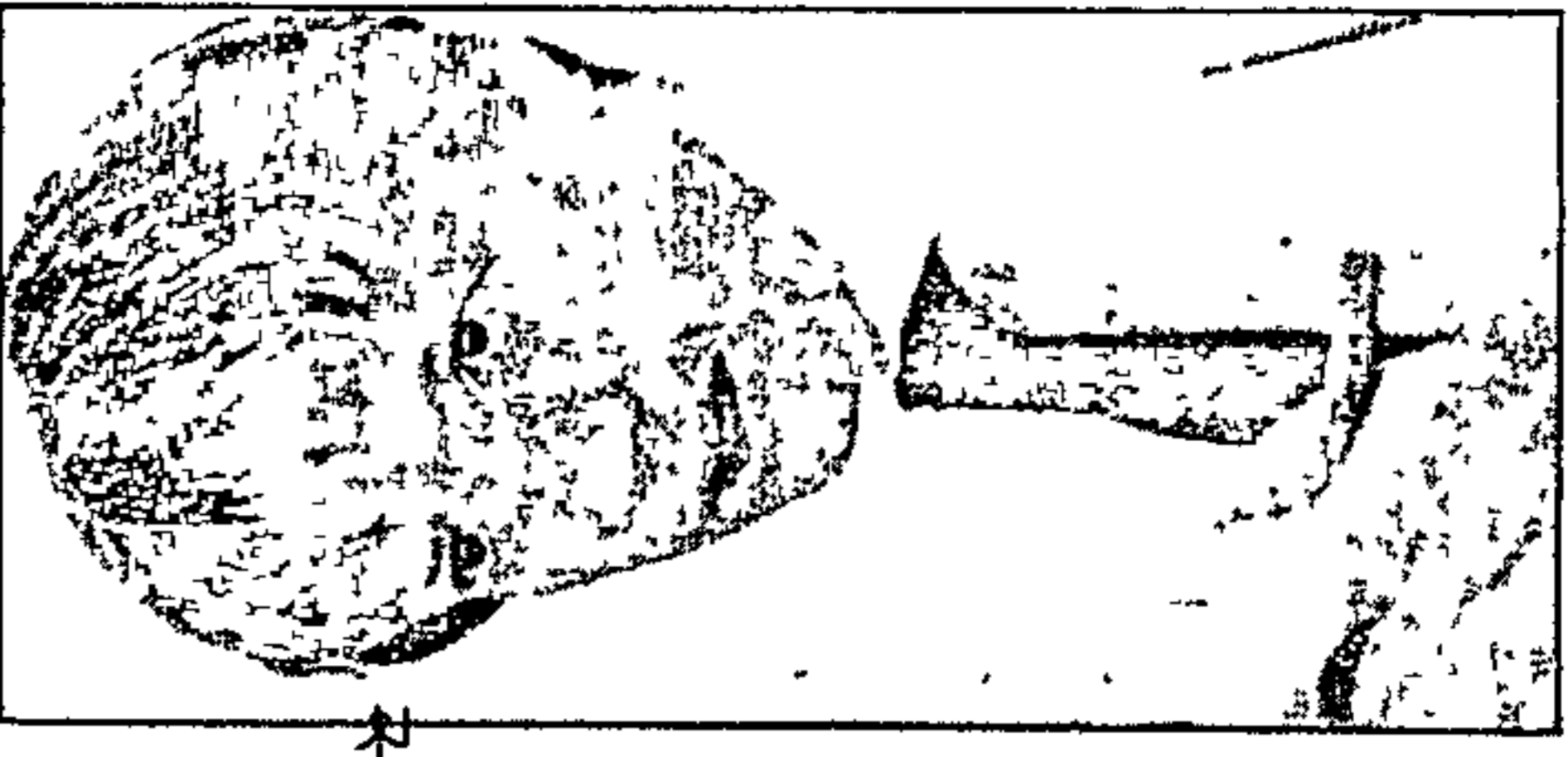
"Various mechanisms for the same funding of schools, without state control, exist, of which one prominent method is the voucher system, where funding is provided to the parent rather than the school system."

Dealing with electoral systems, the book examines the pros and cons of the "winner-takes-it-all" system and, alternatively, proportional representation.

The authors say a suitable electoral system, combined with a diversity of representative bodies and a power-sharing pattern in the country's executive, can provide powerful incentives for both inter-party and inter-group accommodation.

They conclude that power-sharing, in any form, is "the will and ability of different parties and groups to co-operate in the exercise of executive government authority. The motive has often been a stark one: to end or prevent civil war."

"Conflict itself, rather than deals struck in smoke-filled rooms, or complex constitutional formulas, may drive the sharing of power."



Spelling out options — Anglo director Mr Bobby Godsell, responsible for public affairs and industrial relations.

## Success of a new SA constitution hinges on 'broad political participation'

"Shaping a Future South Africa: A Citizens' Guide to Constitution-making" suggests how ordinary South Africans can participate in drawing up a new constitution

"We must look for countries of comparable levels of economic development, in desustrialisation and urbanisation Brazil, Mexico, Portugal, Greece and India may all have something to offer in this regard."

Second, alternative proposals should be debated by all groups with significant political power — on the condition that they are willing to compromise. The process of debate should allow for leaders to discuss concession or deadlock issues with their supporters.

"Constitutions agreed to by leaders without the step-by-step knowledge and support of their followers are unlikely to be effective."

A third stage is the ratification and adoption of agreed compromises by the broadest and most inclusive process of popular participation possible. In divided societies like South Africa, constitutions not only need the support of numerical majorities but also those politically organ-

ised minorities on whose cooperation the constitution depends.

This suggested process raises many problems. Which individual or group enjoys sufficient confidence across groups to be entrusted with the drafting of proposals, how can the type of debate needed be initiated, and what form of popular but inclusive endorsement would indicate broad-based support?

The authors suggest that the starting point should be the drafting of a bill of rights, a principle which has been accepted by most major players.

"The purpose of a bill of rights is to ensure all citizens to join or form political parties, articulate and debate political aspirations, and engage in peaceful political activity."

"At the same time this concept is designed to protect public order against political violence."

"Surely this instrument — if supported by a political culture which makes it more than a piece of paper — holds the promise of reconciling freedom and order in a way that will make a debate about future constitutions both possible and constructive. Perhaps the first debate should be about the bill of rights."

Urging all citizens to take command of their destiny by participating in the drafting of a new constitution, the authors conclude, "Democracy is not South Africa's inevitable or automatic destiny. In history government by consent has been the exception rather than the rule. Yet there are grounds to believe that democratic politics are possible in South Africa."

"Popular cultures, indigenous and imported, which cherish liberty, democratic institutions such as the courts, the press and universities, economic interdependence, and — perhaps crucially — a set of alternatives, all of which seem much less attractive, all suggest the possibilities for a meaningful, inclusive democracy here."

"Much will depend on the extent to which SA's citizens express and the accountability they demand of their political leaders."

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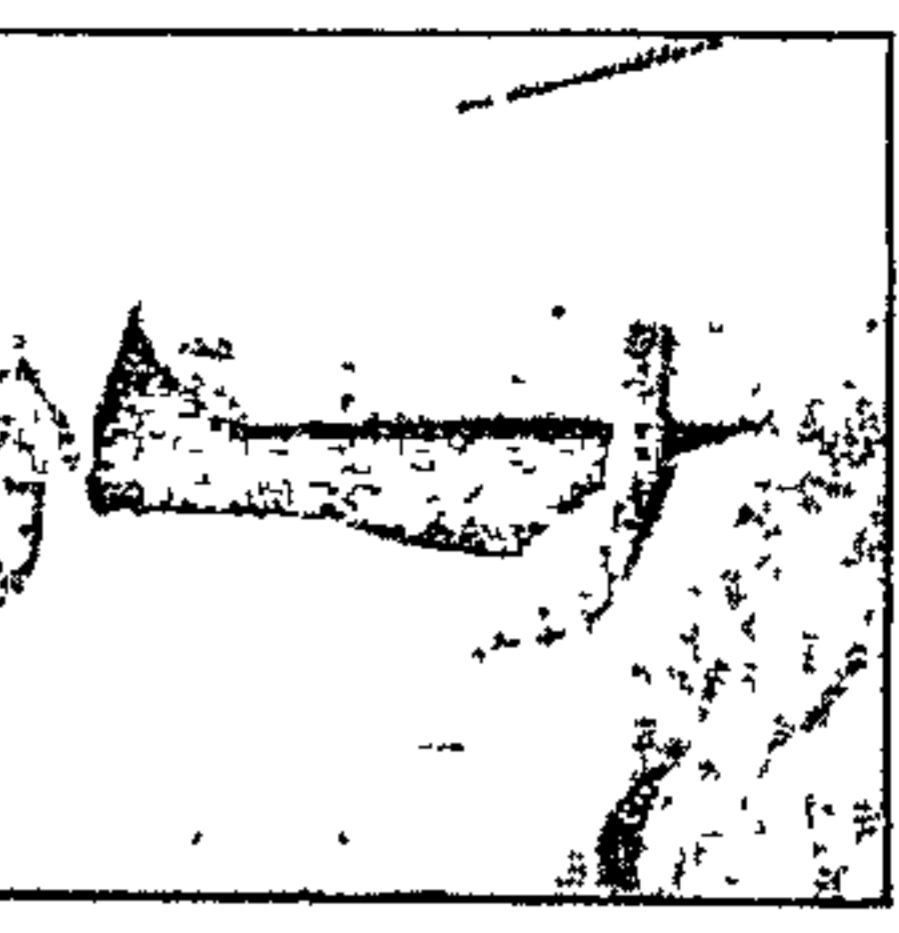
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Spelling out options — Anglo director Mr Bobby Godsell, responsible for public affairs and industrial relations.

# Success of a new SA constitution hinges on 'broad political participation'

A new South African constitution can only be successful if it is the product of broad political participation.

In "Shaping a Future South Africa" Anglo American's team of writers suggests how broad-based participation can be achieved in the process of drafting a new constitution.

They identify three stages in the constitution-making process.

First, proposals should be drafted by various authors reflecting all the key parties to political conflict.

Apart from rich international experience, SA groups such as the kwaZulu/Natal Indaba, the ANC and the National Party have already tabled proposals for constitutional change.

These documents suggest some important areas of agreement: a united (though not necessarily unitary) country, equal political participation for all, a multi-party democracy, the independence of the judiciary and a bill of rights.

The authors say an expert individual or group could chart areas of agreement as well as a set of alternatives. Foreign expertise could be enlisted to examine what SA could learn from other societies.

"Shaping a Future South Africa: A Citizens' Guide to Constitution-making" suggests how ordinary South Africans can participate in drawing up a new constitution. **ESMARE VAN DER MERWE** reports

Sp 20/1/90

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This suggested process raises many problems. Which individual or group enjoys sufficient confidence across groups to be entrusted with the drafting of proposals, how can the type of debate needed be initiated, and what form of popular but inclusive endorsement would indicate broad-based support?

The authors suggest that the starting point should be the drafting of a bill of rights, a principle which has been accepted by most major players.

"The purpose of a bill of rights is to ensure the necessary degrees of freedom for all citizens to join or form political parties, articulate and debate political aspirations, and engage in peaceful political activity.

"At the same time this concept is designed to protect public order against political violence.

"Surely this instrument — if supported by a political culture which makes it more than a piece of paper — holds the promise of reconciling freedom and order in a way that will make a debate about future constitutions both possible and constructive. Perhaps the first debate should be about the bill of rights."

Urging all citizens to take command of their destiny by participating in the drafting of a new constitution, the authors conclude: "Democracy is not South Africa's inevitable or automatic destiny. In history government by consent has been the exception rather than the rule. Yet there are grounds to believe that democratic politics are possible in South Africa.

"Popular cultures, indigenous and imported, which cherish liberty; key democratic institutions such as the courts, the press and universities, economic independence; and — perhaps crucially — a set of alternatives, all of which seem much less attractive; all suggest the possibilities for a meaningful, inclusive democracy here."

"Much will depend on the expectations SA's citizens express and the accountability they demand of their political leaders."

Sp Mr

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Genbel has paid R341-million through the financial rand for a strategic 6,3% stake in Donny Gordon's high-flying offshore company, TransAtlantic Holdings PLC

The investment adds to Genbel's drive for rand hedge investments and provides a nucleus for the group's international expansion

Genbel managing director Anton Botha, who enthuses about the direction in which Genbel is moving, says "It is a strategic investment for Genbel because in one move we have streamlined our offshore investment portfolio by acquiring a meaningful minority stake in an international investment company with excellent growth prospects"

It also underlines the fact that Genbel is different from most other mining-house investment arms. It is not prepared to sit while dividends roll in. Genbel is mixing it in the market place

### Exposure

Genbel has been a shareholder in TransAtlantic since 1982 and through its 8,3% stake in the company it has board representation. Genbel's entry gives the Gencor group a 14,6% holding in TransAtlantic

Genbel has a portfolio of largely resource-based investments with an asset value of more than R3,5-billion, and it is a large contributor to Gencor profits.

It has steadily reduced its exposure to gold investments and last year it raised R298-million by a rights offer and R70-million through a preference share issue.

At the end of the first half-year on December 31 it was sitting on R113-million in cash awaiting "suitable investment"

### Diverse

The TransAtlantic deal has been done through Genbel's purchase of 12,83-million convertible preference shares at £4 each. The shares, which carry a net dividend yield of 6% (8% gross yield), are convertible into ordinaries one for one at Genbel's discretion.

Genbel helped to finance the transaction by selling foreign assets which have performed "less than satisfactorily" recently.

These assets were valued

By Ian Smith

at R37,5-million in the latest annual report. They mainly consisted of a diverse portfolio of primarily US-listed gold and financial mining shares.

Mr Botha says "The stake in TransAtlantic means Genbel has an investment of sufficient size and growth potential to become the nucleus of our international expansion."

"Instead of having unfocused and underperforming investments abroad, we now have a high-value investment with a critical mass which we could use as a base if we decide to invest in other non-South African projects."

"A large asset like this in London also improves our credit rating with the international banking community."

Mr Botha has "enormous regard" for Mr Gordon's ability. Under his guidance TransAtlantic has grown into an investment holding group with assets of more than £1,5-billion.

Its major investments are a 71% stake in Capital and Counties PLC, the major UK-listed property development company, and a 28,9% stake in Sun Life Assurance PLC.

### Growth

TransAtlantic has consistently outperformed the Financial Times 100 index and other indices.

"I don't think we have seen the end of the growth," says Mr Botha.

Compound annual growth in net asset value in the past five years has been 12%. Compound annual growth of earnings was 17%.

"With a performance like that we expect our investment in TransAtlantic to make an impact on Genbel's growth," says Mr Botha.

The TransAtlantic holding represents about 9,6% of Genbel's net assets and it will not have any immediate effect on Genbel's net asset value. Neither is it expected to have any meaningful effect on the company's earnings a share in the next couple of years.

Mr Botha says the deal is a good example of how well Genbel's symbiotic relationship works with parent Gencor.

"We see ourselves as Gencor's funding partner, able to support our parent in some financial transactions."

Another example of the way this works is in Engen, which is being listed through Trek Beleggings. Genbel was able to pick up 9% of Engen for about R10 a share because of the Gencor relationship. Trek shares traded this week at R26.



ANTON BOTHA ... foreign investment portfolio streamlined at a stroke. Picture: Sue Kramer

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# Genbel tops up its offshore interests

B/Way 23/4/90 (210)  
SANLAM associate Gencor has increased its stake in Liberty Life-controlled, London-listed Transatlantic to 14,3%, worth about R775m, in a deal announced by Genbel at the weekend.

The deal, approved by the Reserve Bank, marks a significant increase in Genbel's offshore interests.

Financial services group Transatlantic, the creation of Liberty's Donald Gordon a decade ago, includes in its directorate Derek Keys, also a director of Genbel and Gencor executive chairman.

The deal marks a significant change in investment policy for Genbel, a departure out of a portfolio totally dominated by mineral resources.

Genbel's stated mission is to maximise shareholders' wealth by its close association with Gencor, "being a major participant in the mining and resource investment markets, and the development of its mineral rights".

Genbel MD Anton Botha argued that the Transatlantic investment was "consistent with Genbel's philosophy of participating in Gencor group projects". He said the deal had been structured "by disposing of a rather diverse portfolio of offshore assets which have performed 'less than satisfactorily'".

Genbel's latest disclosed list of investments indicates foreign holdings worth less than 2% of its portfolio. The acquisition in Transatlantic represents 9,6% of Genbel's investments.

BARRY SERGEANT

In the latest deal, Genbel acquired 6,3% of Transatlantic for about R341m, effective from tomorrow. Genbel had R113m in cash resources available at end-January; the source for funding the balance of the price has not been disclosed.

Transatlantic records its business as the making of selected strategic investments with long-term potential in the insurance and real estate sectors and in other fields related to the financial services industry. Its total assets were valued at £1,5bn on December 31, its two major investments are 71% fully diluted in Capital and Counties and 29,8% in Sun Life Assurance, property developer and life assurer, respectively.

Transatlantic's earnings have grown from 8,06 pence per share in 1985 to 17,50 pence per share in 1989. On December 31 Liberty Life Investment Portfolio's most valuable stake was R1,7bn in Transatlantic, 9,5% of its portfolio. At that date, Liberty's largest stake in a mining house was Gold Fields (R910m), followed by Anglo American (R604m), Gencor (R317m) and JCI (R245m). At end-January Genbel's investments were worth about R3,7bn.

Genbel's latest annual report, to June 30 shows its investment portfolio's worth at R2,3bn. Investments ranked by value were

□ To Page 2

## Genbel

B/Way 23/4/90 (210)  
dominated by gold producers (32%), the most valuable being R176m in Kinross and R158m in Winkelhaak. Both mines have just produced fine results in a generally depressing March quarterlies outcome.

Genbel's most valuable investments after gold producers, in order of rank, were mining financial, platinum, financial commerce and industry, energy, diamonds and exploration. However, its single biggest investment was R328m in Impala Platinum.

Genbel's interim results to end-Decem-

(210) □ From Page 1  
ber disclosed that the most significant transactions for the period (when Genbel had raised about R370m in new equity), were stakes or further stakes in Unisel, De Beers, Samancor, Rusternberg Platinum, and Anglo American.

The interims said Genbel used R229m of new equity funds to expand investments in quality mining and resource industries. "The company still holds about R113m in cash which is available for suitable investment," said the interims.

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## Union to fight racism on mines

By Drew Forrest

The National Union of Mineworkers has threatened to embark on "whatever action is needed" to force employers to abolish racial discrimination in the mining industry.

About 320 delegates at a weekend meeting of the NUM's Central Committee — the union's second most important decision-making body — decided to send letters of demand on the issue to all the mining houses.

To enforce its demands, the union would press on with its defiance campaign, NUM general secretary Mr Cyril Ramaphosa told a Johannesburg press conference yesterday.

If this failed, further action would be considered. He declined to elaborate.

Mr Ramaphosa said the Central Committee had isolated 59 areas of discrimination on the mines. These included racial underground queuing, segregated facilities and the subjection of black workers to heat acclimatisation.

### Wage demands

The NUM's national executive committee had been commissioned to research the issue and its findings would be used in this year's wage talks on the mines.

"While apartheid in the broader society has been declared outdated and unworkable, the mines are intent on entrenching it," he said.

The Chamber of Mines has consistently argued that the industry has opposed discrimination in word and deed.

At the press conference, the NUM gave further details of its wage demands this year.

These include paid holidays on March 21, June 16 and October 1 (health and safety days); 35 days' annual leave for underground workers and 30 days for surface employees; compensation for time travelling to the workplace and income security for workers injured on duty.

Attempts to win a national minimum wage on the gold and coal mines would be boosted by recent organising inroads at Goldfields and Rand Mines, Mr Ramaphosa said.

Mr Ramaphosa said the central committee had given its unqualified support to the ANC in its forthcoming talks with the Government, warning that if these failed to yield results, a response could be expected from workers.



# Relly speaks out on the ConsGold battle

8/1/90 24/4/90

BARRY STREEK

CAPE TOWN — The takeover bid for Consolidated Goldfields by Anglo American's European flagship Minorco was not handled well, according to former Anglo chairman Gavin Relly.

He said anti-South African sentiment had played a role in the battle.

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well," he said in an interview published in the latest edition of Leadership magazine.

"It might have been a different deal if we had been looking at it now."

Asked what his role would be as Anglo's "roving ambassador", Relly replied.

"Essentially, the Anglo American group needs to re-establish its image overseas. SA's years in the wilderness have obviously had their impact on Anglo."

"Now that Mr (F W) de Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group. It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing."

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said.

In the same issue of Leadership, new Anglo chairman Juhan Ogilvie Thompson said De Beers' relocation of its headquarters did not indicate lack of confidence in the situation in SA.

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through", he said.

"With an increasing proportion of our profits coming from outside SA, it

seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors.

"This should facilitate making contracts abroad, or raising money if and when that becomes necessary to maintain the diamond trade in a future downturn," Ogilvie Thompson said.

Government was largely on the economic course the Anglo American and De Beers groups wanted.

Ogilvie Thompson said he found "encouraging" the consistency and determination of statements put out by government officials in private and in public.

**Wrong course**

He said De Klerk was "highly responsive to the need, as we see it, for someone to cease being the last Afrikaner leader, great or otherwise, and be instead the first South African leader."

"When we were younger, we saw our role in terms of what could be done to get government to change its tack."

"Certainly the Anglo American and De Beers groups thought government was on totally the wrong course."

"The course we wanted them to go on is largely the one they are on now."

He hoped government would eliminate the last vestiges of discrimination, such as the Land Acts and the Group Areas Act, quickly.

"Private enterprise will also have to do more. I think Anglo American should give thought to increasing its own activities," Ogilvie Thompson said.

# Anglovaal could have first super gold mine

SAW 29/4/90

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By Derek Tommey  
Mining house Anglovaal could be on the brink of establishing the country's first "super gold mine" — a necessary development if South Africa is to continue to be a major gold mining country

Mr Basil Hersov, Anglovaal's chairman, discussing the group's prospects with the Investment Analysts Society in Johannesburg last night, said that if Anglovaal established a gold mine on its Sun prospect it would cost about R2,5 billion in today's terms.

A feature of the mine would be a single lift shaft going down some four kilometres below surface. Normally two shafts at different levels are used to lift ore from these depths to the surface

Mr Hersov said the cost of the mine made it essential for Anglovaal to have a high level of confidence in the estimated ore reserves, in its ability to meet the design criteria and in the estimated cost and production levels.

Anglovaal's Sun and Oribi gold prospects in the Northern Free State covers an area about twice the size of the existing Free State gold fields

So far Anglovaal had drilled 64 holes of which 17 are in the Oribi section.



BASIL HERSOV

Of the 47 holes in the Sun area, 30 have been completed, while another 17 are currently being drilled and deflected.

A cluster 21 holes has been sunk in the Sun South area which covers about 10 kilometres by six kilometres and is where Anglovaal is concentrating its initial interest.

Mr Hersov gave no details of drilling results. But he said that Anglovaal is looking for an in situ grade averaging more than 10 g/t over the equivalent of a three-metre channel width for the primary reef — which suggests that Anglovaal has found values of this nature.

He said drilling had indicated

reef depths varying between 2 400 metres and 4 400 metres below surface and that a primary reef horizon had been encountered

Geologists will find it of some interest that the reef does not seem to be the same as that worked by the other Free State mines

"Indications are that we are dealing with a deposit where the depositional conditions are not necessarily an extension of those in the Free State gold fields," he said

Therefore, as Anglovaal had no geological model to follow, it had to carry out more work than usual in order to develop its own model.

He said the drilling programme was aimed at identifying at least one continuous reef of consistently good grade, of substantial tonnages, of the order of three metres in width, relatively unfaulted, flat dipping, capable of sustaining an initial milling rate of some 3 million tons a year, and within reach of a single-lift shaft from the surface.

Anglovaal's drilling programme was also aimed at identifying other payable reefs in the vicinity of the primary reef

Mr Hersov said that should the drilling successfully attain these objectives, Anglovaal engineers

will be able to engineer "desirable aspects" into any future mine design and enhance the viability of new mining operations

## Desirable aspects

These desirable aspects include:

- A single-lift shaft system which would give earlier access to the primary reef than a conventional surface and sub-vertical shaft system. It could also lead to a saving of about a year or more in bringing the mine to production.
- A high degree of mechanisation in the primary reef with consequential working cost benefits;
- Minimal off-reef development to the extent that even infrastructural development could be placed in the mined-out and back-filled areas;
- Concentrated mining;
- Concentration of services and environmental conditions, and
- Selective mining of other reefs, some of which could be in the distressed zone of the primary reef

Mr Hersov said the eventual mining rate will depend on many factors, not least of which will be the initial proven payable ore reserves — "read against the desirability of establishing a mine with an initial life of at least 20 years"

● See Page 19

## Chamber: R30m budget cut will not retard research

THE R30m reduction in the Chamber of Mines Research Organisation (Comro) budget will compromise neither the gold mining industry's research needs nor its safety thrust, says the chamber.

Comro's budget was cut from about R70m to R40m after the six major mining houses had conducted an in-depth review of their research needs in the light of economic and technical circumstances.

The chamber said in a statement several research projects had

RIAAAN SMIT

reached the stage where they could be taken over fully or partially by mines themselves.

These included mine cooling and support systems, and improved stopping methods which would result in safer and more productive mining.

Research on human factors in the industry would also be handled by the mines and groups themselves.

Comro would continue its research into rock pressure problems

which the organisation called "the most crucial stumbling block to the exploration of deep ore bodies".

The organisation would also continue developing rope hoisting systems to extend the range from 2 600m to 4 000m in depth, and blind-hole boring techniques for faster and more economic shaft sinking.

Senior GM operations Horst Wagner declined to say how many employees would be affected, because details had not been finalised.

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## RM Prop profit lower

By CHARLOTTE MATHEWS

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A MARKED decline in the contribution of Rand Mines Properties' gold recovery operations eliminated the benefits of increased revenue from the sale of township land.

The group posted attributable profits for the six months to March of R9,3m, 25% lower than the R12,4m achieved in the previous interim period.

As a result the group is revising its forecast made in the 1989 annual report for after-tax profits in the year to September of R20,4m.

The group is now forecasting profits of about R17m and a total dividend which is likely to be under last year's 140c a share.

An interim dividend for the six months to March of 40c a share, unchanged from the previous year, has been declared on earnings of 75c (100c) a share.

While the operating profit of the property division rose by 86% to R9,1m (R4,9m), the operating profit for the gold recovery division dropped by 81% to R2,5m from R13,2m.

The Crown Mines and City Deep plants produced 1,654kg of gold compared to the previous year's 1,762kg. Grade declined to 0,43g/t from 0,45 g/t.

The two plants together returned operating profits of R1,6m compared to R12m in 1989.

Operating profit at the Pilgrim's Rest gold plant fell to R877 000 from R1,2m.

The group's income statement benefited from higher interest received of R5,6m from R1,6m. Cash and gold on consignment now total R51,5m.

Chairman Dammy Watt said last year the group was unlikely to need to resort to borrowings and short-term financing would be met by overdraft facilities already provided for.



Mr Bobby Godsell.

# Godsell warns of new danger

Education Reporter

There was a danger of inducing feelings of incompetence among students by harping on the crisis in education and repeating dreary statistics on the failure rate and the education backlog, Mr Bobby Godsell said this week

Speaking at a function in Johannesburg of the Project for Technological Careers, Mr Godsell, a director of the Anglo American Corporation, said the analysis of the crisis in education ought now to be reasonably well known

He said there were five key stakeholders in the education process, namely, the student, parent, teacher, community and employer

The student must be willing to learn and the parent willing to invest in the child's study, the teacher must have the will to teach, the community must cherish its institutions, and employers must look to the long-term needs of the country's development

## Worrying

Mr Godsell said it was worrying that there was a tendency to transfer all responsibility for learning to the State which, although crucial, was not the sole funder of quality education

He hoped business did not simply "sign cheques" for educational projects out of a feeling of good citizenship, "but increasingly, as we move into changed socio-economic-political circumstances, I would hope employers do so for their own survival"

It was crucial for business to get involved in projects at pre-primary school level to generate competent employers for the future. There should also be far more communication between academic institutions and industry

"We are looking for a deeper liberation of the student — empowerment of the young person to enter the world as an active subject, not a passive object", Mr Godsell said

# Medical staff get Aids drug

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## Chamber: R30m budget cut will not retard research

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These included mine cooling and support systems, and improved stopping methods which would result in safer and more productive mining.

Research on human factors in the industry would also be handled by the mines and groups themselves.

Comro would continue its research into rock pressure problems

which the organisation called "the most crucial stumbling block to the exploration of deep ore bodies".

The organisation would also continue developing rope hoisting systems to extend the range from 2 600m to 4 000m in depth, and blind-hole boring techniques for faster and more economic shaft sinking.

Senior GM operations Horst Wagner declined to say how many employees would be affected, because details had not been finalised.

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Strong contribution from Mobil . . .

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# Gencor lifts earnings, div

CAT TIMES 26/4/90

Own Correspondent

JOHANNESBURG — Gencor's Mobil has declared a maiden dividend, allowing a R106m turnaround in Gencor's energy division at the interim stage.

The declaration has enabled newly created energy giant Engen, which houses Mobil, to contribute 13% of Gencor's attributable interim profits.

The Mobil acquisition at a cash cost of R650m became effective July 1 1989. Analysts said its strong contribution at the Gencor level underpinned Gencor's skills in transacting profitable acquisitions.

At the group level, Gencor increased earnings and dividends per share by 29% and 17% to 60,1c and 14c, respectively, for the interim six months to February 28.

Executive chairman Derek Keys said: "Results for the second six months are accordingly likely to be lower than the interim results."

"Earnings per share should nevertheless be above those for last year."

Keys added that commodity prices had dropped throughout the interim period.

Earnings increased 55% to R707m, diluted at the earnings level by Gencor's rights issue. Keys says the bulk of the cash raised through the rights issue is still at Gencor's disposal.

Gencor is a major diversified group with interests in Genmin (14 gold mines, metals and minerals in Samancor, platinum in Impala and coal in Trans-Natal), forestry products (Sappi), industrial holding (Malbak), mining finance and investment (Genbel) and energy (Engen).

Genmin remained the major contributor to attributable profits (41%),

followed by Genbel (24%), Sappi (22%), Engen (13%) and Malbak (8%). Genbel's contribution was a striking 128% increase on the year before, while Engen's R91m contribution was via a maiden Mobil dividend.

Samancor contributed R211m or 73% of Genmin's net R288m.

Keys says depressed base metal prices will, however, have an adverse effect on earnings in the second half of the financial year.

The increased earnings from metals and minerals includes a contribution from Alusaf for the first time.

Platinum's contribution to Genmin was marginally up at R33m.

Exploration expenditure under the Genmin umbrella was static at R53m.

In the interim period, Gencor announced the new Weltevreden gold mine, and concluded a major platinum deal with Lonrho by acquiring a significant stake in Western Platinum.

It also spent R345m in increasing its stake in heavyweight developing OFS gold mine Oryx, and created diversified energy giant Engen.

Within months Genmin is expected to announce details of a R1bn rights issue for continued financing of Oryx.

Keys says lower levels of demand are likely to have a negative effect on Sappi's and Malbak's earnings growth.

However, analysts said the group was soundly poised in difficult markets.

The balance sheet reflected R450m long-term loans against assets with a market value of R17,7bn.

Gencor is trading at a substantial discount to net asset value per share, which rose 42% over the 12-month period to 1 462c.

# Development plans for Natal's Maputaland

26/4/90 By Winnie Graham (210)  
One of the poorest regions of South Africa — impoverished Maputaland in northern Natal — is to be given a helping hand in a major development project aimed at creating three new urban centres, as well as four rural centres, in the area.

The project is being funded by the Siyazisiza Trust, established in 1987 by a group of Natal and Transvaal businessmen concerned about job creation and community upliftment in kwaZulu. The Anglo American Corporation's Chairman's Fund has granted the trust R1,29 million over three years towards the cost of implementing the scheme.

Mbazwana, a village in the Ingwavuma/Umbombo region, will be used as a pilot project in the establish-

ment of small urban centres because it has the potential to grow into a viable community with the economic base provided by the timber industry.

The project will encourage local entrepreneurs to take part in the privatisation of as much of the local timber production and industry as possible.

With the co-operation of the community, the trust hopes to establish a viable timber manufacturing industry so that items such as door frames and school desks can be produced for the local market.

The local craft industry will be stimulated and training provided for the support services of the local authority to maintain the infrastructure needed for emerging urban centres. The amakosi (chiefs) of the area had approached the trust for aid.



# Rhombus, CMC negotiating over Nigel mines

NEGOTIATIONS between Rhombus Mining and Consolidated Mining Corporation (CMC) were taking place and if successful would be in the interest of the minority shareholders of Sub Nigel, CEO of Sub Nigel Tony Simpson said yesterday

Trading in shares of Rhombus Exploration (RhoEx) and Sub Nigel were suspended at the companies' request yesterday

Rhombus is the holding company of RhoEx and owns 42,75% of Sub Nigel CMC is the largest mining company after the Big Six mining houses and owns Nigel, which adjoins Sub Nigel

RIAAAN SMIT

Simpson declined to elaborate on the negotiations, but said Sub Nigel and Nigel had been jointly managed since April 1 by a team from the two mines' previously separate managements

CMC declined to comment apart from saying Nigel had undertaken to manage Sub Nigel from April 1

A well-placed source said it made sense for CMC to acquire Sub Nigel because it was next door to its Nigel gold mine and

dump treatment operation  
Sub Nigel did not have a treatment plant of its own while Nigel had this facility

He said RhoEx had good assets such as Rhombus Vanadium of which it owns 70%

Rhovan has a R26,4m contract to supply magnetite ore to Usko which will process it to eventually produce 9 000 tons of vanadium pentoxide

This contract is not affected by the vanadium price, but Rhovan's royalty income from Usko will be badly hit at current vanadium price levels

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## Share capital up 45% for Mid Wits issue

INVESTMENT, finance and exploration company Middle Witwatersrand (Mid Wits) will increase its authorised share capital by 45% to make its upcoming R400m-R500m rights issue.

Mid Wits has a wide range of mining interests, including equity stakes and mineral rights. It is a significant shareholder in Venetia, the developing De Beers diamond mine in the northern Transvaal.

The Mid Wits board says the rights issue funds will ensure that Mid Wits has adequate funds to take advantage of

BARRY SERGEANT

future investment opportunities, particularly in the field of new gold mine developments. *BIPcom 27/4/90*

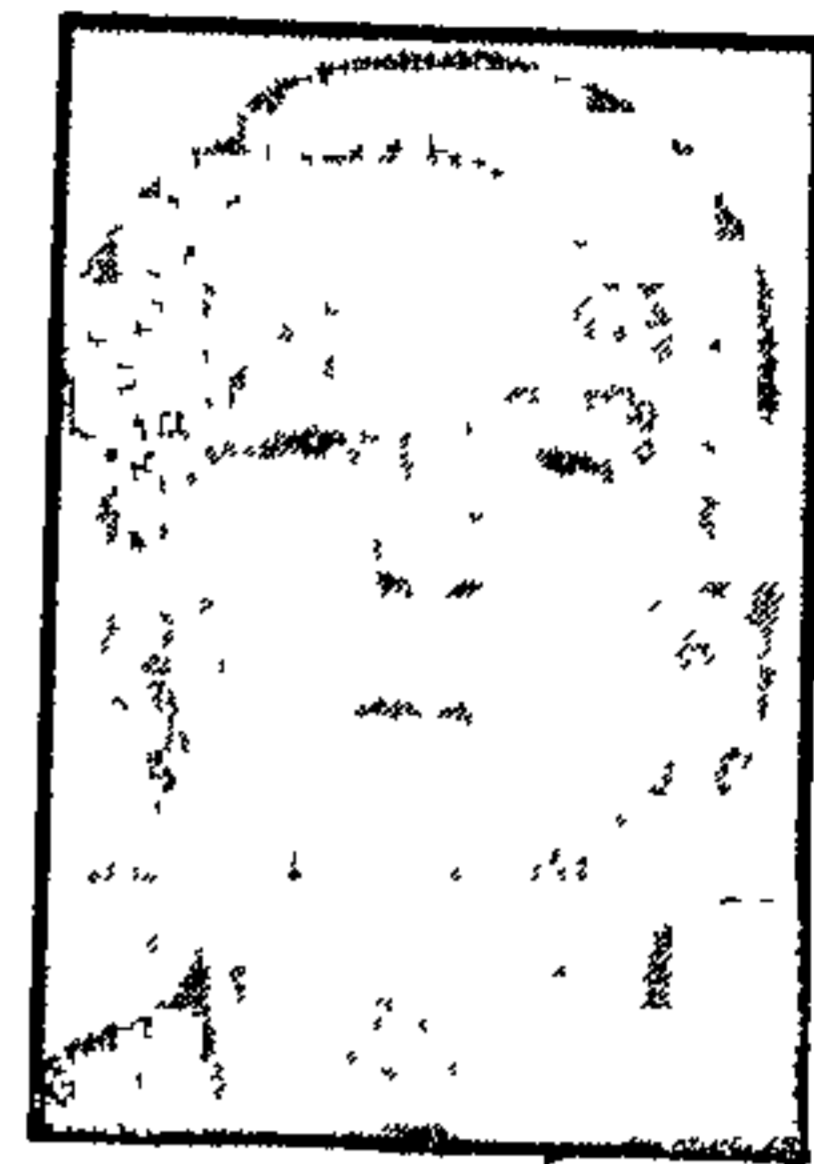
At a general meeting on May 18 shareholders of the Anglovaal subsidiary will be asked to pass resolutions authorising creation of 107,5-million additional ordinary shares, raising the company's unissued ordinary share capital to 108,2-million. Total issued and unissued ordinaries will then be 350-million.

Mid Wits currently has only 639 800 unissued ordinaries *27/4/90*

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# Larger firms use in-house specialists

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BILL MOON

SOUTH AFRICA'S biggest companies appear loath to call in outside consultants, but they do use specialised skills already in their organisations to solve management problems.

Anglo Vaal Industries (AVI) senior personnel consultant Bill Moon says the group uses internal consultants wherever possible.

This approach was echoed by other major operating companies.

Holding companies such as Barlows say they leave the decision to management of the independently operated subsidiaries.

Most organisations say there is often a cool response to people brought in from outside.

A spokesman for one large organisation says "They often don't understand the corporate cul-

ture and conflict develops between staff and the outside consultants

"We prefer to use our own people, especially in sensitive areas"

Another factor working against the outside consultant is the high fees

Says one director: "Even in the biggest companies, senior management gets uptight when a consultant charges up to R5 000 a day and in the end has little to show for his efforts."

## Mining

AVI's consultants include specialists in mining engineering, personnel, administration and finance

They are based at the AVI head office and provide consulting services to group operations wherever necessary

Says Moon "The specialists determine what technically goes on in their disciplines

"They are involved in the technical investigations and programmes to improve standards."

The consultants treat mine and line management as clients.

They look into prospects, report and make recommendations.

Moon says management responses to consultant recommendations are generally positive.

"These people are recognised as specialists and there is no doubt their views are taken seriously."

As in many organisations which employ most skills on a full-time basis, AVI makes only limited use of external consultants, says Moon

"Generally, they will only be employed if we don't have the expertise in-house

"For instance, it is not cost effective for the

smallest of the six big mining houses to employ a full-time dietician

"When such skills are required, we would use outside consultants"

Moon says the most important determinant is cost effectiveness.

"It makes no sense to employ resources you don't use properly"

An example of such thinking is reflected in AVI's approach to some aspects of mining training

## Training

"Anglo American has large-scale training courses and can offer good rates to smaller companies like AVI

"We do not have the same facilities and it is cost effective to use others.

"On their part, they benefit as expensive resources are put to more efficient use

"The whole approach is very business-like."

# The pitfalls in investing overseas

THE R50m rescue package unveiled by Malbak this week for its UK-based packaging company M Y Holdings is but the latest example showing that foreign investment by SA companies is not always a bed of roses.

In December 1989, SA brothers Robn and Nigel Matthews had to turn their back on S W Wood, the UK metals group in which their consortium had bought a 26.7% stake barely nine months earlier.

A sharp downturn in the trading environment in the Far East had hit the firm's

## ROBERT GENTLE

steel division while another had run up losses because of inadequate controls

Barlow Rand may still be hanging on to its 86% owned UK group, J Bibby, but the latter's performance over the past year or two has been pedestrian at best. In November last year earnings fell from 18.4% to 16.6% a share.

While Bibby's materials handling and science products divisions register strong performances, the perennially weak agricultural division, which accounts for about 40% of turnover, muddles along. It has for some time been

labouring under depressed market conditions, the most recent being over-quota milk production, an unseasonally mild winter and the health scare over salmonella and listeria.

Altron's 65% owned Gloucester-based high technology group Telematrix, while by no stretch of the imagination a problem company, nevertheless still has to prove it has the makings of a high flyer.

It reported a £2.11m pre-tax loss for the 18 months to December 1988, although most of these occurred before Altron's involvement. Subsequently, underperformers were disposed of, a rights issue held and new

acquisitions undertaken from Norway to the US.

The following set of interim results showed a slender £1.5m profit, thanks largely to the strong performance by US subsidiary GTI

Telematrix's latest acquisition, the privately owned Trend Group, saw a slight deterioration in profits last year, although Telematrix is banking on the value of Trend's manufacturing and marketing base.

Anglovaal's prize £1.65m acquisition in early 1989 of UK mineral resources company North Sea & General — since renamed Anglo Pacific Resources (APR) — has also had problems.

The first results a few months later showed a 37% fall in pre-tax profits to £1.29m. The directors attributed this to the switch of core activities away from oil and gas towards Australian gold mining.

APR subsequently made an offer to raise its holding in UK minerals concern Anglo European Minerals, and potential looks good.

However, the less than spectacular showing of the above concerns in no way detracts from the otherwise impeccable track record of many UK operations where former SA businessmen or SA companies hold the reins.

# Mining industry is mostly self-sufficient

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B104 271490

THE mining industry makes less use of outside consultants than any other industry, says National Productivity Institute (NPI) director Gert Geysler

This is because of the unique character of mining companies, their tendency to use in-house consultants, individual management styles and corporate structures, he says

"Mine managers are typically autocratic  
"They are strong leaders with extensive practical experience and can make snap decisions"

Usually, head office provides specialist support at mine level

"The NPI's mining consulting unit has identified considerable scope for consultants to assist by evaluating the effectiveness and suitability of structures and by helping facilitate change"

Conditions are changing radically, he says

"Managers will have to change to a more participative management style if they are to achieve optimal results

"It is here that consultants will play an important role"

Mining consultants require experience and qualifications if they are to avoid the many pitfalls, he says

Unwary consultants handling participative management as a "wonder drug" without adapting and upgrading support systems do so at their peril

It is impossible to apply a standard approach, and the consultant must provide tailor-made solutions to mining clients, says Geysler

GENBEL

FM 27/4/90

## Bigger foothold

Gencor's investment arm, Genbel, has exchanged cash and a portfolio of equities for what it sees as a strategic stake in Donald Gordon's TransAtlantic Plc. In funding the purchase of a 6.3% stake for £51.62m, the group used the foothold already held in the UK company by Gencor to move funds out through the financial rand.

Gencor first acquired an interest in TransAtlantic in 1982, when the UK property company, Capital & Counties, which had for years been held by Union Corp, was moved into TransAtlantic. Genbel MD Anton Botha says rights issues had diluted the Gencor stake in TransAtlantic down to 8.3% and the opportunity was taken to lift the group's total exposure.

There are three components to the funding. Some £7m was raised by liquidating an overseas portfolio operation not considered an important part of Genbel's interests. The portfolio included US gold shares and other equities.

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### Strategic stake

About £20m was available in cash held against repayment of the DM100m loan which the group raised in 1985. Botha says these funds have been used "temporarily" — the loan falls due on February 1 1991 and will have to be refinanced by that date. The £24m balance was funded through the financial rand. Genbel motivated its application to use financial rands on the grounds that a strategic stake previously held was being topped up towards earlier levels.

The transaction gives Genbel a £51m asset that provides annual cash flow of £3m. The net yield through the commercial rand amounts to 4.2% and the investment, says Botha, gives "a lot of creditworthiness" with banks. Owing to the size of the TransAtlantic stake, which will be Genbel's third largest investment at market value, the foreign interests will be consolidated in the accounts for the first time.

Andrew McNulty

FIM 271490

First, only a quarter of tax bases has been freed. Koel points out that a prospective new mine requires capex of some R250m a year during pre-production. The 25% allowance out of the annual tax base of unredeemed capital expenditure available from an existing mine to offset capex at a new mine is altogether inadequate. (210) (SFB)

Second, capital expenditure may be redeemed against the parent's tax base only when a new mine starts production. For the potential mines Koel studied, limited initial production is forecast to start only about six years after the first capex.

While the increase to a 12% interest rate on the capital allowance (from 10%) compensates for this delay to some extent, uncertainty about the extent of the tax base six years on from the time of planning "frustrates accurate capital budgeting."

The most important remaining concession (phasing in a lower tax formula, as proposed by the Marais Committee) was anticipated by Koel's main study, so its realisation in the Budget does not affect his conclusions. The hike of the 10% a year allowance on unredeemed capex to 12% gives only a marginal average improvement (0,4%) in the real rate of return on prospective projects, not nearly enough to achieve viability.

Koel's study focuses on 11 gold mining prospects, none of which was viable before the Budget, on the assumption of a probable gold price of R1 100/oz in real 1990 money terms (equivalent to some US\$413/oz at the current exchange rate).

He considers these two limitations "strongly suggest" that 25% lifting of the ring fence will not make any of them profitable, though further research is necessary. On the other hand, complete removal of ring fencing would make eight viable.

These eight mines could mill some 20 Mt ore a year by the turn of the century and produce an estimated annual additional 145 t gold. Capex on them would probably exceed R2bn a year in real terms during the second half of this decade.

In the main thesis, written before the Budget, Koel observed that with no change in ring fencing real gold mining capex would probably fall to less than half current levels by the turn of the century. ■

MINING TAX (210) (SFB)

### Less than it seems

The Budget's concessions on mining tax are not much incentive to start new high-cost deep level operations, claims Wits Business School MBA student John Koel in a recent thesis FIM 271490

A postscript notes the concessions on ring fencing (which prevents mines' tax losses being used against capex on other projects) are disappointing in two respects

## Grace College opens to promising future

**JANET HEARD, Education Reporter**

THE Grace College campus, an independent school in Fleurhof, Johannesburg, was officially opened by the chairman of the Anglo American and De Beers Chairman's Fund, Mr Michael O'Dowd, this week

The college has its origins in the 1985 education crisis in Soweto, where many pupils were unable to write exams. Concerned members of the community formed two private schools, the Tswelopele Secondary School and Perseverance College. These two schools merged last year to form Grace College.

Mr O'Dowd said what was particularly impressive about the college was that it was, "entirely, from first to last, the product of black initiative, an initiative from the community directly affected"

### Encouraged

The headmaster of the college, Mr Hornabrook Bundwini, said: "At Grace College they are encouraged to think independently and to question what they are taught."

"The country is preparing itself for a nonracial future. We hope the pupils of Grace College will have the leadership qualities and the moral fibre to make a real contribution to the new South Africa," he said.

The 280 students registered at the college moved to the new campus at the start of this year, a campus in sharp contrast to the cramped office space in Commissioner Street where they were situated last year.

The college is situated on spacious grounds with unusual architectural design. It has 14 well-equipped classrooms, two laboratories, an administration block, a maintenance workshop and change rooms.



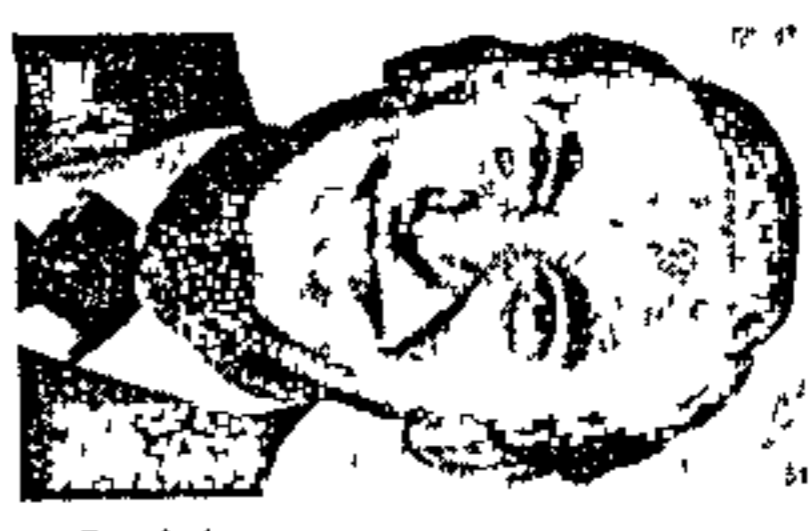
**PRINCIPAL:** Mr Hornabrook Bundwini chats to pupils at the new Grace College campus in Fleurhof, outside Johannesburg.



# New generation prepares to run Anglovaal

By David Carte

A THIRD generation of Hersovs and Menells is moving into the control picture at SA's fifth-biggest mining house, Anglovaal.



BASIL HERSOV two sons and two daughters

The Hersov and Menell families have gone to extraordinary lengths to preserve control in the present R822-million rights issue.

Mr Hersov has two sons and two daughters and Mr Menell two sons and three daughters.

## THE HOUSE THE HERSOVS AND MENELLS BUILT

one at Anglovaal owed his position to the families.

Mr Hersov's eldest son Robert, 28, acquired a BSc (business science) degree from the University of Cape Town before becoming a lieutenant in the Infantry during his national service.

He worked in corporate finance for Goldman Sachs in New York before doing an MBA at Harvard. He is in New York on the personal staff of the Australian publishing magnate Rupert Murdoch.

James Hersov, 25, did a degree in anthropology at Cambridge, his father's alma mater, before his two-year stint in the South African Air Force.

He won a Fulbright scholarship and a place at Harvard Business School, but did not take up either. Instead, he decided to found and operate his own business in SA for trading with African countries.

Mr Hersov's eldest daughter Rowena, 30, an arts graduate and language expert, is married to a doctor in Cape Town. A mother, she is unlikely to become involved in business.

His youngest daughter Alexandra, twin of James, has a master's degree in fine arts from London University and runs a business specialising in oriental art in London.

Mr Hersov hopes both sons, who were educated at Michaelhouse, and possibly Alexandra will play a role in the company.

Rick Menell, 35, was at Rugby School, and Trinity College, Cambridge, where he studied natural sciences and majored in geology. He was a submariner with the SA Navy during his national service.

He worked as a geologist in SA, the US and Canada before doing a MSc in mining economics at Stanford University. He worked on the mining side of New York bank JP Morgan, becoming a vice-president and being posted to Australia.

In Australia he joined fledgling mining group Delta Gold where he is executive director, finance.

He heads a team hoping to establish Zimbabwe's first platinum mine at Hartley. The mine is expected to contribute 8% of Zimbabwe's foreign earnings.

5 Times 29/14/90

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There was not a single vote against the proposals by any shareholder at any of the class meetings.

A critical analyst says there would not have been an objection to changing A shares, with no votes, into N shares with limited voting rights at that time.

What is objectionable, he insists, is the issue of more N shares in the present rights issue — because it sets a precedent.

The JSE has stated that there are only four listed companies with non-voting shares that could imitate Anglovaal's move.

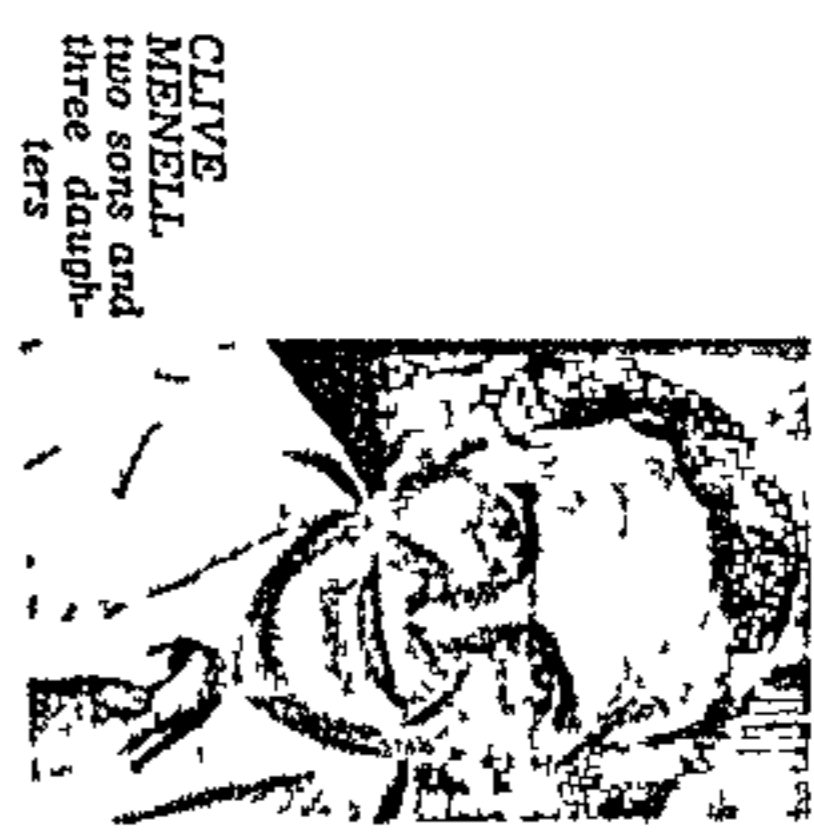
But Anglovaal's critic says a less scrupulous party, with or without non-voting shares, could conceivably use the precedent to force the JSE to accept its N shares through the courts.

Anglovaal replies that since such a scheme would require 75% acceptance, minority holders could block it.

Mr Hersov says family control gives the company independence and security from potential predators. It also assures continuity and gives management the ability to focus on business without being distracted by takeovers and similar disruptions.

The dividend yield, he says, indicates satisfaction with the arrangement.

Mr Hersov stresses that Anglovaal's major shareholders were consulted before the N shares came into existence in a corporate restructuring last December.



CLIVE MENELL two sons and three daughters

Family control is one of five operating tenets of the group. The others are performance, diversification, financial prudence and "the way we do business", which includes integrity.

## R80m board plant starts up

SAPP has commissioned an R80-million board plant — its largest expansion project since the Ngodwana paper mill.

The Novoboard plant at White River has a 170-metre-long continuous press line and was designed by West Germany's Stampelkamp. It is one of the most modern particle-board and medium-density fibre-board plants in the world.

The plant will produce board ranging in thickness from 3mm to 32mm.

The medium-density fibre board is a new product which has all the advantages of solid wood and none of the disadvantages. It is easy to work and is cheaper than most solid wood.

# PPC is enjoying investor confidence

Pretoria Portland Cement's 1989 annual report is impressive — characterised by low debt, increased income contribution from the four divisions, a healthy and increased working capital position and more than R100 million record profits.

But I was surprised that only R3,12 million was spent on education, training and development.

This presumably included R500 000 spent on PPC bursary and other tertiary education schemes during 1989.

Management boasts that more than 70 percent of PPC's employees have more than five years service and 47 percent more than 10 years service.

But a workforce of 4 577 in 1981 has declined to only 3 786 in 1989. Where are those vital new jobs and what is the point of producing record profits without creating more jobs?

On page 20 of the annual report is a full page picture captioned "Soweto at dawn — housing represents a substantial base-load in the demand for cement — PPC is looking at ways and means of developing products capable of playing a role in addressing the country's housing shortage."

With significant cement plant under-utilisation, averaging only 63 percent in 1989, PPC must find ways to increase cement consumption.

A new development division started in 1989 promoting new products and businesses — it includes acquisitions and investments.

Botswana is high on the list for constructing and operating a cement-producing facility. In addition a 50 percent interest stake will be made in a company that designs residential structures which can be erected on problematic soils, says management.

But why not lower prices, produce more to utilise plant surplus capacity, employ more, expand and encourage more people to build and own their homes?

Surely this is a more effective way to increase cement consumption?

Capex for 1990 is R87 million (1989: R39,6 million) — what for? Not to create jobs but "in the main, a contribution of the programme of upgrading and modernisation of production facilities to enhance plant efficiencies," says management.

Turnover increased to R639,2 million (1988: R588,8 million) with operating income R161 million (1988: R136,7 million). Interest paid declined significantly to only R3,4 million (1988: R6,3 million) while investment income from associates and interest received almost doubled to R26,5 million (1988: R14,8 million).

## Bottom Line

MICHAEL MENOF



Pre-tax profits were R187,5 million (1988: R151,4 million). After deducting tax of R85,1 million (1988: R71,2 million) and minority shareholders' profit share, the bottom line reached a milestone at R100,4 million (1988: R78,7 million). Earnings per share were 252,6 cents (1988: 202 cents) and the annual dividends upped to 130 cents (1988: 100 cents).

The cement division increased sales to R400,6 million (1988: R337,9 million) and improved their income contribution before interest and tax to R109,9 million (1988: R93,1 million).

High sales at the beginning of the year followed reduced demand in the second quarter. This soon resulted in the shutdown of certain clinker producing units leaving only the newer and most efficient kilns operating. But a second palletiser is being installed and cement storage and despatch facilities at all factories will be improved in 1990.

The remaining three divisions — lime, packaging and investments all increased their sales and income — sales R288,6 million (1988: R250,9 million) and income R81,1 million (1988: R64,6 million).

## Priorities

Expansion of the lime and limestone markets are a priority. New projects promise to increase lime sales.

A textbook balance sheet was produced at end September 1989 — shareholders' equity totalled R494,4 million (1988: R435,4 million), total debt R9,88 million (1988: R24,1 million) and working capital R102,7 million (1988: R75,9 million) which included liquid funds of R74,9 million (1988: R57,6 million).

Held 61 percent by Barlow Rand the group enjoys investor confidence judging by a current JSE price of around R27,00 per share compared to the net asset value of R12,00 at end September 1989.

What are the prospects? High interest rates will stymie growth in the building and construction industries and a slowdown in the world economy will lower commodity prices, discouraging further major investments in mining and mineral beneficiation says chairman Mr J C Hall.

At best a flat year for both cement and lime is forecast. But with 1990s interim due shortly I would be surprised if sales and bottom line suffer any reversals in trend.

MINING — GENERAL

1990

MAY — <sup>Sept</sup> JUNE ~~July~~

11/11/90

# Analysts see De Beers moving control offshore

SAZ 1/5/90 (210) (2004) (204)

By Magnus Heystek,  
Finance Editor

Speculation surrounding De Beers and its pending international restructuring attracted all the attention on a generally lacklustre stock market yesterday as more than 146 000 shares, worth nearly R13 million traded hands with the share price moving up to close at R88,60, after trading higher than R89 at one stage

De Beers chairman Mr Julian Ogilvie Thompson is due to make an important announcement tomorrow and will address local financial journalists via a closed television broadcast from London

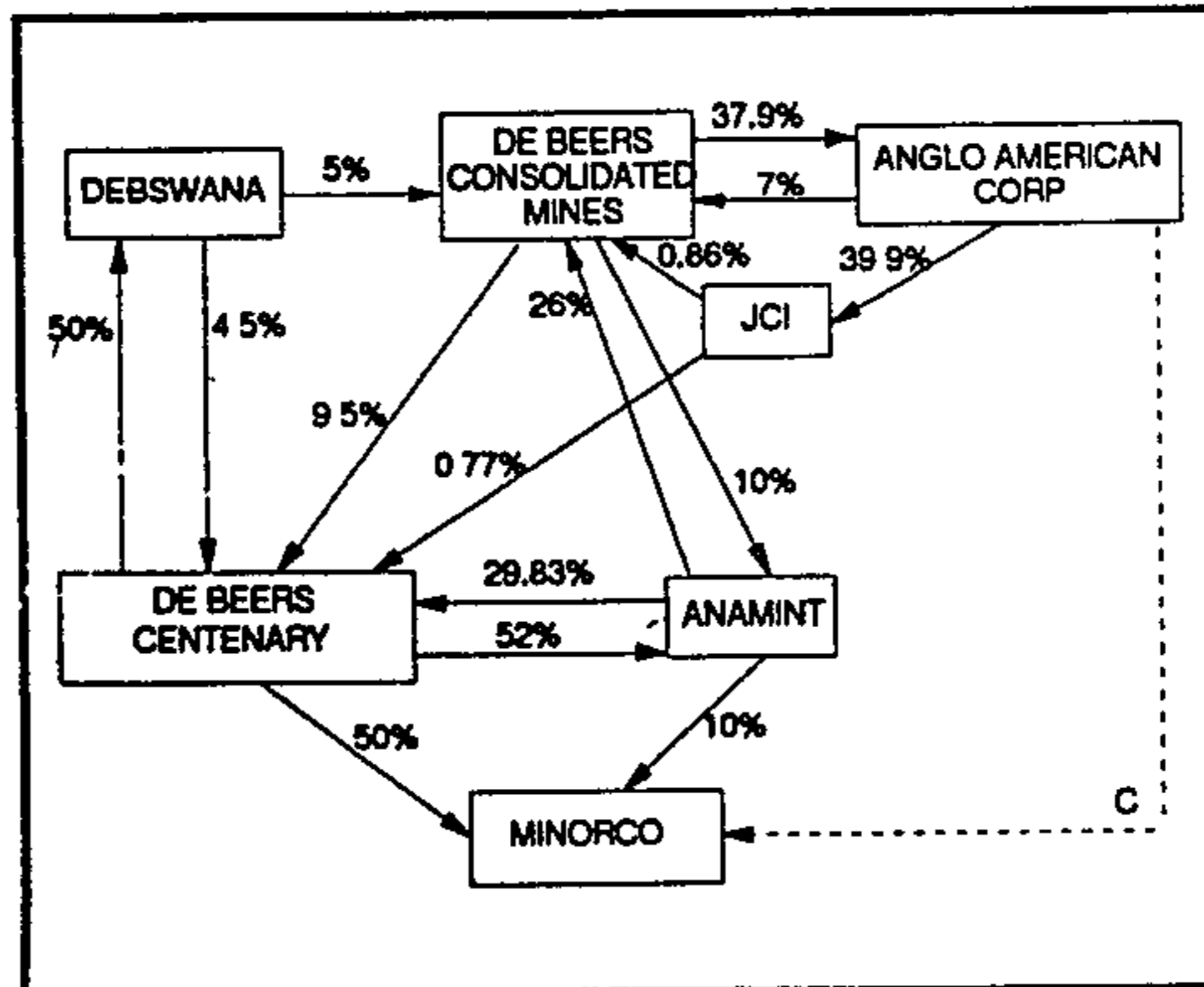
In addition to a major announcement concerning the restructuring of the worldwide interests of De Beers, analysts in some circles are expecting the De Beers shares to be split ten for one

Other analysts, who did not wish to be named, indicated that De Beers could be making an announcement of major importance, possibly concerning large-scale capital investments, both here and abroad

This could be the first in a series of steps that will unlock the true wealth of the companies in the Oppenheimer empire, which is currently trading at a vast discount to net asset value on international stock markets

Since De Beers announced the setting up of De Beers Centenary as an offshore company to house all of its international assets in February this year, the share price moved up strongly as international investors rerated the company on the basis of the new developments

However, some speculation is focused on De Beers uncoupling the link between De Beers and De Beers Centenary, as this will free American investors to take a stake in the Swiss company



Hypothetical restructuring of De Beers

Under the current terms of arrangement the two companies are traded as a stapled unit, which disqualifies American investors from investing in De Beers

### Swiss-based

By unstapling the two companies, much along the same way as Rembrandt has listed Riche-mont in Luxembourg, De Beers Centenary will become a Swiss-based company, controlling the international assets of De Beers

In an in-depth analysis of De Beers Centenary by London-based stockbroking firm James Capel, it is speculated that the complex interlocking affairs of the Oppenheimer-empire are about to be restructured, which will mean a change of control from South Africa to Switzerland

In terms of the arrangement announced in February this year control of De Beers Centenary rests effectively with De Beers (9,5 percent direct holding), Anglo American (7 percent direct hold-

ing) and indirectly 26 percent through Anamint, which controls 23,5 percent

Other companies also involved in this maze include JCI, Minorco and Debswana. But the ultimate control of the whole empire rests with De Beers and Anglo

At present loss of control over either company, due to possible nationalisation, would bring about loss of control of the whole group or over at an unacceptably large portion of it

One way around this would be to move Anglo's foreign assets offshore, but this would still mean that control remained in South Africa

The key holding appears to be Anamint, effectively nothing more than a holding trust, but it does contain 26 percent of De Beers, 23,5 percent of De Beers Centenary, 18,5 percent of the Diamond Trading Company and 18,47 percent of the Diamond Purchasing and Trading Company

What would take De Beers Centenary and Minorco into per-

manently "safe" hands would, according to James Capel, be the following two-phase plan

Firstly, AAC would move Anamint to Switzerland. Anamint would purchase Anglo's 6,3 percent holding in De Beers Centenary. De Beers Centenary would then purchase AAC's 52 percent holding in Anamint, which would leave Anamint with 29,8 percent of De Beers Centenary

### \$2 billion bill

Secondly, Anamint and De Beers Centenary would purchase the 39 percent of Minorco (held by AAC) which would put De Beers Centenary in control of Minorco, Anamint and Debswana

This scheme of arrangement would pump some \$2 billion into South Africa, to pay for the assets acquired, control of the Anglo empire will remain in the same hands but De Beers Centenary and Minorco would have the added benefit of being totally independent as far as future political developments in SA were concerned

Should, however, control or an unacceptable amount of control be lost over the South African assets, control of De Beers Centenary and Minorco would still remain with the existing management and those companies could develop independently of South Africa

The cost to finance this suggested deal, would be in the vicinity of \$3 billion, which, even to De Beers with its cash pile of \$1,6 billion would be too large to finance without recourse to international capital markets — one of the reasons mentioned by De Beers why it intended splitting its South African and international assets

# De Beers denies it is planning to un-link local and overseas shares

## Finance Staff

De Beers' directors have refuted market speculation that they are planning to "un-link" the De Beers shares and divorce the group's foreign investments from its South African interests.

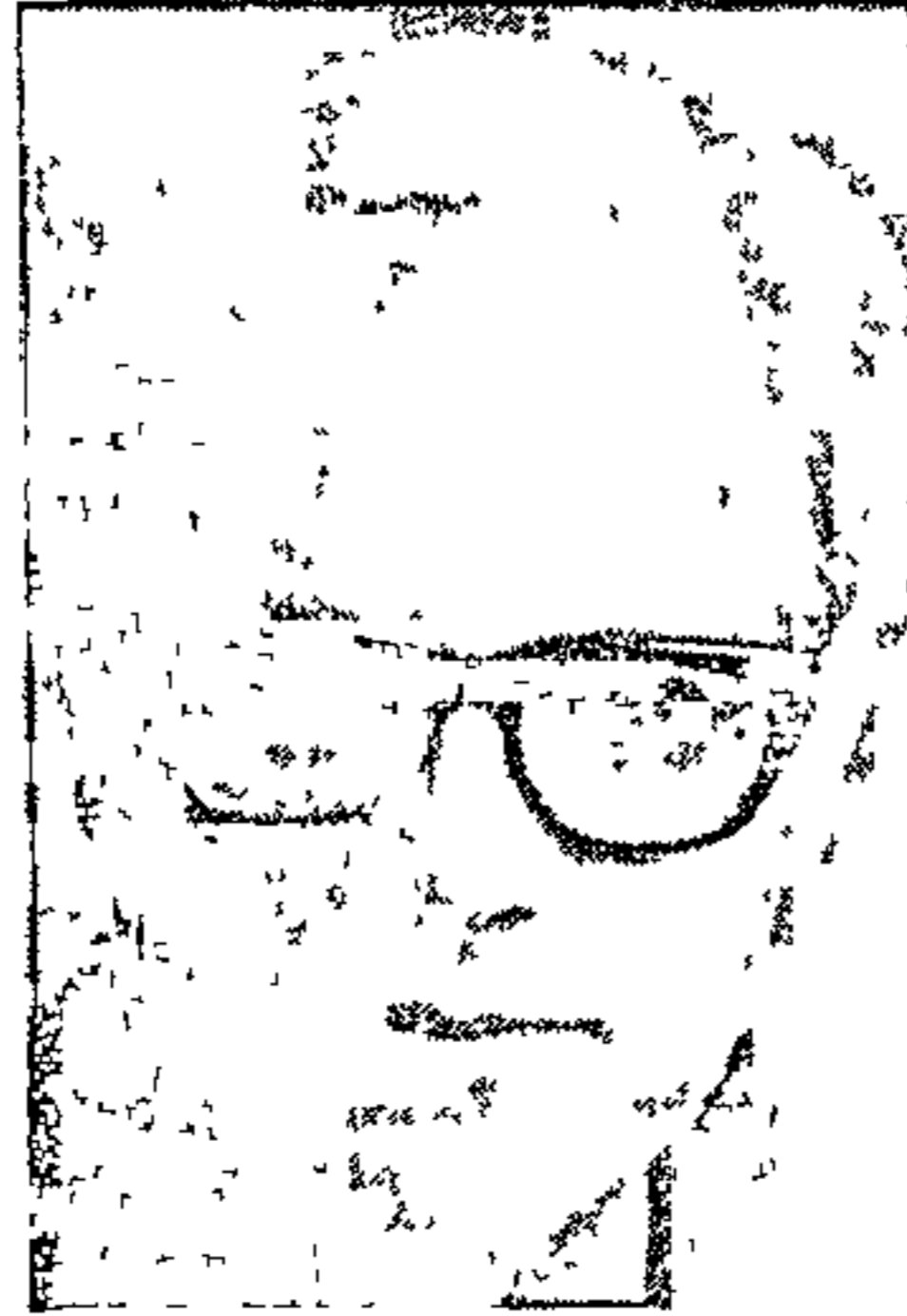
In a circular to shareholders, the directors, headed by chairman Julian Ogilvie-Thompson, reiterate that they have no plans to hive off the proposed Centenary deposit receipts from De Beers shares.

"The diamond industry operates on a global basis, and it is desirable that the two groups should co-operate in the interests of shareholders and of the diamond industry as a whole.

"To this end, it is proposed, that as far as possible the two groups will be administered by identical board of directors, and their securities will be linked so that they will be tradeable only as linked units," Mr Ogilvie-Thompson says.

However, some provision is being made to split the linked units in certain circumstances.

The non-South African interests are being placed in a new Swiss company to be called De Beers Centenary AG and the units will represent the Centen-



Julian Ogilvie-Thompson

ary deposit receipts.

In a circular to shareholders setting out the proposals, which are to be submitted to the annual meeting on May 25, De Beers clarifies some points made in its statement on March 6 when the proposals were first announced and has made minor adjustments to some of its calculations.

While De Beers may not intend splitting its shares into the two units at present, this can be

done should either the De Beers board or the Centenary board pass a resolution to this effect.

De Beers Centenary will be listed on Switzerland's stock markets on June 11.

The circular provides more detail on the financial impact of the split.

De Beers pro-forma equity accounted earnings for its South African interests for 1989 are given as R1,642 billion, compared with the actual earnings of R4,1 billion last year.

Had the split been in effect last year, earnings for De Beers would have been reduced from R10,76 to R4,32 per share, while De Beers Centenary would have reported a profit of \$2,31 per deposit receipt.

On De Beers 1989 balance sheet, almost 48 percent or R8,6 billion would have been held in the overseas division, reducing the balance sheet of the local group from R17,5 billion to R9 billion.

The net asset value a share of De Beers South African interests at the end of 1989 is set at R48,98, down from R80,32 for the group as a whole. De Beers Centenary assets last year are quoted at a pro-forma \$11,97 per

deposit receipt.

The balance sheet also shows other significant changes including distributable reserves at R3,8 billion (group as a whole in 1989 R10,3 billion) and non-distributable reserves at R5,1 billion (R6,3 billion).

The most striking feature, however, is the reduction on the books of De Beers (SA) of the diamond stocks and the diamond account.

The former is reduced from R6,3 billion to R138 million, with \$2,4 billion now accruing to the pro-forma balance sheet of De Beers Centenary. De Beers income from the diamond account declines from R2,9 billion to R287 million, with the balance in Centenary's books.

A similar situation now arises for tax payment, which in De Beers case fall from R807 million to R257 million, with the balance once again in the books of the overseas group.

Dividend payments will also shift significantly although the directors stress that overall capacity of the group to pay dividends will not be affected.

In financial 1989 De Beers Centenary would have paid almost 80 percent, or R833 million of De Beers total dividend.

# De Beers boss calls for more welfare expenditure

## Political Reporter

A market-orientated economy was the only realistic means of satisfying black aspirations, according to De Beers chairman Mr Julian Ogilvie Thompson.

In the mining company's annual report, released yesterday, Mr Thompson said visible progress in addressing socio-economic backlogs would be more convincing than any rhetoric in convincing the majority that a vigorous market-orientated economy was the most realistic means of satisfying their legitimate aspirations.

Economic control and intervention would only re-allocate and perpetuate poverty.

"A higher growth rate, permitting more welfare expenditure, would be facilitated by the restoration of peace in the country and the removal of economic and financial sanctions, so that South Africa could once more attract substantial institutional and private venture capital from the international community"

## Lower inflation

Mr Thompson said the government was tackling with urgency and vigour the tasks of getting the economy on to a sounder footing, with lower inflation and higher growth, and of remedying the gross inequities and inequalities of the old system

Black communities should ac-

tively participate in addressing housing, educational and medical needs and the economic opportunities available to them

Lauding President de Klerk's reforms, he said it was to be hoped that a new constitution and bill of rights would facilitate the creation of a prosperous, non-racial multiparty democracy

Such a system would be the engine of growth for a region that desperately needed an escape route from poverty.

Mr Thompson said all people would have to have access to the market place as much as to the ballot box if they were to be able to create wealth for themselves and prosperity for the country

● See Page 18.

# Funds give R47-m to education

Education Reporter

Last year more than R47 million was given by the Anglo American and De Beers Chairman's fund and the Chairman's Fund Educational Trust towards improvements in education

In the De Beers annual report released yesterday, the directors said this included R33 million which was spent on secondary and tertiary education, primarily for the benefit of black students

One of the major projects was the incorporation of Saint Ansgar's School and Grace College into the non-racial "Schools of the Resurrection" at a cost of

R15 million

Other educational projects included the recent opening of Saint Andrew's High School in Welkom

A tertiary college in Cape Town is expected to open in January 1991 after a R6 million grant was made to the LEAF organisation. The college will provide bridging tuition from school to tertiary institutions

A R15 million technical college in Atteridgeville is also expected to open in January next year and a R3,6 million grant was made to the Technikon Witwatersrand towards a Technology library. In addition, a R5,8 million residence

with 220 beds was opened in November last year

At the University of Natal, a R4,4 million residence accommodating a total of 96 pupils has been completed

Other areas of expenditure included a home for the mentally handicapped in Soweto, which should reach completion at the end of the year, an art gallery at the University of Fort Hare and a three-year educational project in the Kimberley region run by the Read Educational Trust

The directors said the focus last year was also on the development of the small business sector

STW 3/6/90

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'Watchdog' a huge

M... L... (110)

# De Beers stocks up as the market softens

Spd 3/5/90 (214) (218) (210)

**By Neil Behrmann**  
LONDON — World retail diamond sales rose four percent to a record 54 million pieces or 14.9 million carats worth \$39 billion last year, said the chairman of De Beers Julian Ogilvie Thompson yesterday

And to promote diamond sales this year, the advertising budget of De Beers will be \$130 million, he said

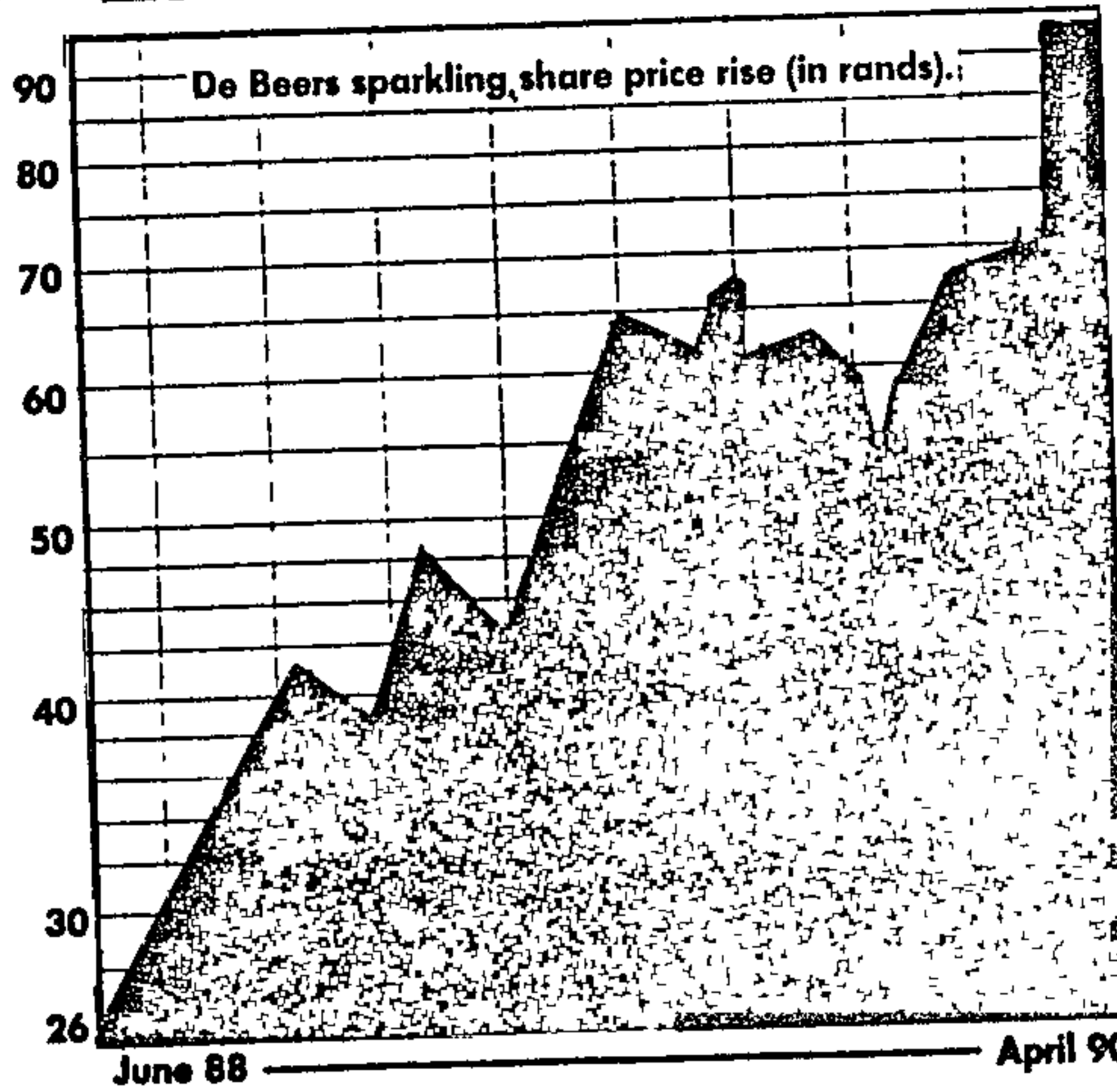
After "three exceptional years of double-digit increases, however, the growth in sales slowed to a more normal rate"

Expressed in dollars the overall increase came to 4 percent, but most of the slackening was attributable to the strengthening of the US currency

Measured in local currency terms, the rise was 8 percent, compared with 10 percent in 1988. Growth was particularly strong in Europe and also Japan, where sales were boosted by a reduction in sales tax on jewellery costing more than 37 500 yen (R640). Growth in the United States, still the largest market for polished diamonds, was modest.

Mr Ogilvie Thompson said at a London press conference that so far high international interest rates this year had not affected demand for diamonds

Executives of De Beers confirmed that sales of high priced diamond jewellery of \$5000 a piece or more had not been dented by punitive real interest rates. Turnover of cheaper jewellery, notably pieces of \$500



or less, however had been hit by higher interest rates

Wealthier consumers earning higher income on their capital could afford to buy more diamonds, added a marketing executive of the company, but other income groups are tailing back purchases of luxury goods.

On average, however, consumer demand for diamonds continues to "grow both at a rate and in a regional pattern that is similar to last year".

"The mood in the cutting centres as well as the retail trade generally is positive," said Mr Ogilvie Thompson

He added that the diamond

market had readily absorbed De Beers' March price increase of 5.5 percent. Sights in March and April were satisfactory

He did caution, however that there was an increase in diamond stocks at the cutting centres, although "by historic standards their inventories are low in relation to sales"

De Beers' diamond sales slipped by 2 percent to \$4.09 billion last year — despite a diamond price rise of 15.5 percent in March 1989 — because of the slower growth in retail turnover

The reason is that retailers

had less need to raise stocks, says Mr Ogilvie Thompson

De Beers thus had to withhold diamonds to support the rough market and in consequences its own stocks rose by \$473 million last year. The proportion of De Beers' stocks to turnover rose to 56 percent from 50 percent in 1988, but it is small when compared with 168 percent in 1984

Moreover, if the market worsened, De Beers Centenary has the power to increase borrowings markedly, said Mr Ogilvie Thompson.

Events in the gold and platinum markets indicate that demand could wane, despite the enthusiasm of De Beers executives. Nevertheless, the diamond trade is sufficiently strong to withstand any downturn in the cycle

Even though rough diamond stocks have risen at cutting centres, said Mr Ogilvie Thompson, the increase was financed largely by the trade's own capital rather than by bank borrowings

"This is a healthy sign," he said

Mr Ogilvie Thompson stressed that the company had no intention to de-link De Beers Centenary from De Beers Consolidated. It is incorrect to speculate that the units will be de-stapled, he said.

In response to a question how the group would react if a bank held the stapled units and offered investors depositary receipts of De Beers Centenary, he said, however, that the group would be powerless to prevent an effective unstapling by outsiders

He also denied that Anglo American would be following the De Beers' route of putting its foreign interests into a separate company based overseas.

"Anglo American was basically a South African company and there was no compelling reason for it to separate its foreign interests from its local interests," Mr Ogilvie Thompson said.



# Mining industry on brink of new expansion phase

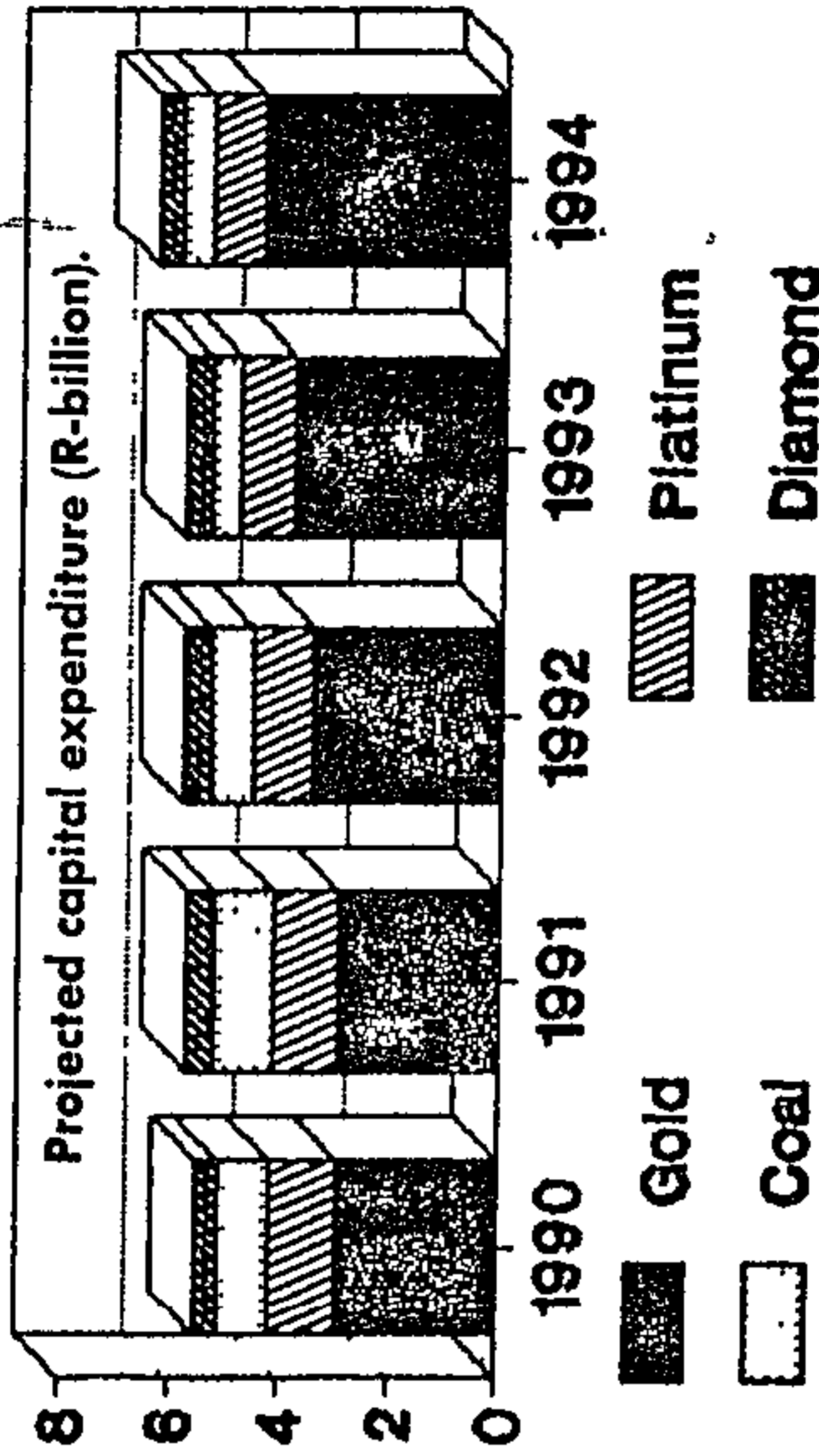
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By Jabulani Sikhakhane  
 Capital expenditure by the mining industry is forecast to rise to R31,4 billion between 1990 and 1994, with gold mines accounting for some 55 percent of total expenditure, according to Mr Mike Brown, an economic consultant with stockbroking firm, Frankel Kruger & Vinderine.

He told the "1990's Capital Expenditure Prospects Conference" in Randburg yesterday that the mining industry would invest between R6 billion and R7 billion a year on capital projects between 1990 and 1994.

The rise in exploration expenditure in recent years "holds promise that a further wave of mining expansion" could be heralded in the 1990s. The main thrust of exploration spending suggests that gold, platinum and diamond mining will be the main targets, he said.

Capital expenditure by the mining industry over the past five years grew at an annual rate of 19 percent, giving a total estimated investment of R21 billion or R14,6 billion in real terms (1985 prices)



The main focus of mine expansion over this period, he said, was the platinum mining industry which has been expanding in current terms by 500 percent, followed by exploration and the diamond mining industry. Expenditure in gold and coal mining fell in real terms.

Capital expenditure on existing gold mines has levelled-off, while expenditure on new gold mines seems to be on a rising trend. However on a combined basis, the gold mining industry "appears to have been in a rather

dormant phase over the past five years".

He said coal mining capex remained consistent at around R400 million in each of the past five years, but was dominated by two groups, Amcoal and Witbank Colliery which in 1989, accounted for 85 percent.

"The significant sums (around R500 million) spent in prospecting over the past five years indicates the expansion potential of the diamond mining industry".

In his forecast for the next five years, Mr Brown said that

while capital expenditure by existing gold producers will continue declining in real terms, development will be boosted by probably three new gold mines and major expansions by current producers.

## Gold mines

Projected capital expenditure by gold mines is expected to rise from R2,945 billion in 1990 to R4,410 billion in 1994.

Expansion of the platinum industry should maintain capital expenditure at around R1 billion or more in each of the next five years, while some R2,3 billion is expected to be spent by the diamond mining industry.

Mr Brown said a revival in the coal mining industries' capital expenditure programme will push spending up from some R400 million in 1989 to over R1 billion in 1991 and close to R4 billion for the five years 1990 to 1994.

Exploration expenditure should stay at R400 million or more a year in real terms until 1994.

# Mining industry on brink of new expansion phase

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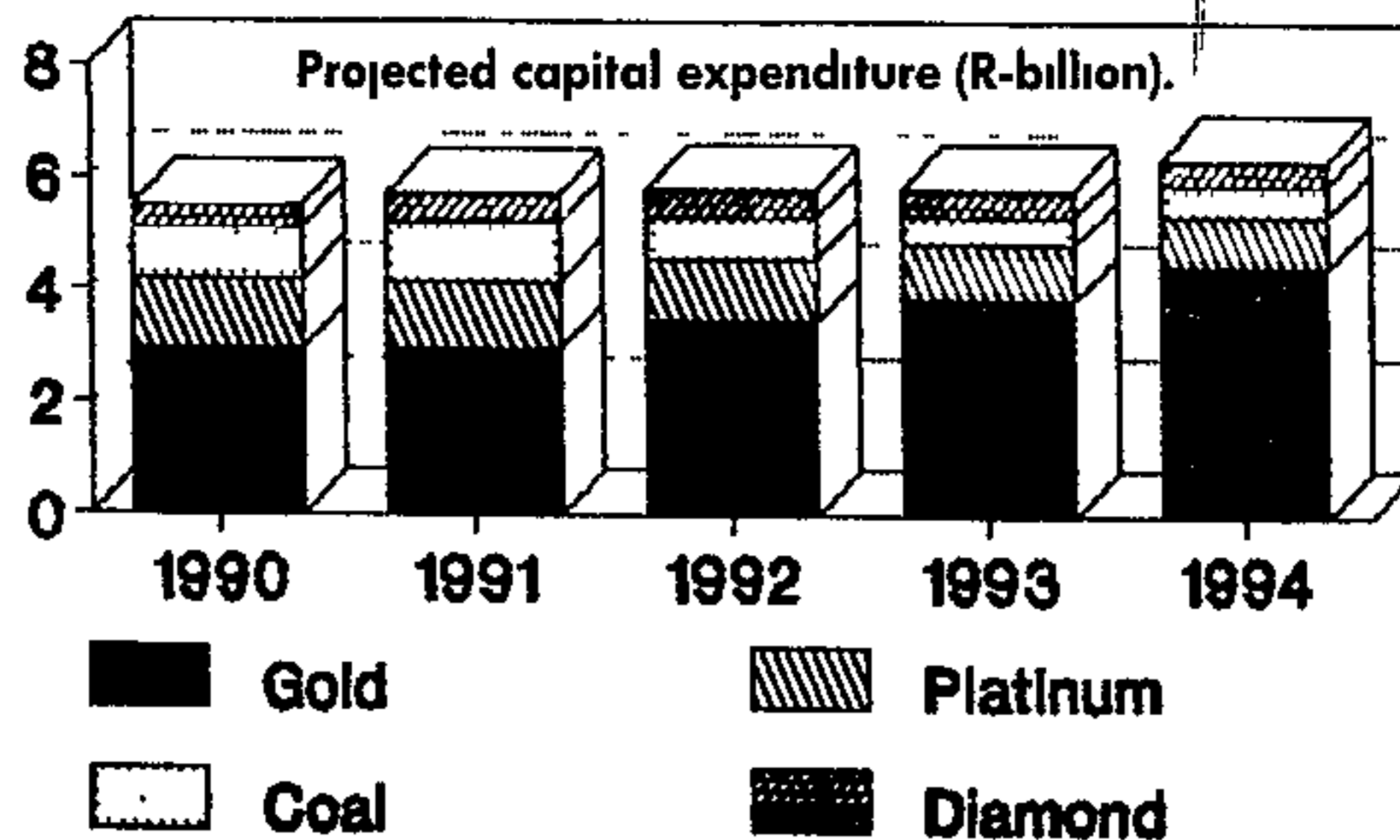
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# Gold mines 'not worth nationalising'

8 Nov 4/5/90 (20)

By Jabulani Sikhakhane

Nationalising gold mines to gain control of dividend income has few positive attractions as total dividends paid by gold mines in 1989 amounted to only R2,2 billion or 2,7 percent of current State expenditure

Mike Brown, an economic consultant at Frankel Kruger & Vinderine, said in Randburg yesterday that in its present state the gold mining industry holds little attractions for nationalisation

Gold mines now account for only some nine percent of gross national product and their after-tax profits (before dividend payments) in 1988 amounted to R1,81 billion

The equivalent figure for other private business enterprises was R26,7 billion and this meant that the gold mining industry accounts for only 6,8 percent of total private business returns

Mr Brown added that the development of gold mines at a cost of between R1 billion to

over R3 billion with lead-times of five to ten years, slow pay-backs thereafter and high possibility of reefs not meeting projected grades, are not risks that the Fiscus should expect taxpayers to bear

High risk ventures require the risk/reward profile of venture capitalists rather than the State with its more pressing near-term social and economic obligations, he said

## Compensation

"The market capitalisation of South African gold shares is approximately R60 billion. The cost of paying compensation to existing shareholders in order to lay claim to a dividend flow of some R2 billion per year would scarcely seem worthwhile"

Mr Brown added that some 20 percent of SA gold shares are still in hands of foreign investors. Nationalising their assets would invite retaliation through seizure of SA assets abroad and would terminate chances of fresh foreign investment

# Get in quick with three of the best

BUY De Beers, Anglo and Richemont and do whatever you like with the rest.

Myles reckons it's a bit pointless to clutter investors' minds with any more advice than that.

He seems fairly certain that De Beers will reach the R100 level early next week although he was unable to explain why it was that the share took off this week.

There have been no really significant developments since the announcement of the creation of De Beers Centenary so it is difficult to see why the price hesitated around R85 for so long. Now the whole world is piling in with every new day seeing another bullish brokers' reports from some part of the globe.

Some of the more imaginative investors are comparing De Beers' price/earnings rating of around 10 times with Richemont's 26 times. Although both are nice Mandela hedges, this notion seemed a bit over the top. Even Myles had trouble taking on board the point that the two companies are in the luxury goods market — a market that is all about selling image.

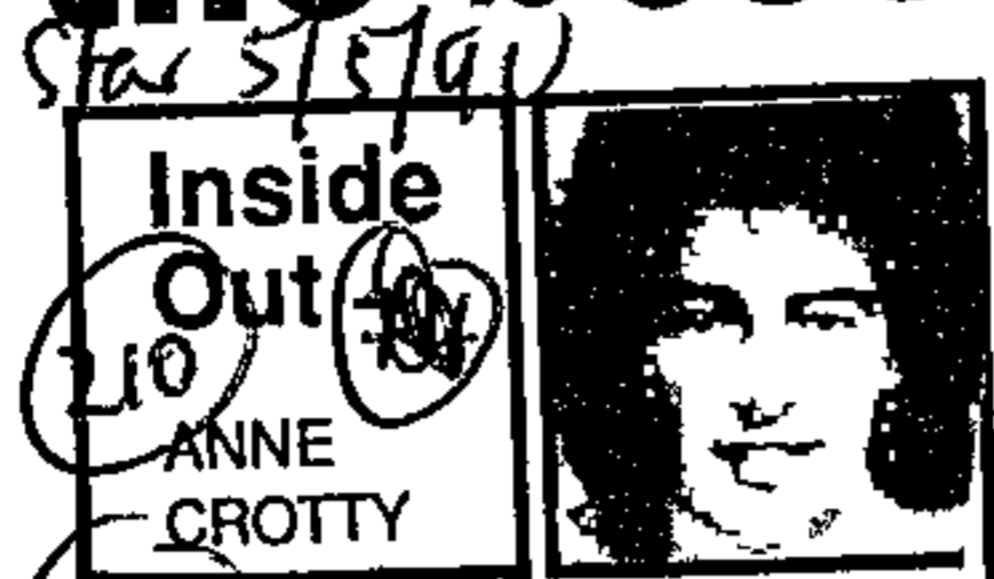
He's worried that some day the rich may decide that they don't want to pay quite so much for image — so he wouldn't be prepared to buy De Beers on a 26 P/E even if he could unstaple the thing.

But expectations of soon-to-be-announced good results from Richemont and revived rumours about a separate listing for Cartier are currently pushing Richemont to even higher levels.

After a brief suspension on Thursday, Plate Glass was back on yesterday and traded a few rands higher at R62

## Overseas deal

The overseas glass deal certainly does look like a good one for the group but hardly enough to support a p/e of over 17 times, particularly as the problems in the timber operations (reason why earnings will be down 30 percent in financial '90) are unlikely to be sorted out in the near future.



No firm news yet about the Valard bid for Landlock. Myles thinks it looks like a good deal for all concerned and it seems to have attracted quite a lot of positive attention to Valard which is a reasonably low profile company that has been busy getting on with the job of making profits for its shareholders

Reports are that the strategic study on Bankorp is just about finalised and the guys are now waiting for Piet Liebenberg to make the decision when he takes over on July 1

At this stage it looks a though TrustBank and Santambank will be merged. This will obviously lead to considerable rationalisation of branch networks, computer facilities and so on.

## Rationalisation

Senbank will also be brought into the fold. Rationalisation decisions here may be facilitated by the recent fall-off in staff numbers — apparently six guys have left the corporate finance department and the bank's economist Dr Du Pissanie has left to set up his own economic unit.

Myles says he was reliably informed that in terms of turnover (staff or business?) Senbank is still the major merchant bank in the country.

The Interboard share price seems to bear a sort of inverse relationship with news about the company. The price has gone up despite reports that plans to sell off, or merge, parts of the business have come to nought.

In addition, Sappi's new particle board division (very hi-tech by all accounts) is about to come on stream. All this extra capacity in the industry hardly seems bullish for Interboard. So why is the price going up?

Plans for an overseas investor to acquire Mynkar have apparently fallen through but no formal announcement as yet from the company.

News that Storeco (remember John Orr's in the old days) may see a change of control reminded Myles of the time — around 1982 — when Julian Askin and Hugo Bierman (the guys who recently acquired control of Duros) were rumoured to be keen to acquire John Orr's, apparently for an asset stripping exercise.

According to Myles, it appears that some of the countries that grow the trees want to see a bit more local processing and this increases the industry's risk profile. In addition there are some bad debt problems in Brazil — this will hardly come as a surprise to anyone who keeps in touch with the fortunes of the World Bank.

Anyway it puts a bit of a cloud over the Whitestone deal and that can't be too good for the share. But Myles points out that it is quite tightly held.

# Anglo seeks positive role in the new SA

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SINCE February this year, readers of Britain's up-market and influential newspapers have found it difficult to ignore the Anglo American Corporation's advertising campaign.

It is dramatic, different and nothing less than full-page stuff that pulls no punches in its attempt to woo back foreign investors, boost Anglo stock and clearly position the huge company within the confusing maelstrom of the South African economy and political arena

Under a huge photograph of a group of black mineworkers enjoying a tea-break in a mine canteen, the headline of one advertisement reads "Anglo American shareholders meeting South Africa, Nov 1989" The advertisement goes on to explain the Group Employee Shareholders Scheme, in which 73 percent of Anglo's eligible workforce own R235 million worth of stock

## Suspicion

It also details efforts by the corporation to educate its employees with regard to share ownership by the publication of literature in 12 different languages

The advertisement admits to initial suspicion of the scheme by workers — that shares were in lieu of wage increases, or bribes for industrial peace

Another full-page advertisement boldly features a group of fist-waving, striking black miners The headline reads: "Do we wish we hadn't fought to have black trade unions recognised?"

"Yes," reads the copy, "we do quite often"

The advertisement describes steps taken by Anglo to have trade unions recognised for "moral and economic reasons" and concludes "Whether you're running

## Multimillion ad drive fires opening shots

**During the past few months the Anglo American Corporation has been running a massive R6,5 million advertising campaign in British newspapers. Saturday Star media editor Chris Moerdyk looks at the reasons why the formerly publicity-shy South African conglomerate has embarked on the campaign — and the reaction it has generated at home and abroad.**

a company or a country, if the majority have no say in their future they will naturally feel no responsibility for what happens around them"

Another advertisement in the seven-part series reads in bold headlines "The issue is no longer apartheid, but what kind of society will replace it" — a quote from former chairman Gavin Relly

Another ad features quotes from the ANC Freedom Charter — "There shall be work and security. higher education and technical training. houses, security and comfort food plentiful and no one shall go hungry"

The headline reads "If the South Africa economy doesn't deliver, how can any politician hope to?"

The campaign is forceful, direct and powerful.

But why, after decades of adopting a low profile, is Anglo suddenly advertising in a big way?

The corporation's personal adviser to the chairman and public affairs consultant, Michael Spicer, explains "The advertising campaign is simply a conclusion to what Anglo has been looking at for the past three or four years

"However, the question of advertising and what to say in any advertisements has been difficult because of the political climate in South Africa

"Now we believe that when Mr F W de Klerk

came into power, the debate changed internationally, as did the climate, allowing South African business to reposition itself — and this became the motive for our campaign."

Mr Spicer said the objectives of the campaign were to persuade investors to buy stock as well as to improve the value of stock Foreign shareholding, he said, had been declining and it was for this reason that the UK had been selected as a springboard for what could become an international advertising campaign, as Britain represented a prime and traditional marketplace

"We also wanted to put the case for a changing country — to put it optimistically — arguing about the economic climate and also constitutional matters"

He said there had been an unusually high interest in the campaign both at home and abroad

"Everybody engages in corporate advertising, but what has been unnatural was our inability to do it because of the international climate of past years when SA business had to go into a highly defensive mode."

The advertisements, he said, were not apologetic "We did not want them to be apologetic — we feel that business does not need to apologise"

Mr Spicer said the

campaign had achieved a good response in the UK. It offered more information to interested parties in the form of a booklet, and so far more than 1 000 letters had been received with positive comment and with requests for the booklet.

Only three negative letters had been sent to Anglo's London office.

However, it is understood that the Anti-Apartheid Movement in Britain was one of the complainants to the UK's Advertising Standards Authority with regard to an Anglo claim "We have always stood for a democratic South Africa."

AAM executive secretary Mike Terry said in an interview with the Sunday Observer newspaper (not one of those chosen by Anglo for its campaign) that the ads projected an image of the company "that does not square with reality"

Mr Terry added: "The fact is that it's a company which has benefited and profited from apartheid"

## Punished

Mr Spicer reacted to the AAM charges by suggesting that the movement was one of the proponents of the "capitalism equals apartheid" school of thought "We have no dishonourable record and we shouldn't, be punished"

He added that the AAM's "entire *raison d'etre* is isolation and sanctions" and that he believed the movement was "having a problem with the way the tide was turning"

There had also, he said, been some reaction from SA trade unions who believed, for example, that the money spent on the advertising campaign should have been spent on increasing wages.

"However, this amount on the wage bill would have meant about a 50c per head increase Unfortunately, some of the unions still have a misunderstanding of corporate life"



# ANGLO AMERICAN SHAREHOLDERS MEETING. SOUTH AFRICA, NOV. 1989.

Anglo American Corporation  
Shareholders Meeting  
November 1989  
South Africa

MAKING AN IMPACT: Two of the full-page adverts appearing in Britain's quality papers. The response has been overwhelmingly positive.

## Deal in South Africa strike

...of the deal in South Africa strike...  
...the deal in South Africa strike...  
...the deal in South Africa strike...

# DO WE SOMETIMES WISH WE HADN'T FOUGHT TO HAVE BLACK TRADE UNIONS RECOGNISED?

...of the deal in South Africa strike...  
...the deal in South Africa strike...  
...the deal in South Africa strike...

Happiness is a new classroom and furniture for the farm school pupils.

# Chips off job reservation

By STAN  
MHLONGO

DE Beers Consolidated Mines this week edged away from job reservation when it appointed 29 blacks to supervisory positions.

Making the announcement, the company's chairman, Julian Ogilvie-Thompson said the recent removal of racially discriminatory provisions in the Mines and Works Act had enabled the company to make the appointments.

"We believe that employment opportunities for skilled people are almost boundless, and that after decades of being denied those opportunities black people should be given every assistance to develop their skills.

"Training is receiving the highest priority - nearly a quarter of the

artisans on our mines are black and so are more than half the apprentices in training," said Thompson.

He said in 1989 alone De Beers grants to black advancement - principally for secondary and tertiary education - amounted to R48-million.

"Another R6-million grant has been made towards the establishment of a new type of tertiary college in Cape Town which will prepare students who wish to follow scientific, techni-

cal and commercial careers for second-year entrance to universities and technikons or for entry to the workplace," said Thompson.

Other projects De Beers is involved in include:

■ A R6,7-million home for the mentally handicapped in Soweto.

■ A R15-million technical college in Atteridgeville.

■ Two non-racial secondary schools in the Johannesburg region at a cost of R15-million.

# Black illusions about SA's wealth

AKGUS 8/5/90 (210)

By KENNEDY MAXWELL, President of the Chamber of Mines

**T**HE South African mining industry welcomes Mr Cyril Ramaphosa's proclamation of 1990 as the Year for Justice, Democracy and Peace on the mines

It agrees with the general secretary of the National Union of Mineworkers when he mentions the social and economic damage done by apartheid, especially to black people

And, yes, it agrees that a new ray of hope has emerged, that resolution of conflicts through peaceful means is "the new international norm of our time"

## Assumptions

Regrettably, that course is not served by the emotional tenor and sweeping assumptions that colour some of Mr Ramaphosa's recently expressed views on the mining industry

The first and most dangerous assumption, because it incites unrealistic expectations that cannot be fulfilled, is that South Africa is a wealthy country, and that a fairer division of its wealth would ensure prosperity for all

The hard fact of the matter is that this is not a wealthy country, that if all personal wealth were pooled and equally divided, most whites and many blacks — including the majority of his union members — would lose, but the gain spread among the masses would be minimal

## Resources

And those with the skills which generate wealth and create employment would take those skills elsewhere — leaving behind a further impoverished country

The answer is not to rob the rich but to uplift the poor. A look at the wealthy nations of the world will indicate that a country's most valuable asset is not its mineral or other natural resources but its human resources. The only way

to increase wealth, or the size of the cake to be divided, is by greater productivity and economic growth

## Education

South Africa has one of the lowest productivity rates in the world, and part of the reason for this has been inferior black education under the apartheid system — exacerbated by the township dictum of "liberation before education"

Mr Ramaphosa refers indirectly to the changes in Eastern Europe, where socialism has so dramatically failed, and then proposes that failed system — including nationalisation — for South Africa. He does not say how nationalisation of the mines is going to be achieved or how it will create more wealth, but it is worth looking at some facts

## Revenue

During 1989

□ 33 percent of the revenue earned from gold sales was paid in wages

□ 39 percent was paid to suppliers of stores, materials and services required to produce the gold

□ 15 percent was spent on capital expenditure items to keep the mines going

□ 8 percent went to taxation and lease payments

□ That left 5 percent for the shareholders which meant that they earned 3,2 percent return on the market capitalisation of all the gold mines. Hardly profiteering!

How would Mr Ramaphosa propose to rearrange these figures? How would he compensate shareholders if the industry was nationalised? How would he retain the confidence of local and international investors without whom new mines will not be opened up to create more jobs and more wealth?

It is patently absurd to write off the economic contribution of the mining industry with the comment that it has enriched only a tiny minority

Some R7 000 000 000 was paid out to 513 000 employees in the gold and coal mining companies during 1989 and two thirds of all foreign currency earned by exports came from the mining industry

It has given birth to whole towns, to educational and medical institutions, dams, roads and railways. It is the backbone of the economy

At the same time, the eighties have not been good for South African

gold mining. During this decade inflation has seen our mines move from being the lowest cost producer of gold in the world to the highest

Since 1980 real annual profits have fallen every year, and the fall in the price of the metal means that by July half the mines will be operating at a loss

## Efficiency

What is needed now if further improvement in productivity and efficiency, not political rhetoric which provocatively seeks to place the Chamber of Mines and "the apartheid State" in the same camp

The mining industry fully supports peaceful moves toward the creation of a non-racial, democratic post-apartheid society. Its opposition to apartheid has been expressed frequently and effectively through representations to win full and equal trade union rights for all employees, irrespective of race, through successful efforts to secure the abolition of the "scheduled person" definition from the statute books, scrapping statutory job reservation, and through numerous other motivations including the scrapping of the Group Areas Act

## Restrictions

The industry has also initiated legal action against government and conservative unions over the training of coloured winding engine drivers, the segregation of change houses, restrictions on the number of people employed with blasting licences (which could restrict the entry of blacks into jobs requiring this certificate), and on the admission of qualified blacks, Asians and coloured people to the Mine Employees Pension Fund

When Mr Ramaphosa willfully confuses recruitment with abduction, employment with slavery and hostels with prisons, when he makes totally unfounded allegations about workers being denied the right to organize themselves or elect their own representatives, then he mocks the peace he proclaims

## Aspirations

The government has conceded that apartheid is doomed. What is now at stake, is what is to take its place, and how

Only if we work together constructively will we be able to match our common aspirations of building a prosperous nation in which democracy and an equitable distribution of wealth is fully realised



210

19/9/90

## Unions take 13pc wage offer for 22 000

Labour Reporter

Eight trade unions and the Chamber of Mines have agreed on a 13.5 percent wage rise for about 22 000 mainly white skilled workers on the Chamber's gold mines and collieries.

The deal was the best possible given conditions in the industry, said Council of Mining Unions chairman Ben Nicholson. The CMU originally demanded 20 percent.

And although the Chamber had rejected the CMU's long-standing demand for a five-day week, an employer undertaking to debate its reasons in a further special meeting was a breakthrough, he said.

The Chamber does not believe the Franzsen Commission's 1977 conditions for a five-day week, involving technical advances and changes in work procedures, have been met.

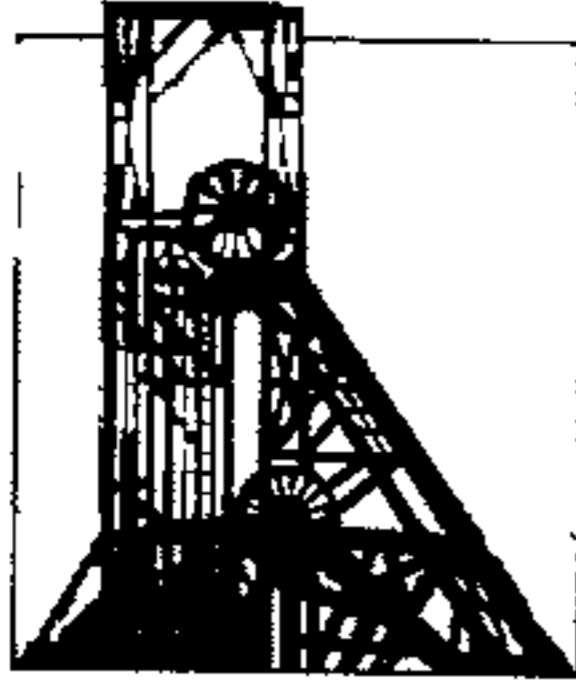
If the unions could persuade it otherwise, said a joint statement, the Chamber would re-submit their demands to its executive committee.

The wage deal excludes Rand Mines beleaguered ERPM gold mine. In-house talks would take place once management had concluded negotiations with the Government on the mine's future, Mr Nicholson said.

Also agreed was a one percent rise in contributions to the death benefit scheme under the Mine Employees Pension fund, to enable members to convert death benefits to additional pension on retirement.

# How tarnished a future?

■ SA still has a golden future — if it avoids the pitfalls



Three weeks ago, as the National Union of Mineworkers (NUM) kicked off this year's round of bargaining by calls for wage increases averaging 35%, mine managers groaned. How, they wondered, does one convince an increasingly confident and militant union that inflation-beating wage hikes are not on without accompanying productivity deals?

Wages are about half the average gold mine's working costs. Judging by latest Chamber of Mines figures, any more than a token increase could tilt several into loss. Naturally, there are ways around this. Gencor has come up with one — cost-cutting by reducing ore production and employee numbers at small, marginal mines. Anglo has taken a different tack, seeking to contain unit costs by seeking to raise output at large mines.

Wage talks are due to start within days. Ahead of them, the chamber is reluctant to discuss its negotiating stance. Nor are spokesmen happy about discussing nationalisation. But as NUM leaders Cyril Ramaphosa and James Motlatsi increasingly toe the ANC line on nationalisation, resolution of the question of State ownership of mines grows daily more pressing.

Basically, the ANC argues that State ownership will be beneficial, while the mining companies believe it will lead to gold mining's rapid decline.

Earlier this year, Wits University's Economic Geology Research Unit reckoned that a tad less than 40 000 t gold remains under the surface of SA, almost as much as the 42 000 t extracted since mining began on the Witwatersrand in 1886. Remaining reserves represent over 60% of the estimated 65 000 t

gold still to be mined the world over.

Of that 40 000 t, 23 000 t could be extracted by existing mines and 17 000 t by new mines. Mining that gold will, nonetheless, be accompanied by a steady decline in annual production. A couple of months ago, Lloyd Pengilly, Martin & Co mining analyst, told a New York conference that, in the best circumstances, production could hold fairly steady for three or four years before sliding from last year's 619 t to an estimated 324 t by the year 2014. That is his most optimistic

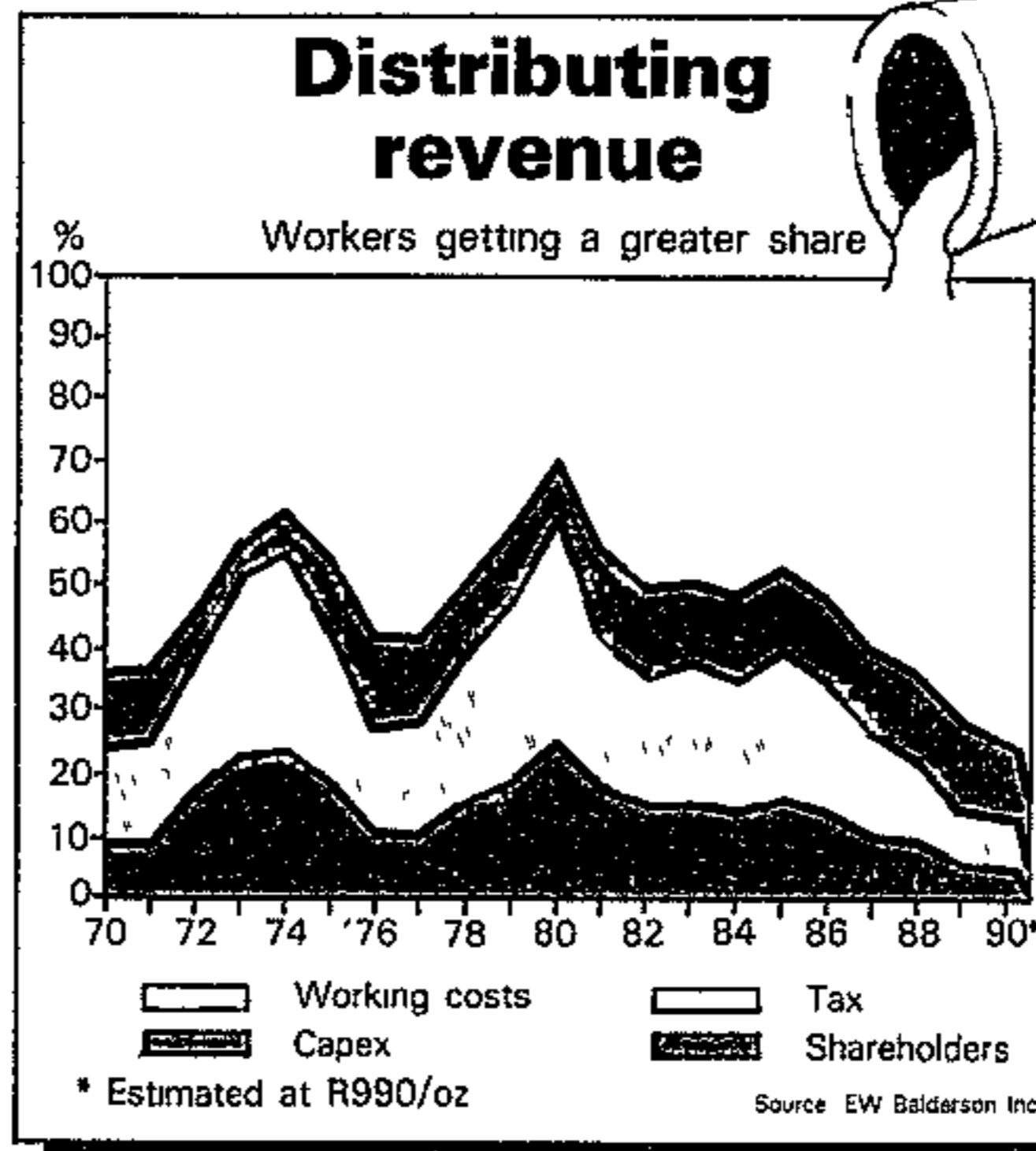
few days, the metal traded at more than US\$800/oz. Then, according to E W Balderson's Nick Goodwin, working costs absorbed only 30% of the industry's total revenue and capital spending 9%. After necessary working and capital expenditure, residual revenue was split 36% to the taxman and 25% to shareholders.

That was the best year, as our graph shows. Back in 1970, just as gold was freed from its \$35/oz straitjacket and annual production was peaking at just over 1 000 t, two-thirds of revenue was swallowed by working costs and shareholders had to make do with 9%. Still, that did not prevent mining houses from sinking funds into new mines, even though their commissioning did not prevent a fairly steady decline in total production. Throughout the Seventies, the houses counted on gold prices rising to counteract rising capital and working costs.

This year's first quarter, Goodwin says, was the worst since 1970. Working costs swallowed 75% of revenues; a mere 6% was left for shareholders. This year, he reckons, could be even more miserable. If gold averages R990/oz, more or less its present price, working costs could absorb 82% of revenue. A further 11% will be needed by already attenuated capital spending programmes. Revenue will rake in 4% and shareholders will get the rump of 3%.

So, ironically, the threat of nationalisation has become a factor just as the industry is embroiled in one of its most difficult periods. Wholesale nationalisation now would merely give the State an additional 3% of total gold revenues. And getting that 3% could dry up any new investment funds, lead to an exodus of mobile, skilled whites and possibly precipitate some sharp cuts in employment.

There is, though, another way of looking



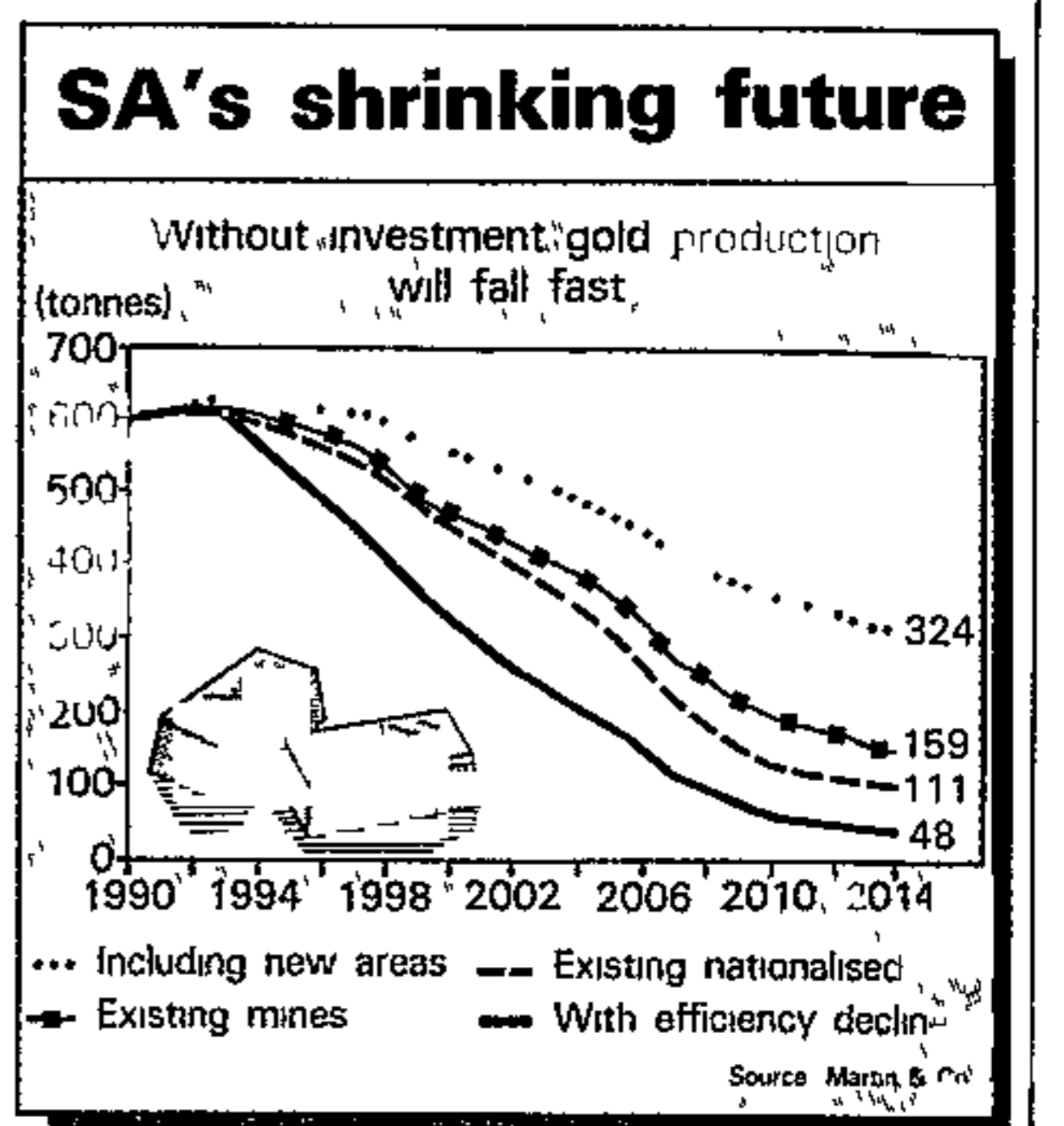
scenario, which assumes new mines will be opened in the Free State and Transvaal.

As our graph shows, Pengilly has some less cheerful predictions. If no new mines are established but existing mines open new shafts to replace those whose ore becomes exhausted, production tumbles to an estimated 159 t by 2014, if existing mines are nationalised and private-sector capital spending to replace tonnage dries up, production is slated to drop to 111 t, and if nationalisation and no capital spending are combined with productivity declines, Pengilly reckons annual gold production will be a mere 48 t a quarter of a century from now.

That is one outlook if nationalisation removes the profit motive. Not that profits are anything to get excited about. Gold mining's heyday was in 1980 when, for a



Ramaphosa and Motlatsi ... people power?



1M 11/5/90 (214)

at it. Since 1970, annual gold production by SA's fiercely private enterprise mines has dropped by just short of 40% — more or less the same drop as recorded by Zambia's copper mines since they were nationalised. That, proponents of nationalisation argue, proves private ownership does not necessarily ensure better performance.

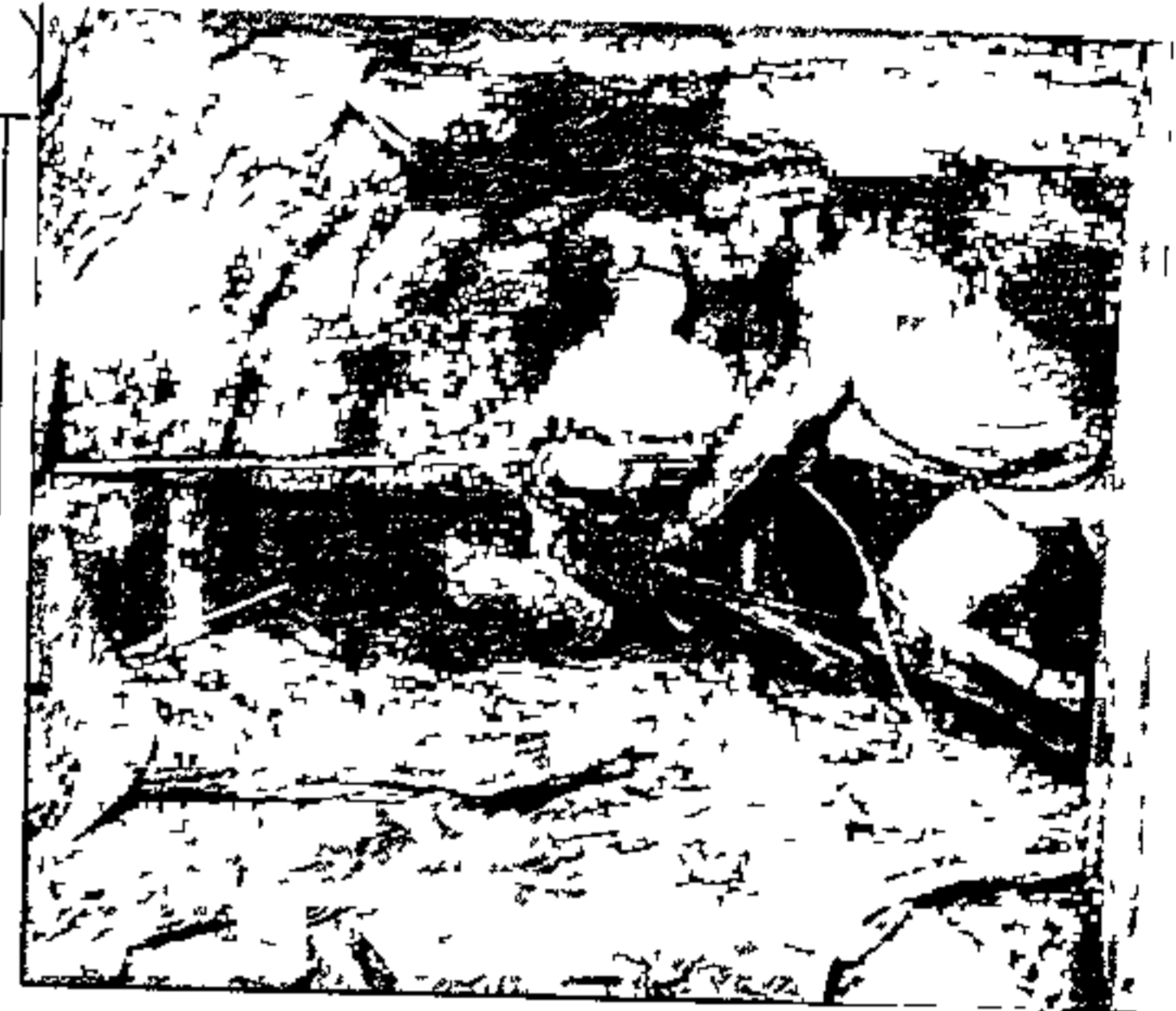
Even setting aside how State-owned mines will raise development capital, there remains the problem of just how private enterprise will cope. Hard-pressed mines, such as ERPM, have already turned to government to help stave off closure — but sauce for the goose, union economists argue, should be sauce for the gander. Why should loss-making mines expect to be subsidised by taxpayers if the State receives only a tax benefit from profitable ones?

This type of argument is probably academic as far as investors in potential new mines are concerned. Even if investors had cast-iron guarantees of no nationalisation, it is not altogether certain they would find investing in new gold mines attractive.

For the past century, gold has been the principal generator of funds to finance other development. Now roles seem to have been reversed, as mining companies eye other capital sources. Finance Minister Barend du Plessis' Budget concessions on ring fencing and non-taxation of investment portfolio sales have improved the investment climate. But a new deep-level gold mine costs upwards of R2bn. While the gold price shows no signs of advancing, it is unlikely institutions like life insurers would choose to invest in new, risky mines rather than in shares in proven, existing operations.

The mining houses' dilemma is underscored by Anglovaal's foot-dragging over its Sun project in the Free State. The group is raising R1,2bn through its rights issue. But that will nowhere near cover Sun's likely full cost and, meanwhile, the house seems reluctant to disclose Sun's known grades for fear of dissuading shareholders from following their rights.

Anglo is more open about its Potchefstroom Gap drilling. But, understandably, it



### Questions over productivity

wants to be belt-and-braces sure of what is in the ground before committing itself.

Geological certainty is all very well, but, these days, the mining companies are more preoccupied with SA's political and investment outlooks. Until they become clearer, it might be wiser to count on gold production being near the bottom of our range a quarter of a century from now.

*Jim Jones*

SA urged to  
become top  
jewellery maker

South Africa, the world's biggest gold producer, has been urged to become a leading jewellery maker rather than exporting it mainly as bullion.

The Council for Mineral Technology (Mintek) says the country should take advantage of extra cash to be earned from selling gold as jewellery, and that South Africa should emulate the Far East, where jewellery production has boomed in recent years.

"If these Asian countries could achieve what they did without being producers of the raw material, surely South Africa is placed as well if not better," Mintek says.

South Africa, like other gold producing countries such as Australia and Brazil, have stifled jewellery production with excessive regulations and taxes, ostensibly to earn much-needed foreign exchange as quickly as possible through bullion exports.

In doing so, it has ignored the potential 25 percent added value to be gained from selling gold as jewellery, the Council says in a report issued at a conference this week.

South Africa recently

announced tax concessions and eased regulations to encourage such a shift.

South African jewellery makers use only two tons a year from the country's own gold output, which was 606 tons last year.

But Mintek challenges the mines to increase this to 100 tons annually during the 1990s.

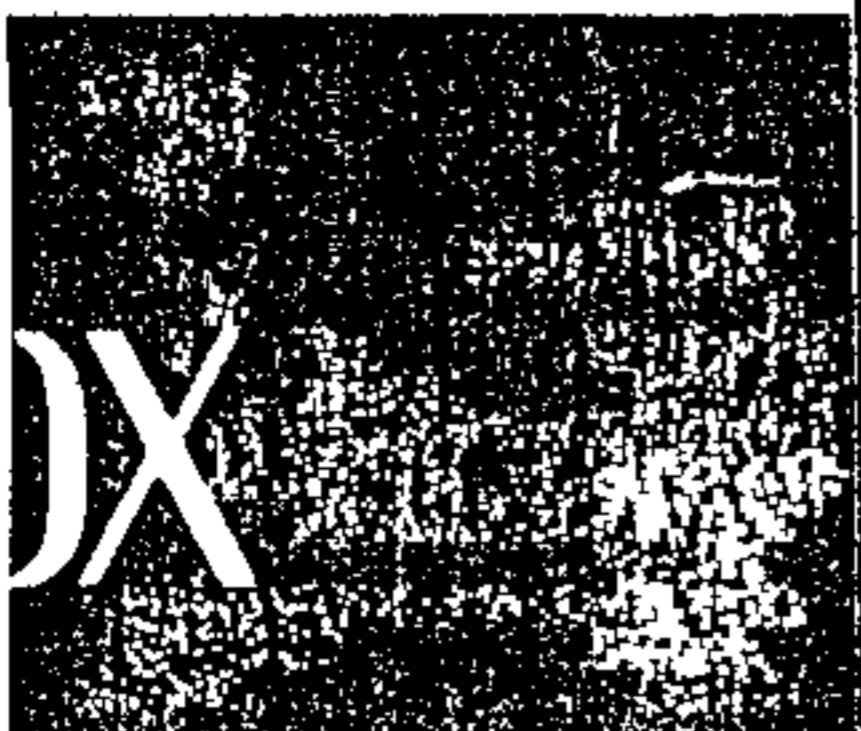
Assuming an added value of 25 percent, and that 88 tons out of this 100-ton target would be exported, Mintek says the country stands to earn R3,8 billion a year in extra foreign exchange at current values.

This is well within reach. Asian countries have taken only a few years to become a major force in the gold jewellery industry.

Taiwan's output jumped to 90 tons in 1988 from just two in 1983, Hong Kong's to 75 tons from eight, South Korea's to 65 tons from four, Singapore's to 36 tons from zero, and Japan's to 95 tons from 43.

The council says South Africa should not only sell more gold in the form of jewellery, but should do the same with platinum and diamonds.

— Sapa-Reuter



**stest  
her.**

# Minerals Bill is flawed, says Wits researcher

15/5/90

ALAN FINE

(210)

THE Minerals Bill is a myopic piece of legislation which fails to address existing anomalies related to the question of mineral rights, says geologist Johan Kruger.

Kruger, senior researcher at Wits University's Bernard Price Institute of Geophysics, said the Bill failed to deal with the existing system of mineral rights ownership and how it represented an obstacle to efficient prospecting.

Rather, it simply stayed with the status quo while showing a tendency on the part of the state to sell off state-owned mineral rights — a short-term view designed to take advantage of the "privatisation" catchphrase, he said.

The Bill therefore allowed the state to wash its hands of the problem.

Kruger said mineral rights to some pieces of land would, in terms of the Bill, continue to vest in perhaps thousands of owners, each of whom would have to be located by anyone wishing to prospect.

This made it difficult for individual prospectors who had to spend a great deal of time and money examining deeds registers.

There was, therefore, a tendency to select for prospecting land where the owners of the mineral rights could be easily located, rather than land which the prospector believed could be more fruitfully explored.

# New 'box office' film subsidy

CAPE TOWN — The local film industry was being given time to get its house in order and to rid itself of those who saw the film subsidy system as a source of financial gain in return for bad-quality films, Home Affairs Minister Gene Louw said yesterday.

Introducing debate on his department's budget vote in Parliament, he said a newly introduced subsidy scheme linked to box office takings — the only objective measure of a film's quality — had been provisionally approved for three years.

In this way the state

wanted to assure the industry of its support.

"The honest filmmaker who concentrates on quality now has ample opportunity to earn a generous subsidy on a film which is highly rated by the public at the box-office.

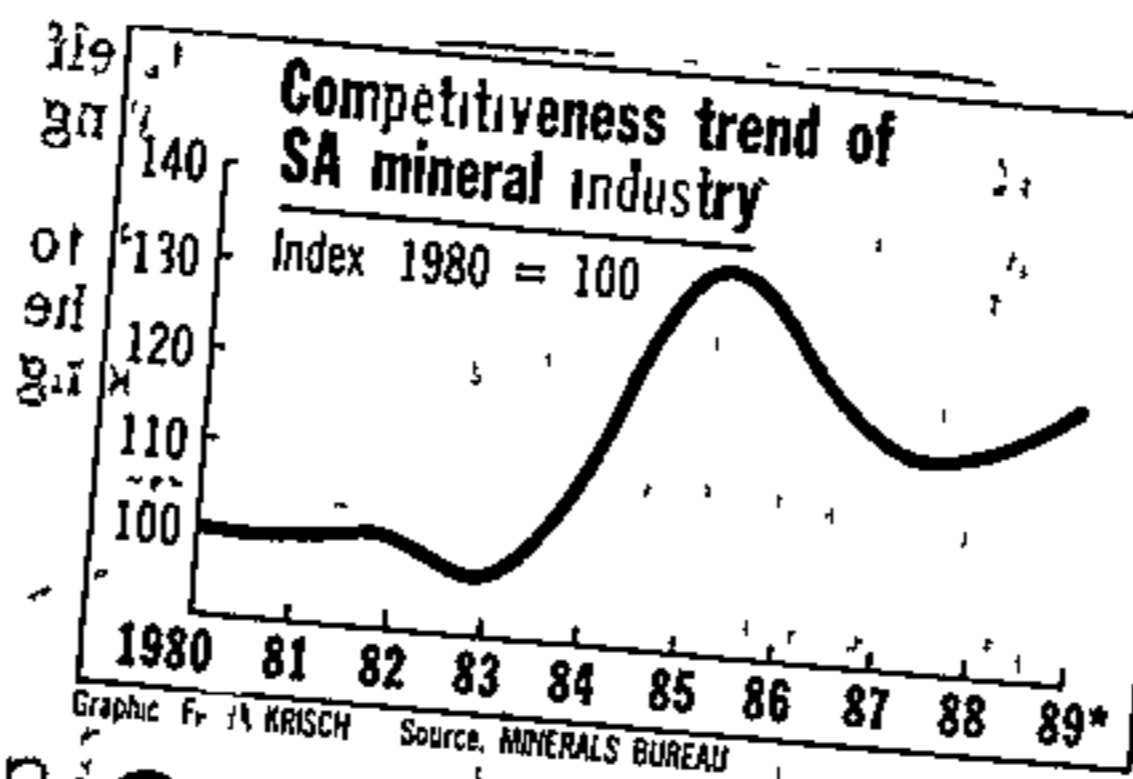
"The greater the public support, the greater the subsidy that can be earned. The weaker the film, the lower the subsidy."

The A-scheme implemented last year involved unaffordable costs.

Clear irregularities were apparent in claims that were being submitted, and many of these had been referred to the SAP. — Sapa.

15/5/90

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## Competitiveness of mineral exports starts looking up

RIAAAN SMIT

IN SPITE of chronic cost escalation and price inflation, the competitive position of SA's mineral exporting sector recovered marginally in 1988 and 1989, the Minerals Bureau says.

But unless inflation in SA can be contained and productivity of labour and capital can be improved, the mineral industry's competitiveness overseas will be eroded and markets will be lost, it says in the bulletin *An Index of International Competitiveness for SA's Mineral Industry*.

It says the marginal recovery in 1988 and 1989 was brought about by further weakening of the effective exchange rate of the rand — 10,3% and 13,3% respectively.

Devaluation of the rand offers only a short-term solution to the problems of competitiveness and profitability, and leads to more expensive imports and spiralling inflation, which ultimately impacts negatively on competitiveness." *Business 15/1/90*

Since 1980, competitiveness has been restrained by high production costs. The increase in the annual producer price index (PPI) for the mineral industry averaged 14,1% for 1980-1989.

Corresponding figures for the mineral industries of Australia, Canada and the US are 10,4%, 4,3% and 2,5%.

It says the wholesale price index (WPI) increased 13,8% annually over this period, while the increases in the other countries are 7,3%, 4% and 2,5% respectively.

The Bureau uses an index based on producer prices and wholesale price changes, as well as the exchange rate of the rand relative to the currencies of Australia, Canada and the US.

It says for SA, seasonally adjusted prices of goods (PPI) produced in the "basic metals and products" manufacturing sector are used, as well as those in the "mining and quarrying" category.

The impact of price escalation on competitiveness is determined by comparing the WPI of each of the four competitor countries with a "basket index" based on the WPI of 19 mainly industrialised countries.

# De Beers hits new high in frenzy of buying

Stax 17/15/99

By Magnus Heystek  
The JSE was engulfed in a frenzy of De Beers-buying yesterday as bullish sentiment and speculation surrounding the blue-chip counter pushed it to a record high of R105 before light profit-taking trimmed the price back to R104.50 at the close.

The strong demand continued on Wall Street overnight and was actively bid at a price

equivalent of R105 late last night. On the JSE more than R25 million De Beers shares traded in 330 deals in what one stockbroker described as unprecedented euphoria, which was further boosted by an array of rumours running around the market.

A bullish report, which appeared in a morning business paper, initially boosted senti-

ment, pushing the share price from its overnight close of R99 to R101, a level it held for most of the morning.

A sudden rush of buying orders just before lunchtime, however, boosted the price to R105, fuelling rumours that an announcement by De Beers was imminent.

London brokers were also in the dark about the sudden price

movement, which boosted the JSE overall index by 32 points to 3210, with most, if not all, of the support coming from De Beers.

Rumours, which have consistently been denied by De Beers, relate to a possible share split on a ten-for-one basis, and other rumours that De Beers Centenary AG will in some way, or another be severed from the South African operations.

One theory among analysts is that De Beers is about to make an announcement, prior to the Swiss listing of De Beers Centenary AG on June 11, that entails setting up another offshore company, which will buy Centenary AG from De Beers.

Such a move, however, would entail huge funding, most probably financed by loans on international capital markets.

# Spending now to secure a stable society

210  
B1227/18/5190

SPENDING on CSR is like a mining house's investment in prospecting, says Gold Fields Foundation (GFF) spokesman Michael de Kock.

"If we want to exist in 40 years' time, we have to do something about it now," he says.

CSR spending (now at R10m a year) is a business decision. The intention is to help stabilise a society plagued by unemployment, illiteracy and other ills.

"We do not approach it with a bleeding heart attitude and it is not a marketing tool."

For GFF, prior consultation with the community is a key.

"We never tackle a pro-

ject without consulting the community, and community representatives administer the projects," he says.

As with most other CSR programmes, more than 50% of the GFF budget is devoted to education.

However, two projects GFF values are health care centres in Swaziland and Lesotho.

The Sitobela rural health clinic, located in an almost inaccessible area of Swaziland, serves a community of 20 000 to 25 000. The clinic, opened in 1980, provides a service to people who, until then, were completely cut off from health services.

It provides pre and post-natal care and nutritional

programmes among others. GFF provides funding for capital expenditure and infrastructure, while the Swazi health authorities finance the day-to-day running of the clinic.

"This is vital, as it gives the authorities an interest in its successful operation," says De Kock.

GFF provided the buildings, staff housing and water, and each year finances the upgrading of the facility through, among other things, supplying new medical equipment.

The second medical project, the Scott Hospital, at Morija, Lesotho, is the top hospital in the country.

A Christian mission runs the facility.



Pop and his teddy bear were photographed in the Children's Haematology Oncology Clinic at Baragwanath Hospital. The clinic, made possible by a donation from Gold Fields, is the first facility of its kind to be established with private sector funding.



# Chamber's budget cuts threaten research

w/Man 18/5 - 24/5/90

210 Weekly Mail Reporter

CHAMBER of Mines Research Organisation (Comro) staff are unhappy about a 42 percent cut in the organisation's budget, from R70-million to just over R40-million.

Sources within Comro contend that the cuts put in jeopardy research essential to the long-term health of gold mining in South Africa.

But the Chamber of Mines, whose members are the six major mining houses, asserts that the cuts are necessary.

The sources fear the functions of Comro most likely to be cut are those relating to long-term research on deep-level mining. More immediate research aimed at keeping down costs, and services provided to the mines by Comro are unlikely to be affected. Various divisions also have fixed costs which cannot be cut. The result is that the actual budget cuts for specific research could be 50 percent or more.

The sources believe that the mining houses which comprise the chamber are taking the short-term view.

"Maybe they believe that in the long-term they will be nationalised anyway and have already shifted their focus outside South Africa."

The jobs of highly skilled researchers, many of whom are foreigners, may be in the balance.

As the *Weekly Mail* went to press the result of a meeting to thrash out final details was not yet known.

The sources' arguments are as follows: the exploitation technology division of the Comro does research on making mining at great depth possible, as well as cutting costs of deep-level mining. The research is crucial, those who oppose the budget cuts argue, because gold mines are delving ever deeper, increasing working costs, while labour costs have been accelerating and the gold price has shown continuing weakness.

Comro is working to devise technology which can make viable the ultra-deep level mines (4 000m or

more), which will allow the South African mining industry to survive into the next century. There are known deposits which could result in new mines but (apart from whether the gold price would justify the investment) the technology does not exist yet to make these feasible.

Research has its eye on the long term. In particular, the industry has for some time been trying to find new ways of mining — by non-explosive techniques, which would ultimately replace the traditional "drill and blast" method.

Chamber of Mines Chief Executive Tom Main says that the cutting of Comro's annual budget from R70-million to just over R40-million comes as a result of a refocusing of the chamber's activities better to serve the needs of its members.

The chamber is obliged to do collaborative research on behalf of the whole industry, he says. It was decided that development of technology would be taken over by the mining houses and the mines themselves.

# Anglo ambiguity

**GOLDSTRIKE — THE OPPENHEIMER EMPIRE IN CRISIS** by Bill Jamieson (Random Century, 252pp, R59,95)

FIM 18/5/90  
It is all too easy to dismiss Bill Jamieson's analysis of what he styles "the Oppenheimer empire's crisis" as short-sighted simply because it failed to anticipate Minorco's latest US acquisitions and De Beers' separation of its SA and non-SA interests. Easy, but narrow.

Jamieson, one of London's leading financial journalists, looks at the Anglo group through critical international eyes not awed (as local commentators often are) by the group's dominance of SA's private sector and the Oppenheimer family's wealth and influence. His precise dissection of Minorco's frustrated bid for Cons Gold becomes a case study for many of the problems facing the Anglo group in a fast-changing world.

This is no pedantic hagiography. *Goldstrike* ignores the extraneous and merely sets the stage for its central theme by drawing together the threads of events which influenced the outcome of Minorco's bid. So there is precious little discussion of Ernest Oppenheimer's role in developing the East Rand goldfield and nothing on the group's move into South America.

Rather, it concentrates on critical events such as De Beers' wartime reluctance to help the US to establish a strategic stock of industrial diamonds. That reluctance continues to sour De Beers' relations with the US regulatory authorities and became central to the New York district court ruling by Judge Michael Mukasey which finally stopped Minorco's bid.

Jamieson is painstaking in his reporting of the Minorco-Cons Gold bid — painstaking, but brisk. And though his prejudices (or journalistic licence) intrude from time to time, Jamieson uses the wrangle over Cons Gold to develop an effective critique of Anglo.

*Goldstrike* makes no bones about its author's belief that, while Anglo might have benefited from tight family control in its formative years, that family link is now restrictive. The family connection, *Goldstrike* argues, has led to control and ownership of assets being valued above all else. Jamieson

underscores this concept by disclosing that key group executives are not paid by Anglo or De Beers in SA but from the Oppenheimer family's private funds abroad.

That, Jamieson argues, ties executives to the family rather than the corporation. He also postulates that loyalty to family blinkered the men lined up against the street-fighting skills of a Rudolph Agnew using every trick to defend his corporate empire. Why, throughout the Cons Gold battle,



Sir Ernest and Lady Oppenheimer . . . family shackles

did Anglo's men not express pride in the group's SA heritage and make nothing of the group's reputation for being one of this country's most progressive employers? They are questions which remain unanswered, in public at any rate.

Of course SA's hothouse investment climate contrasts sharply with England's openness and a patriarchy might be appropriate here. But SA is changing fast and *Goldstrike*'s questioning of our largest corporation's "crisis" comes at a useful time.

Jim Jones

## Jericho to Entebbe

**HEROES OF ISRAEL: Profiles of Jewish Courage** by Chaim Herzog (Weidenfeld & Nicholson, 295pp, R69,99)

Books inspired by national pride and fanned by patriotism are always open to suspicion, which is as it should be. If ethnic heroism is to be written about, let it at least be done by an outsider, the perils of tribal one-upmanship are ever present.

However, it's different in this case. Chaim Herzog is neither a flag-waver nor a self-seeking politician, but a man who has been there from the time modern Israel was created until the present day. He has been a true

barometer of Israeli history over the past 42 years, his radio talks and his commentaries, particularly during wartime, have made him justly famous throughout the world for his astute and honest analyses.

In this book, Herzog is only mildly guilty of the sin of pride. As an historian, he has chosen 16 episodes from Israel's past — ancient and modern — which, to him, represent much of what is noble and heroic in her centuries of struggle against the invaders, tyrants and oppressors who have sought to destroy her. It's a pretty long range, from Joshua's big moment in Jericho to the spectacular raid on Entebbe.

He has chosen them with great care. From the *Old Testament*, which is Jewish history, especially the books of Judges and Kings, he has selected some significant figures like Deborah the prophetess, Samson the mighty and, naturally, David the nation-builder. Moving forward, we find Judah the Maccabee and Bar Kochba, who, without the active help of the Lord God, took on the entire Roman Empire and suffered the consequences. It was always the fate of Jewish freedom fighters to take on only odds which were overwhelming.

But it is when Herzog moves into the modern era that the men and women become alive. The characters of antiquity have become legendary and we are unable to judge them from any familiar standpoint. It is another matter with the moderns — like David Ben-Gurion, Israel's first PM, or Yigal Allon, the intrepid leader of the Palmach.

All in all, we must agree with Herzog's assessments. Men like Ben-Gurion, Joseph Trumpeldor, members of the Nili spy ring, Dov Gruner and the Yom Kippur defenders were all people of great personal courage whose activities undoubtedly helped to bring the State of Israel into being and to preserve it.

There are those about whom there is no dispute. Hannah Szenes, for example, was a heroine in the classic mould. She parachuted into Hungary during World War 2, was captured and tortured to reveal her secret radio code which she steadfastly refused to do. In the end, disdaining to ask for clemency, she faced a Nazi firing squad.

The ghetto fighters of Warsaw in 1943 wrote an episode which was, in the author's words, "beyond bravery." The epic of the raid into Uganda to rescue the hostages is still fresh in our memory.

There may be debate about those who have been left out. Israel has had other noteworthy heroes. But the exploits of these make fascinating reading, linked as they are to the very history of the country and the people. Herzog is an excellent narrator and his book carries some fine photographic material.

Joe Podbrey

### In decline

GDP fell 1,3% in the first three months of 1990, largely due to a 9,9% decline in agriculture and an 11,8% fall in the mining sector. But for these losses growth would have been about 1%.

Figures are calculated at factor incomes (net indirect taxes), seasonally adjusted, annualised and in constant 1985 prices, says the Central Statistical Service.

Agriculture's poor performance compares badly with a 42,6% increase in the same period last year but is better than the 42,7% decrease in the 1989 fourth quarter. In the same quarters, mining decreased 13,2% and increased 10,6%.

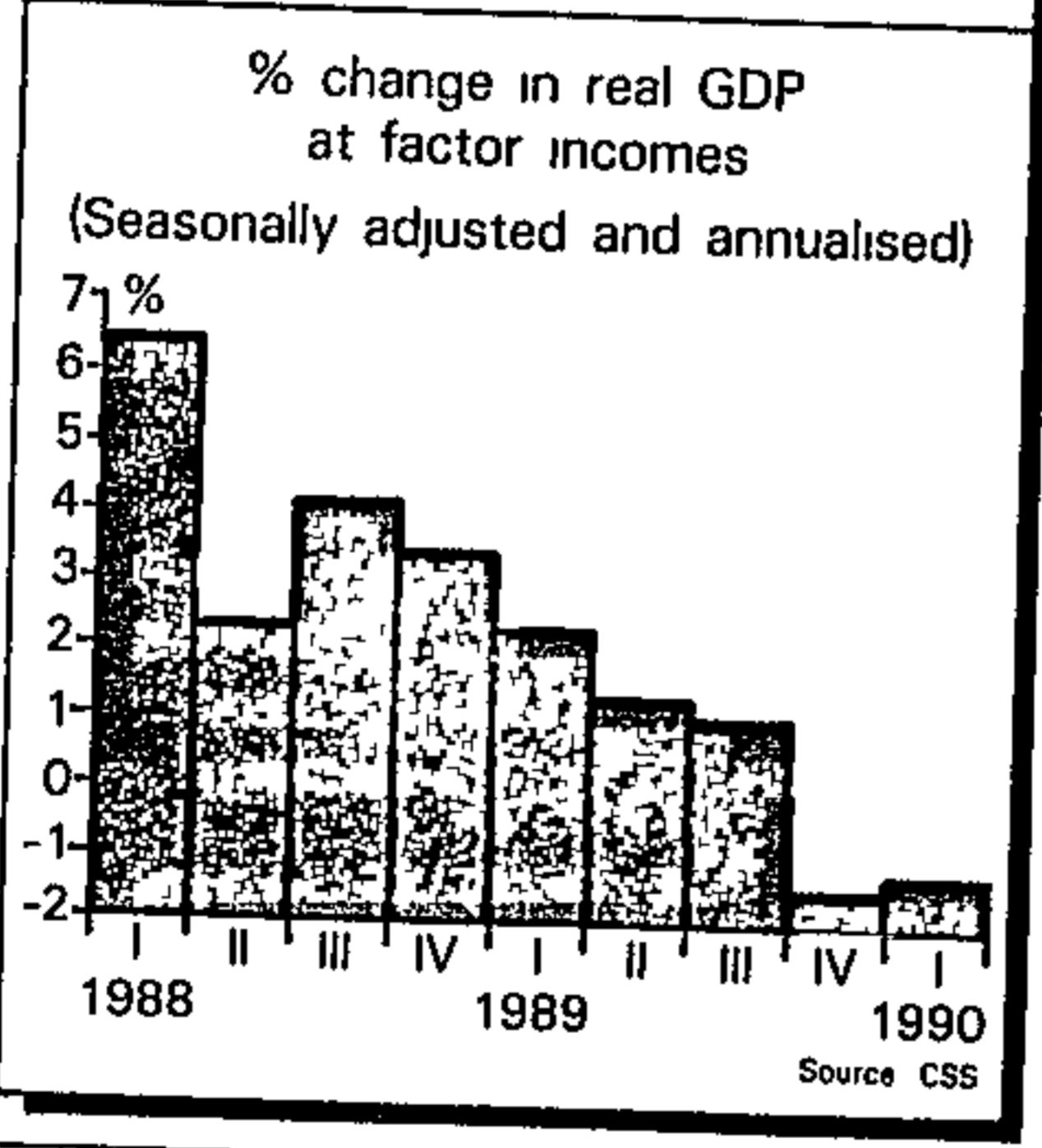
Much of the 1990 mining decline can be attributed to the gold price fall from a London high of US\$423 in early February to a five-and-a-half month low of \$362 by end-March. Chamber of Mines economist Ivor Leibowitz says production is also down, as gold mines keep capex to a minimum in anticipation of further political and economic developments. "Output will continue to fall, probably by more than 20 t in the next two to three years."

According to chamber figures, fewer than 140 t of gold were produced in the first quarter of 1990, compared to 142 t in the same period in 1989 (a 1,7% decline), while capex fell from R557m to R540m (3%).

The decline in agriculture is largely due to the lower 1989 wheat harvest, says the De-

F/M 18/5/90 (210)  
partment of Agriculture, much of which was marketed in the first quarter of 1990. Sales of R315m from a healthy 1988 harvest in the first three months of 1989 compare to only R94m in the same period in 1990. Wool was also down, with first-quarter sales of R198m (R276m). Meanwhile, expenditure on intermediate goods and services (fertiliser, feed, fuel, and so on) is up R237m from the first quarter of 1989, to R1,8bn.

### Negative growth



## ALL ABOUT ANGLO

FIM

18/5/90

FIM

(210)

It is 21 years since the *FM* published its first corporate report. The subject was Anglo American Corp.

This week, in a major survey, the *FM* looks once again at Anglo, the commercial giant that ranks as one of the world's largest mining groups.

Twenty-one years ago our view was that the group would be a safe investment but not an exciting one. In the event, it has turned out a much racier bet than we had expected.

Why? Our special survey contains an in-depth analysis of every area of Anglo activity. Through interviews with key Anglo personnel — including chairman Julian Ogilvie Thompson and his predecessor Gavin Relly — and expert outside analysts, a team of top writers has compiled a balanced, sometimes critical,

assessment of Anglo, its history, personalities and future.

Can mining remain indefinitely at the core of Anglo's activities? If so, will it be SA-based mining activities or will the corporation rely increasingly on overseas operations? Recent announcements by De Beers, Minorco's rising profile and the continued success of investments in South America and the Pacific suggest Anglo may be looking increasingly outward.

The *FM* survey examines Anglo's diversification into manufacturing and financial services, its political profile, leadership in labour issues, the growing investment in social responsibility and upliftment programmes, personalities who have dominated Anglo since its birth, and the extent of the Oppenheimer family's ultimate control.

# Spending now to secure a stable society

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B12247/181/770

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However, two projects GFF values are health care centres in Swaziland and Lesotho.

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"This is vital, as it gives the authorities an interest in its successful operation," says De Kock.

GFF provided the buildings, staff housing and water, and each year finances the upgrading of the facility through, among other things, supplying new medical equipment

The second medical project, the Scott Hospital, at Morija, Lesotho, is the top hospital in the country.

A Christian mission runs the facility.

# RM maintains dividend as earnings fall by 18%

By Derek Tommey

Rand Mines (RM) has maintained its interim dividend for the six months to end-March at 120c a share

—This is despite difficult trading conditions and a 33 percent increase in its issued capital causing earnings a share to drop 18 percent from 886c to 727c

Rand Mines expects trading conditions to continue to be difficult and is forecasting a 20 percent drop in earnings a share for the full year

But chairman Dammy Watt expects in this situation still to be able to pay an unchanged final dividend of 440c

The interim report shows that Rand Mines' sales rose sharply in the six months to March by 45 percent to R755 million

This was the result of improved coal revenues, the increased share in the

Middelburg Mine joint venture and the consolidation of Vansa Vanadium

But tougher conditions in the market for base minerals, a slight fall in coal margins and a firmer dollar/rand exchange rate limited the growth in working profit, which rose nine percent to R178 million

Interest paid rose 67 percent to R27 million, mainly as a result of the loan raised by Witbank Colliery to increase its interest in Middelburg Mine joint venture

Increased amortisation and higher interest rates trimmed the increase in taxed profits to three percent to R122,3 million

Attributable profit after providing for the interest of outside shareholders of R608 million (R458 million) fell one percent to R98,3 million

Rand Mines had a heavy capital expendi-

ture programme in the six months of R589 million, which was more than double the R248 million in the same period last year.

The money was spent mainly on its coal and platinum operations and its contracted capital expenditure commitments of R226 million.

Mr Watt says the contribution of the coal division has grown by nearly 20 percent compared with last year, while the contribution from the property division, held by Rand Mines Property, has also improved

"These have compensated for the lower contributions by the gold and platinum division and by the sand and slime dump processing operations plant, as well as from the base minerals division," Mr Watt adds

Capital expenditure for the remaining six months of the year is estimated

at R323 million

The group's fixed assets at the end of March totalled R2,9 billion (R2,3 billion) and its total assets R3,6 billion (R3 billion)

The net asset value of Rand Mines shares at March 31 was R106,61 — up from R97,59 a year ago.

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# Mid Wits seeks R439-m

By Sven Lunsche  
Middle Witwatersrand (Mid Wits), Anglovaal's mining investment, finance and exploration subsidiary, has revealed plans to raise R440 million, pushing the total funds raised by Anglovaal to R1,26 billion.

In March Mid Wits and Anglovaal announced plans to raise between them over R1 billion. Anglovaal has since then approached the market with a R822 million issue and today announced that it had received acceptances for 99,8 percent of the issued shares.

Mid Wits shareholders will be offered 79,8 million ordinary shares on a 33-for-100 basis at 550c per share.

Anglovaal will maintain its current 53,6 percent holding in Mid Wits by taking up its full entitlement of 47,9 million shares at a cost of R235,35 million.

The last day to register for the offer will be May 25. The offer cannot be extended to Canadian and US registered shareholders under the securities laws of those countries.

In a statement Mid Wits says the funds will be used to finance future mining investment opportunities.

Mid Wits has a substantial stake in the exploration of Anglovaal's Sun and Oribi gold drilling programme in the Free State.

In the six months to end-December the group spent R19,5 million on exploration and mineral rights purchases, of which R15,5 million went to the Sun and Oribi exploration programme.

A further R20,4 million is earmarked for this project in the current half of the financial year.

# Rights issues and Iscor help JSE raise record R12,8bn

By David 18/5/90

ROBERT GENTLE

Equity related capital raised in



DESPITE harsher economic conditions and a reduction in new listings, the JSE raised R12,9bn in equity-related capital for the 12 months ending February 1990, more than double that raised during the 1987 bull market.

This sharp surge — comprising equity raised in the mining, financial, industrial, DCM and venture capital sectors — is evident in the JSE's annual report, released this week.

The main reason for this record figure was the money raised through rights issues, up from R2,3bn to R7,5bn. This was despite a decrease in the actual number of rights issues to 42 (46).

The main rights issues for the year were those of Gencor (R1,47bn) and Gold Fields (R1,04bn).

Factoring out the capital raised through rights issues, capital raised through new listings was R5,4bn (R2,3bn) — the bulk of it due to the R3bn Iscor privatisation issue.

Iscor was just one of 25 new listings, down from the previous year's 37. Other key movements included the elimination of 24 companies — 21 at their own request and three by order of the JSE committee.

This brought the total number of companies listed on the JSE at year-end to 777

(784), representing 1 773 (2 018) securities. Ordinary shares, including other securities with conversion rights into equities totalled 36,1-billion (31,8-billion) and preference shares listed totalled 167-million (174-million).

The report confirmed yet again the JSE's ranking as the least liquid of the world's developed stock markets, with the number of shares purchased as a percentage of market capitalisation a mere 5,5%.

JSE president Tony Norton acknowledges that in the annual report, saying that better liquidity would lower the cost of capital, "an important consideration in a country short of capital".



## Anglo's workers in the money

ANGLO AMERICAN's decision two years ago to offer shares at no cost to every employee with more than two years service has helped create worthwhile nest eggs for more than 140 000 of its employees

The 62 percent of Anglo group's workers who accepted the five shares offered in 1988, and the 142 000 or 73 percent who took up their five shares last year are now holding shares worth more than R1300.

And with the 1990 allocation of five shares now taking place, these employees will be holding up to 15 shares worth around R2000 at the year end — should Anglo American shares not appreciate further.

Mr Gavin Relly, immediate past chairman, says one of the aims of the scheme was to enable em-

### DEREK TOMMEY

ployees to acquire a tangible stake in the business.

According to research it has also helped to promote a greater sense of belonging and hence participation and identification with the company's operations.

The shares are held in trust for four years, after which possession passes to the owner. This will happen for the first time in 1992, says Mr Clive Fletcher, managing of the Employee Shareholder Scheme Trust.

Employees will then be able to sell their shares — or attend the annual meeting. One suspects that Anglo American will not lose this opportunity of using its annual meeting to further further demonstrate what having a "tangible stake" in the business means.

# Ingenious plot to delink De Beers

Stc 19/5/90

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THREE major financial institutions are currently working on an ingenious scheme to effectively delink the De Beers shares.

This follows the announcement by De Beers last month that it intends listing its foreign assets in a company called De Beers Centenary AG on the Swiss stockmarket on June 11.

At the time of the announcement the company said that while Centenary would trade separately there were no plans to delink the two companies.

If the scheme succeeds, it will make it possible for both local and foreign investors to purchase stakes either in Centenary AG or the South African interests of De Beers, depending on their preference.

While no one is prepared to comment it is known that Syfrets Asset Management (part of Syfrets), Finansbank and stockbroking firm George Huysamer and Partners have already made presentations to most of the country's financial institutions having large shareholdings in De Beers.

De Beers had no official comment to make on this new development, but according to in-

## EXCLUSIVE

MAGNUS HEYSTEK  
Finance Editor

formed sources they have been consulted. At the time the listing of Centenary was announced, De Beers chairman Julian Ogilvie Thompson admitted that his company was powerless to block a scheme of this nature.

The market, which somehow gets to know what's in the wind ahead of the rest, forced De Beers share price up this week. More than 1,2 million shares changed hands in some 1 000 deals. On Thursday the share price rose to an all-time high of R110, before profit-taking and a weak JSE yesterday pushed the share down to a closing price of R104,85 per share.

### The plan

Broadly the scheme will operate as follows (the finer details are not available as nobody at either of the three institutions was prepared to comment).

Financial institutions with large shareholdings in De Beers will place their De Beers shares in a trust operated by Syfrets.

In exchange for their De Beers shares they will get shares in a new company, yet to be named,

which will be listed on the JSE and later on, at least one major foreign stock market.

There will be two types of shares, "Newco" A and B. The A will be entitled to earnings and dividends from De Beers Centenary AG, while B will receive earnings and dividends from the local operations of De Beers.

It will be possible to trade separately in these two shares, effectively unlinking them.

In addition, the shares will be split on a five-for-one basis, making the shares more tradable.

Any De Beers shareholder will be allowed to participate.

But for the scheme to succeed, a large portion of the De Beers shareholding must be committed in order to create a new company with a large enough market capitalisation.

Analysts say that the new company will have to have a market capitalisation of approximately \$3 billion, roughly equivalent to a company the size of Gencor.

The objective is to uncouple the foreign assets of De Beers from the local operations, and secondly,

to increase the marketability of the shares in "Newco", in effect De Beers.

"Newco" will be listed as nothing more than a shadow image of De Beers with the prices of the two companies moving in tandem. Any difference in the share prices will be, in theory at least, erased by arbitrage operations between the two shares.

### Undervalued

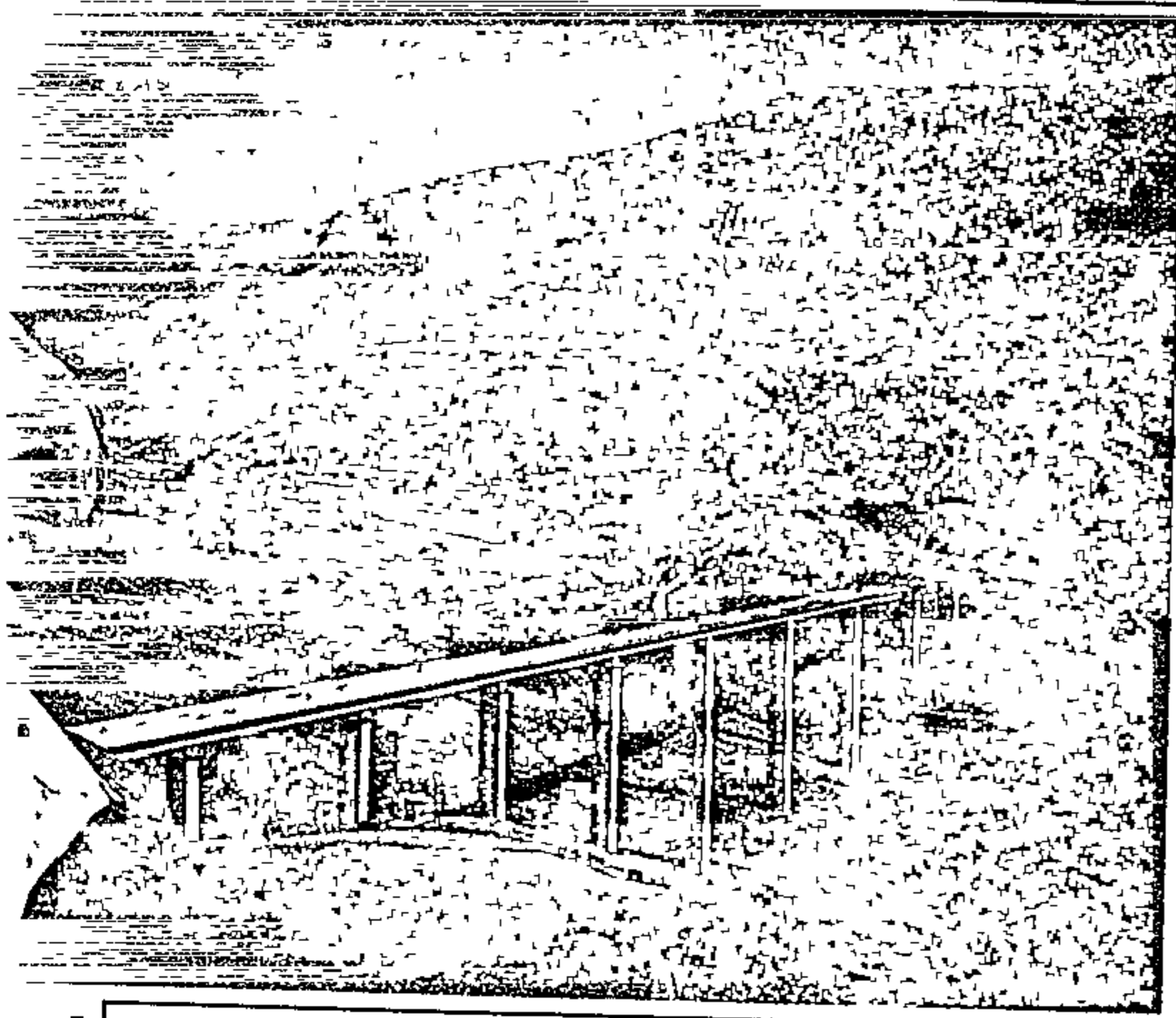
The De Beers price will also benefit as it will follow the aggregate price of "Newco" A and B shares.

The foreign assets of De Beers are currently greatly undervalued on foreign stock markets. Analysts feel that the unshackling of these assets from South Africa will significantly boost their valuation. That's what happened to the foreign assets of the Rembrandt Group which was listed under Richemont in Luxembourg. Since its listing late in 1988 the share price of Richemont has more than doubled.

Local stockbroker David Meads of Meads and De Klerk says that the scheme has an excellent chance of success and could push the price of De Beers up from its current levels to anywhere between R125 and R150 a share.

# -Day nearing for battled ERPM

5/ Times 20/5/90  
210  
20/5



**THE Cabinet will decide the fate of Boksburg's marginal mega-mine, East Rand Proprietary Mines, in the next fortnight**

Chairman Clive Knobbs says there are four options

- The State can assist with a third rescue package
- ERPM can be placed under judicial management
- The mine can be mothballed and pumped dry at a cost of R20 million a year
- ERPM can be declared insolvent and liquidated

At stake are R300-million in loans to ERPM, 10 000 jobs directly and many more indirectly, and production of 6,5 tons of gold worth \$100-million a year

ERPM has already cut staff numbers by 8 000 and gold production by 1,5 tons a year

Barlow Rand chief executive Warren Clewlow tells Business Times that ERPM stands alone against its creditors

It is an associate company, not a subsidiary, of Rand Mines and of Barlows Neither Rand Mines nor Barlows will pick up its debts

Mr Knobbs says the Government, banks and Rand Mines have agreed on proposals which must be approved by the Cabinet.

The newest rescue package would involve "a little more" funding, leniency on interest, reducing staff and concentrating on highest-grade areas.

By David Carte

funds to keep Lefko

Mr Pouroulis has enlisted the aid of controversial lobbyist Horace Sammell to fight Rand Mines

Willo Stear, the consultant who estimated ERPM's ore reserves, says Rand Mines gave the impression that his estimates were incorrect

Mr Knobbs says they were accurate. But ore grades are inconsistent around the average estimate. At present they are below the average

Whether the State should continue to support ERPM is hotly debated. Free marketeers say the mine should be allowed to close

Those favouring State aid argue that once closed, ERPM could never be reopened. Its large ore reserve would be lost and unreachable should the gold price break out of the R900-R1 100-an-ounce band in which it has been stuck for three years

In addition, if ERPM is flooded, neighbouring mines are likely also to be inundated. Historically, State aid has turned out to be a good investment. Rand Mines rescue actions on other marginal mines, such as Harmony,

Durban Deep and Blyvooruitzicht, have paid off

Miners at ERPM are paid a good deal less than on other mines

The financial director of an unconnected company says 'The State's exposure of a maximum R220-million is cheap at the price. For that, it has had four years of gold production worth nearly R1-billion in foreign exchange

## Multiplier

'Half of the mine's costs every year have gone to wages. That's R100-million and more every year, on which PAYE would have been levied. Supplies and stores have been subjected to GST

'ERPM probably netted the Exchequer R30-million a year. Meanwhile 10 000-18 000 people with at least 50 000-60 000 dependants have been employed. Then there is the multiplier effect of the mine and the miners' spending

Mining analysts say the Government encouraged Rand Mines to keep ERPM open partly for its gold revenue and partly to retain jobs in a Conservative Party stronghold

## Zimbabwe gags Anglo economist

By Don Jacobs

ZIMBABWE business is dismayed by the silencing of a private-sector economist through covert pressure from the nation's Reserve Bank

John Robertson, chief economist for Anglo American subsidiary RAL Merchant Bank, was forced to cancel a speech on long-overdue trade liberalisation after Reserve Bank Governor Kombo Moyana threatened to withdraw vital daily co-operation from RAL managing director Ray Feltoe

Reserve Bank foreign exchange investigators visited RAL's premises in an apparent intimidatory gesture

Outspoken Mr Robertson, a nephew of crusading Rhodesian editor Malcolm Smith who defied Ian Smith's censorship in the 1960s, angered the authorities with his calls for overhaul of exchange-rate mechanisms.

### Unsubtle

RAL placed advertisements in Zimbabwean newspapers dissociating itself from Mr Robertson's remarks

The business community was disappointed that a subsidiary of Anglo American had capitulated to establishment attempts to stifle dissent even before the promulgation of a one-party state

'This offers little hope in the future for the small man if Anglo refuses to fight such

tactics," says one businessman

Rather than silencing dissidents through direct censorship, President Mugabe's Zanu (PF) will, it is feared, suppress them by unsubtle pressure through its bureaucracy, or its parastatal business empire

Former Chief Justice Enoch Dumbutshena has called President Mugabe's planned one-party state a violation of the human right of free association

"The joy of life is that you can differ from your brother, sister or neighbour and still remain friends. I have never understood why it is desirable to have one political view," says the 70-year old lawyer, who was refused permission to continue in office by President Mugabe

Chief Justice Dumbutshena was at the centre of a constitutional crisis when he found that Zanu (PF) parliamentarians had tried to manipulate rules on contempt of the House to muzzle former Rhodesian Prime Minister Ian Smith

## Bully for brokers

By Julie Walker

THE value of shares traded on the JSE rose to R24-billion in the year to February 1990 - bringing a jolt to stockbrokers

This value is 5,5% of the JSE's market capitalisation. Last year it was only 3,7% of a much lower market capitalisation. The average in recent years has been close to 4,5%

More than R24 million was paid out in dividends and interest from all listed securities, says the JSE annual report. About half was interest payments on Government stock and debentures

Five years ago the total was R11-million, dividends accounting for the lion's share of returns to shareholders. In 1986 the amount of dividends paid by gold shares topped that from industrials, but the trend has changed. Industrial dividends outpaced gold by about a third

Only four sector indices showed declines - investment trusts, electronics, fishing and steel. Electronics shed almost 17%. Star performer was beverages, hotels and leisure, up 70%. Food, tobacco and match also featured

Nearly R13-billion was raised in new equity-related issues, rising to R30-billion including loan stock

The highlights include the first privatisation listing, the first venture capital listings, and the lifting of the ban on advertising by stockbrokers

## Criticism

Mr Knobbs believes the plan will enable the mine to break even until grade and/or the rand gold price improve

Judicial management would entail the Supreme Court's appointing a manager and granting a moratorium on debt repayments and interest while ERPM tries to mine its way out of trouble

ERPM owes a consortium of banks R220-million. The loans are guaranteed by the State, which is subsidising interest costs. ERPM also owes First National Bank an unsecured R60-million and Rand Mines R20-million. Total debt is R300-million

Mr Knobbs estimates realisable assets at R100-million, suggesting creditors in a liquidation can expect only 33c in the rand

## Bitter

Rand Mines has faced criticism over its management of the mine. Some analysts claim it has not properly implemented the 1987 and 1989 rescue proposals and others say its projections were unrealistic

Mr Knobbs rejects the suggestions as "the wisdom of hindsight"

A bitter Loucas Pouroulis, who lost his Lefko platinum mine to Rand Mines, asks how ERPM could have been given a R60-million unsecured loan by First National Bank when the bank would not lend his Golden Dumps



"It's time for a new generation of leaders to cope with new problems, new opportunities. For there is a new world to be won"

John F. Kennedy

Wits MBA. W tomorrow's

# Oasis of hope in a desert of strife

R3,5-m  
boost for  
non-racial  
school in  
warring  
Welkom

By ZB MOLEFE

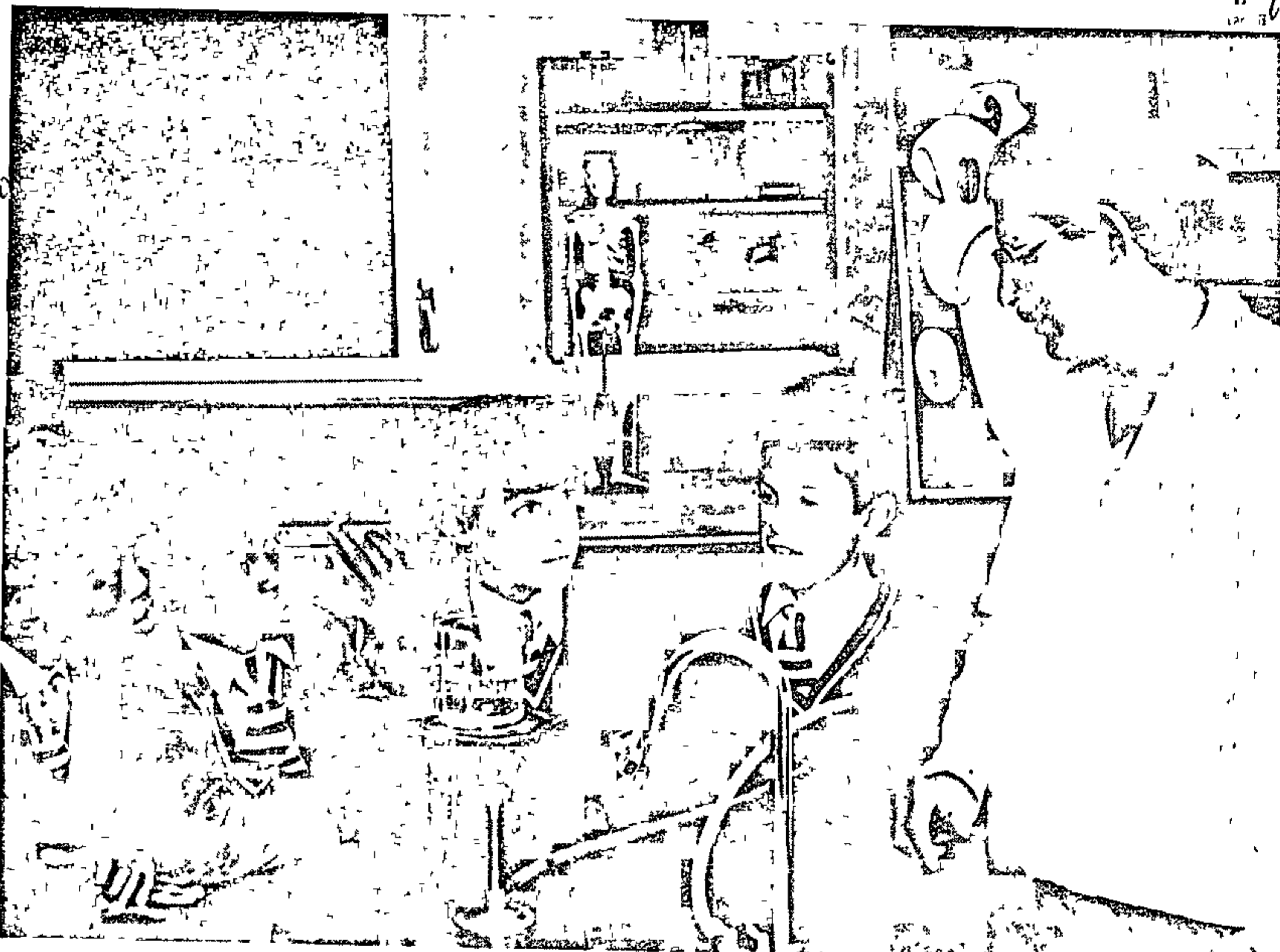
WHILE Welkom simmers with racial tension, a significant development took place this week in the mining town

A R3,5-million first-phase expansion opened at the non-racial St Andrews School, making it possible for more blacks to be admitted in future

The Anglo American and De Beers Chairman's Fund made the grant to the school to fulfil its expansion plans for next year

The project, which includes the introduction of a secondary school, was officially opened by Bishop of Bloemfontein, the Reverend Thomas Stanage.

Said headmaster Gordon Stobie: "The ready assimilation of the new black pupils into the life of the school and the manner in which children of all races unreservedly rub shoulders in a spirit of mutual belonging, not only proves the value of the system of admission, but provides hope for the future of our society at large."



The R3,5 million first-phase expansion project at Welkom's St Andrews School includes among its facilities a fully equipped science laboratory.

The school's expansion includes the construction of a fully-equipped secondary school block of nine classrooms, biology and science labs and a geography room

A new media centre incorporating a fully-equipped computer centre and auditorium forms the hub of the school

At the moment the school also boasts preparatory classes which cater for children from the age of three before starting Sub A. In addition, there are also preparatory classes which go up to Std

5. Stobie also said the school has a carefully planned curriculum which will be followed in the secondary school to be built.

The school became non-racial in 1980 after land was donated by then mining group Union Corporation along with R65 000 from Anglo American Corporation

# Audacious plan afoot to delink De Beers shares

By Magnus Heystek, *21/5/90*  
Finance Editor

South African financial institutions will this week decide whether to accept the audacious plan put forward by Syfrets Asset Management, Finansbank and stockbroker George Huysamer to create an informal market for delinked De Beers shares.

On Saturday it was disclosed that the consortium last week made confidential presentations to most of SA's large insurance companies and pensions funds.

For the deal to work the consortium needs a commitment of at least 7,5 percent of the weighted average number of De Beers' shares in issue, namely about 26 million shares.

Spokesmen at two of SA's largest insurance companies have confirmed that the plan was presented to them, saying that they are busy evaluating the scheme which, if it got off the ground, is bound have a major impact on the share price of De Beers.

As far as can be ascertained, the consortium is trying to convince the large shareholders of the desirability of following scheme (if the large shareholders commit themselves publicly, the smaller ones will follow suit).

● The De Beers shares are lodged in a trust company, Syfrets, one of SA's largest and most respected trust companies.

● In exchange for their De Beers holdings participants receive an equal number of shares in a new company (Newco), which has two types of shares: Newco A and Newco B.

Newco A represents the Centenary part of De Beers, which is set for a Swiss listing on June 11, while Newco B represents the local operations of De Beers after the split.

## Five-for-one basis

In addition to this split between the overseas and local operations, the Newco A and B shares will also be split on a five-for-one basis. The rationale behind this is to make the shares cheaper and more tradeable.

The plan is for Newco to be listed on the Johannesburg Stock Exchange as well as on an international bourse at a later stage.

This move will effectively delink De Beers, which the company is unwilling to do at this stage.

When the company in March this year announced its decision to list its overseas operations, it said that it had no intention of destapling De Beers and De Beers Centenary AG.

But chairman Julian Ogilvie Thompson is quoted as saying that they are powerless to prevent any outside party from doing so.

According to my information, De Beers has been informed of the latest development, but the company is not prepared to comment.

This bold move by the consortium, if it succeeds, will give investors the choice of investing in the part of De Beers they prefer.

De Beers has already indicated that about 80 percent of its annual earnings emanates from its international interests, with the rest coming from South Africa.

In theory, the aggregate share prices of Newco A and B will be equivalent to the share price of De Beers.

Should the De Beers share price lag, it will prove to be an incentive for investors and speculators to buy De Beers and exchange them for Newco A and B shares.

George Huysamer last week was not prepared to comment any further on the details of the proposal, saying he was only acting on the instructions of his principals, Finansbank and Syfrets Asset Management.

But he did indicate that any move that effectively unbundled the international interests of De Beers from its local interests would prove to be highly beneficial to the share price.

Nobody at Finansbank and Syfrets was prepared to comment on the deal, saying it was highly confidential and sensitive.

# De Beers approaches JSE over 'unlinking'

22/5/90  
By Sven Linsche

De Beers said this morning that it had approached the Johannesburg Stock Exchange to register its disapproval of a proposed scheme to unlink the shares of De Beers SA and its newly created overseas company, De Beers Centenary.

The scheme, to create an informal market for delinked De Beers shares, was announced over the weekend by a consortium of

Syfrets Managed Assets, merchant bank Finansbank and stockbrokers Goerge Huysamer

De Beers spokesman Neville Huxham said "The scheme is clearly contrary to our stated intention that the shares of De Beers SA and De Beers Centenary would not be unlinked."

In terms of the De Beers announcement in March, De Beers SA would be listed on the JSE and the Centenary shares on

Swiss stock markets, but that the shares would be traded as one unit.

The combined market capitalisation of De Beers, at the current share price of about R106, would amount to about R40 billion.

The consortium has already approached most large insurances and pension funds to receive backing for the scheme — it needs a commitment of at least 7,5 per-

cent of De Beers shares, or 26 million shares, for the deal to work.

The committed shares would be lodged in a trust at Syfrets and split into equal portions of De Beers and Centenary units

It is also proposed that the fund would be listed on the JSE and each share split on a five-for-one basis.

It is understood that De Beers was approached before it went ahead with the announcement.

## Share splits help put sparkle into JSE

TWO major share splits, the listing of Gen-  
cor energy giant Engen and speculation  
about the creation of an informal market  
for unstapling De Beers shares, injected  
sparkle into an edgy Diagonal Street  
yesterday

Liberty Life and W & A shares moved to  
higher ground after their respective 10-for-  
one share splits, which will make them  
more tradeable and bring them back into  
the orbit of the smaller investor

After last trading at R285, giving a price  
of R28,50, Liberty opened at R30 but eased  
back to close at R29,50 in good two-way  
trade. W & A opened at 800c after last trad-  
ing at R80, and the shares firmed to close  
at 815c. *BIDAM 22/5/90*

Replacing Trek in the chemicals and oils  
sector, Engen's debut as SA's first wholly  
owned integrated energy group attracted

MERVYN HARRIS

keen interest. The shares rose from Trek's  
closing price of R29,50 to R32, lifting its  
market capitalisation to R3,52bn

De Beers resumed its role as the driving  
force in the market as speculation swirled  
around the scheme to unstaple the ordi-  
nary shares from the Centenary shares due  
to be listed on June 11. The price advanced  
190c to R106,75 after touching a high of  
R107. *(210)*

Free State gold fields tension was reflec-  
ted in little follow-through buying of gold  
shares, which were marked up at the open-  
ing in line with New York's higher levels  
on Friday after the spurt in the gold price

Gold's rise came on the back of plati-  
num's bull run on fears of increased labour  
strife in SA

# Expert calls for SA minerals strategy

B/ny 23/5/90 (210)

RIAAN SMIT

SA IS a net loser in the minerals market and urgently needs a strategy on which to act, recently retired chief director of the Minerals Bureau Isaac Goldberg says in the latest edition of Mining Mirror.

He says SA producers sell many valuable minerals in the raw state at giveaway prices on international markets.

"The bottom line is that we are net losers in this field of business. Certainly, the exporter sells only for the purposes of making a profit, but the overall economic result for the country as a whole is one of loss in real terms."

Profits are made largely because of the prevailing weak rand against international currencies, but in terms of rising costs and high inflation, SA continues to run its mineral industry at a loss every year, he says.

"We must turn mineral exports into a highly profitable business. This can best be achieved by devising a strategy on which to act to satisfy all concerned and especially the national interest."

"In this, private enterprise and the government must come together to see that it is implemented as soon as possible."

SA must not allow its heritage to be destroyed by selling gold and platinum in the form of bars, only for it to be refurbished overseas and sold at considerable profit.

"Our aim must be to increase industrialisation in SA by the use (not export) of our minerals in order to sell fabricated articles to the world. Thereby we will not

only create employment for SA's rising population, but also increase earnings so that our economy can flourish."

Goldberg proposes that a new strategy should incorporate the following.

Conservation of mineral resources by obtaining better prices for fabricated mineral products

This will result in the mining of lower grades of gold, for example, thereby extending the life of SA's reserves,

A programme aimed at the elimination of raw material exports, wherever economically feasible,

A programme devised for greater industrial usage of SA's raw materials, bearing in mind that SA possesses the necessary manpower and infrastructure to carry such development,

Research into the world's requirements, and implementation of technical know-how to produce and sell finished products into international markets,

Keep abreast of developments in advanced materials, particularly in the US, Europe and the Far East, and

Educational programmes to produce more mineral scientists and engineers



● GOLDBERG



# De Beers, consortium in talks on delinking

By Magnus Heystek,  
Finance Editor

A meeting was held yesterday between De Beers and the consortium of local financial institutions which has proposed a bold plan to delink the shares of De Beers and its Swiss counterpart, Centenary AG.

The development follows on the announcement that De Beers has lodged a formal complaint about the matter at the JSE

Yesterday the financial world was still buzzing with excitement about the ingenious scheme, which would effectively delink the stapled unit, something De Beers itself is shying away from at this stage.

A veil of secrecy was drawn over yesterday's meeting, with nobody prepared to comment on the matter, which has aroused considerable interest and controversy worldwide. Although nothing is known about the discussion, it is not the first time the two sides have met.

On Monday De Beers took the

unusual step of making a formal approach to the JSE committee in order to record its dissatisfaction with the proposed scheme by consortium Syfrets Asset Management/Finansbank/George Huysamer to effectively delink the De Beers/Centenary AG units

This has dampened euphoria over the stock.

On the JSE yesterday morning it opened at R103, down from the previous day's closing of R106,75. But it soon firmed to trade at around R104

The scheme was first revealed in The Saturday Star after considerable speculation in the markets following a massive increase in turnover in De Beers shares last week.

More than R125 million worth of shares changed hands, pushing the price up to a record high of R110.

Some brokers and analysts are confident that the scheme will work and should prove to be a boon to what is called the "under-

valued assets" of De Beers' international assets.

Others see it as "hair-brained and unrealistic".

Officially, De Beers has said that "delinking the units would be contrary to the company's stated intention".

Unofficially, analysts are saying that De Beers intends delinking the shares on its own accord in about four years' time.

One analyst, who has asked not to be identified, says De Beers has apparently given an undertaking to the Swiss authorities not to delink the shares for four years.

One reason has to do with capital gains tax, and the other is that Centenary AG has at present no cash on its balance sheet.

It will take about four years for Centenary AG to build up sufficient cash reserves to support any downturn in the international diamond market.

The key to the scheme now lies with institutions. They have until this afternoon to decide

whether to lodge their De Beers shares with Syfrets, for which they would receive delinked shares in a new company to be formed.

For the scheme to have any chance of surviving, the consortium needs the commitment of at least 26 million shares, otherwise the market capitalisation would be too small to attract institutional and international attention.

No one at any institution is prepared to comment on the deal. Several say they have been presented with the proposed scheme of arrangement, but none have yet made a decision.

Despite the euphoria generated by the scheme, analysts are still bullish about De Beers' prospects once Centenary AG is listed on the Swiss stock exchange in about two weeks' time.

The diamond market is still very firm and prices at recent sights have been excellent, says diamond analysts John Taylor at James Capel in London.

## BOOKS

# Oppenheimer empire under the microscope

THE bulk of *Goldstrike!* is taken up with the protracted and bitter battle by Anglo American-controlled Minorco to take over London-based mining group Consolidated Gold Fields.

It was a battle in which Cons Gold was to spend £30-million of shareholders' money to defend itself from a takeover which would leave the group relatively unscathed, particularly in the light of what happened to the company afterwards. Cons Gold fell into the hands of break-up artist extraordinaire, Lord Hanson, ending its 100-year history and emptying its London head office of the very directors who had opposed the Minorco takeover.

*Sunday Telegraph* city editor Bill Jamieson manages to capture the excitement of the bid, even if his prose becomes too colourful at times — "Tick tock went the clocks in the

which 25/5 - 31/5/90

**GOLDSTRIKE! The Oppenheimer Empire in Crisis**  
by Bill Jamieson (Hutchinson Business Books, R59,95)

Boulevard de la Petrusse. Amber! Amber! flashed the lights as Minorco hit Green for Go."

This does not detract from the analytical thrust of the book. Jamieson uses the Minorco Cons Gold debacle to highlight the challenges now facing one of the world's biggest conglomerates, part of which is the company which controls the world's diamond cartel, De Beers. And in the process he uncovers the mechanics behind the Oppenheimer mystique, a "Byzantine web of conflicting crossholdings" held together by patriarchy. "The tangible financial bonds that link the Oppenheimer family with the Anglo



Harry Oppenheimer

American empire seem like frail threads against the power that they carry." He points out that the family influence far outweighs the 8.3 per-

cent holding E Oppenheimer & Sons owns in Anglo American. That patriarchal structure, Jamieson argues, has come under threat.

Cons Gold, with its gold and stone mining interests spread across America, Australia as well as its big holding in Gold Fields of SA, was an attractive addition to the Oppenheimer empire. Jamieson argues that the move was crucial to the ambitions of the Oppenheimer empire to break out of its traditional and increasingly problematic base in South Africa.

"While a successful bid for Gold Fields could never have masked the problems the corporation faced at home, it would have provided a dramatic new lease of life for Anglo American overseas, a second coming of the empire."

Jamieson asserts that the defeat of the bid showed a paralysis of leader-

ship at 44 Main Street, and called into question whether the Anglo structure of control is still appropriate.

The book has been overtaken by events to some extent: former De Beers chairman Julian Ogilvie Thompson has been appointed to succeed present Anglo chairman Gavin Reilly, and heir apparent Nicholas Oppenheimer has moved into the limelight at De Beers

Also, the end of South Africa's political impasse seems in sight, and with its passing will vanish the pariah status that Cons Gold used so successfully against Minorco, and which denies Anglo the opportunity to escape the declining incomes from its core operations. Replacing it is the threat of nationalisation by a majority government. Anglo appears to have already reacted by hiving off its non-South African interests into a Swiss-based company.

Jamieson poses the question that has been on the minds of South African businessmen in recent months: what alternative can Anglo offer to state intervention in its affairs? The suggestion he has elicited, not a new one, is something like the transfer in the mid-1960s of control of General Mining from Anglo to Afrikaner interests, represented by the Sanlam-Federale group. Jamieson realises there is no exact parallel. The General Mining transfer was paid for, not donated.

Similarly, on Anglo's employee share ownership scheme Jamieson is probably at one with some on the left in dismissing it as gesture capitalism.

His critique of the characteristic Oppenheimer ethos remains to be answered. "But one issue which the Minorco bid had highlighted was the perception of Anglo American as an enterprise-stifling animal at heart, unconcerned for outside shareholders and bottom-line earnings performance."

Unlike the kid-glove treatment usually accorded the Oppenheimer empire in South Africa by the English-language press, Jamieson is stern in his appraisal. "A vast and complex organisational cobweb testified to Anglo American's near paranoid concern with control, if necessary at the expense of entrepreneurial success. The demise of the holding company and unbundling of conglomerates that have come to be a prominent theme in corporate development in the industrialised West was passing Anglo American by. The patriarchal culture seemed to be frozen into a bureaucratic one, closed to change and incapable of re-innervation. Anglo American is perceived as a dinosaur that would not survive in the economies of the West, where bids, break-ups and demergers have transformed the landscape."

The entire Anglo American group, Jamieson advocates, should be restructured to provide clarity and focus. "At present no corporate theme unifies its activities: it is not clear how Anglo American adds value to the assets that it holds or what its unique business mission is."

He also points out that the shareholder base of the giant edifice is tiny and could do with broadening. In Anglo company Highveld Steel & Vanadium private individuals account for only 2.35 percent of the equity, and there is no employee share scheme. Other of Anglo's publicly quoted subsidiaries are similar. Moreover, there are the wholly-owned subsidiaries which would merit a management buy-out and/or separate listing — forestry, timber and paper group, Mondi being a prime example.

Whether Anglo will take a tip from Jamieson and "devolve, disengage and change" remains to be seen. So far, there are no startling signs of such new thinking from 44 Main Street.

Reg Rumney

# High interest doesn't gel with reform

210  
Mail 25/5-31/89

AS the downturn in domestic spending bites into the manufacturing sector it appears increasingly likely that the government will be forced to counteract the severity of the economic slowdown.

The monetary policy of high interest rates which aims at containing domestic expenditure is the required response to the twin problems of foreign debt obligations and inflation, but the timing of the strategy does not mesh with the government's reform and negotiations programme.

Government economists, such as Japie Jacobs, special advisor to the Minister of Finance, continue to insist that they can see no reason to depart from the current deflationary policy of high interest rates. Sources indicate that Finance Minister Barend du Plessis had expected lower interest rates in the third quarter of this year, and he might feel politically pressured to push for such a move if the economy continues to decline.

Economists Johan Louw of Sanlam and Edward Osborne of Nedcor both have revised their predictions of 1990's gross domestic product growth rate to 0,5 percent. In other words, the output of the economy will increase marginally over the course of the year. As Osborne points out, if one takes into account the way the growth rate is calculated, 0,5 percent is tantamount to zero growth.

1990 will be a year of standstill and consolidation, but not recession, the economists both argue.

Yet Johan Louw estimates a decrease in gross domestic expenditure

The government's current deflationary policy of high interest rates may conflict with the process of reform and negotiations, reports ALAN HIRSCH

of 3 percent. This means that South Africans will be spending less this year than last year, inevitably leading to declining living standards. Louw argues that the downturn will not be as severe as the 1985/86 period when domestic expenditure fell by 8 percent, and that wage increases in recent years will soften the blow. Also, the budgetary income tax breaks announced in March will only filter through in July.

Edward Osborne believes that the Central Statistical Services (which provide the estimates of quarterly growth trends) may have factored an expected decline in agricultural output too strongly into the estimates of the economy's performance between January and March.

The performance of the mining sector also seems less sluggish than the first quarter estimates indicate. So, although the South African economy seems to have experienced two consecutive quarters of negative growth (to the end of March), the most recent estimates might be too pessimistic.

But if there is positive growth this year it will only be because of the continuing strong performance of exports relative to imports. So the marginally positive growth rate by no means indicates a relatively healthy



Barend du Plessis

domestic economy.

Moreover, the low gold price might weaken export levels, not only damaging the growth rate, but also South Africa's balance of payments position. Louw now estimates that the current account will meet the maximum requirement of a R6-billion surplus to match potential capital outflows (rather than exceed it as he predicted earlier this year). But Louw's estimate is based on a gold price which averages \$390 over the year, which it may not judging by its performance this week.

One of the reasons for the relatively low level of imports is the fact that because of an extremely low level of investment in the manufacturing sector there have been very few imports of productive machinery in the past year. The low rate of capital formation in manufacturing is a most dis-

turbing feature of the contemporary economy, notes Osborne. So far, says Osborne, the collapse of investment in industry has not resulted in widespread lay-offs (though the *Weekly Mail* described disturbing trends in the clothing and textile industries two weeks ago). If the re-trenchment trend grows the government might be forced to restimulate the economy.

Alex Boraine, co-director of the Institute for a Democratic Alternative in South Africa (Idasa), is very concerned that the condition of the economy might jeopardise the negotiations strategies of both the government and the African National Congress.

The government, he argues, was pressured into talks partly by the economic crisis, but socio-economic deterioration leading to widespread militant discontent may dissolve the climate for negotiations, weakening both the government and the ANC.

Boraine believes the the ANC will have to join with the government in short-term initiatives to alleviate the conditions of the very poor. The dispersal of the state sponsored two billion rand "Independent Development Fund" might bring some relief, and indicate that the negotiations are bearing fruit. In the absence of such an intervention, says Boraine, the Pan Africanist Congress could begin to mobilise the discontent in the townships.

Yet Osborne notes that it will take time for the fund to become operative, and he does not expect it to have any impact before 1991.

# De Beers de-linking still in the balance

Star 25/5/90 210

By Magnus Heystek  
Finance Editor

The proposal to delink the shares of De Beers is still in the balance as major institutions consider the various options.

While most institutions with large shareholdings in De Beers are fairly optimistic about the outcome of the deal, at least two — Old Mutual and Southern — are known to have had direct talks with De Beers on this issue.

A spokesman for the Syfrets/Finansbank/George Huyssamer consortium — which constructed the bold scheme to delink the overseas interests of De Beers from its South African counterpart — still reckons they have what he calls a "fifty-fifty" chance at this stage.

According to unconfirmed reports, the consortium has received enough support from overseas investors to push the deal through.

As reported in the *The Star* on Wednesday the deadline for the deal has been extended to next Tuesday afternoon. Without a commitment of at least 26 million shares by that time, the deal will be aborted.

De Beers has already said the

delinking of the shares, either formally or informally, is not acceptable.

But several analysts are questioning this viewpoint, saying that De Beers has in fact conceded that it is powerless to prevent such an unstapling taking place.

This much was made clear in De Beers' statement when the final detail on the listing of Centenary AG on June 11 was published.

## Overseas interest

Why then object to local efforts to delink the shares which is bound to take place in any case, they ask?

In fact, says one analyst, several London-based stockbroking firms are currently investigating a similar scheme to delink De Beers.

A spokesman for James Capel confirmed that they are viewing the current developments around De Beers with great interest, which indicates that a similar scheme might get off the ground in either London or even New

York, where De Beers is also listed.

Unofficially De Beers is using the argument that no South African shareholder would benefit by offering their De Beers in exchange for two shares in the yet-to-be-named company.

But analysts say this viewpoint does not stand close scrutiny. Should either a formal or informal market in delinked De Beers shares get off the ground on overseas bourses, this move would effectively unshackle Centenary AG from its South African connections.

This would lead to an immediate rerating of Centenary AG by the international investment community, along the lines of other internationally-acceptable shares.

With Centenary AG's earnings and dividend stream now clearly identified, it would be possible for foreign investors to make an objective assessment of the company's prospects without having to consider its South African links.

This obviously removes the possible dangers of nationalism under an ANC or predominantly

black government.

Should overseas principles establish their own scheme to delink De Beers — which is a distinct possibility considering the great deal of publicity given to the local effort — it will siphon off a great number of shares in De Beers to an overseas trust.

## Sterilized

The effect of this will be to sterilize millions of De Beers shares, which is bound to have a negative impact on the turnover on the local market, as De Beers is the most heavily traded share on the JSE.

According to my sources, Tony Norton, president of the JSE was presented with the de-linking scheme some weeks ago, but only with regards to the structure. No formal approval was given.

This the JSE committee will have to decide on. At this stage the JSE has only received several phone calls from Mr Julian Ogilvie Thompson, chairman of De Beers, to record its disapproval of the proposed scheme, but no formal written complaint.

# It's thumbs down from De Beers

26/5/90 **MAGNUS HEYSTEK** (210)  
Finance Editor

DE BEERS yesterday officially voiced its disapproval over the proposed scheme to delink the De Beers/Centenary shares.

At its general meeting held in Kimberley yesterday, chairman Julian Ogilvie Thompson said it is the firm opinion of the Board that it is in the best interests of all shareholders and of the diamond industry as a whole that De Beers and De Beers Centenary should co-operate and that there should be no potential conflict between them.

"The two companies should therefore have the same shareholders and the same board of directors. Accordingly, the company will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities compromising the De Beers/Centenary linked units."

The statement will most probably put a stop to the adventurous plans by the consortium consisting of Syfrets/Finansbank/George Huysamer which to effectively delinked De Beers from Centenary, its offshore operation.

While most local institutions were reportedly in favour of the scheme, almost all were reluctant to commit themselves without at least De Beers' tacit approval.

Yesterday a spokesman for the consortium was still fairly optimistic that the deal had a chance of success, with the initial deadline for commitment of De Beers shares to the trust extended to Wednesday.

# Disenchantment with gold shares builds up

By Neil Behrmann

LONDON — The South African gold mining industry is in a "critical phase", following continued depression in the bullion price, say London mining analysts who have become disenchanting with the shares.

Almost all the mining teams at City stockbrokers have been badly burnt. Most became optimistic about the shares when gold rallied sharply in October Shares which had already appreciated considerably were then way above their 1989 lows

To get into the market, foreign investors had to bid prices so much higher that gold shares were priced well above fundamental values and in most instances discounted gold prices of \$550 or more.

Now comes the rude awakening. Since the Financial Times gold share index peaked at 378 points in January, it has slumped by 45 percent

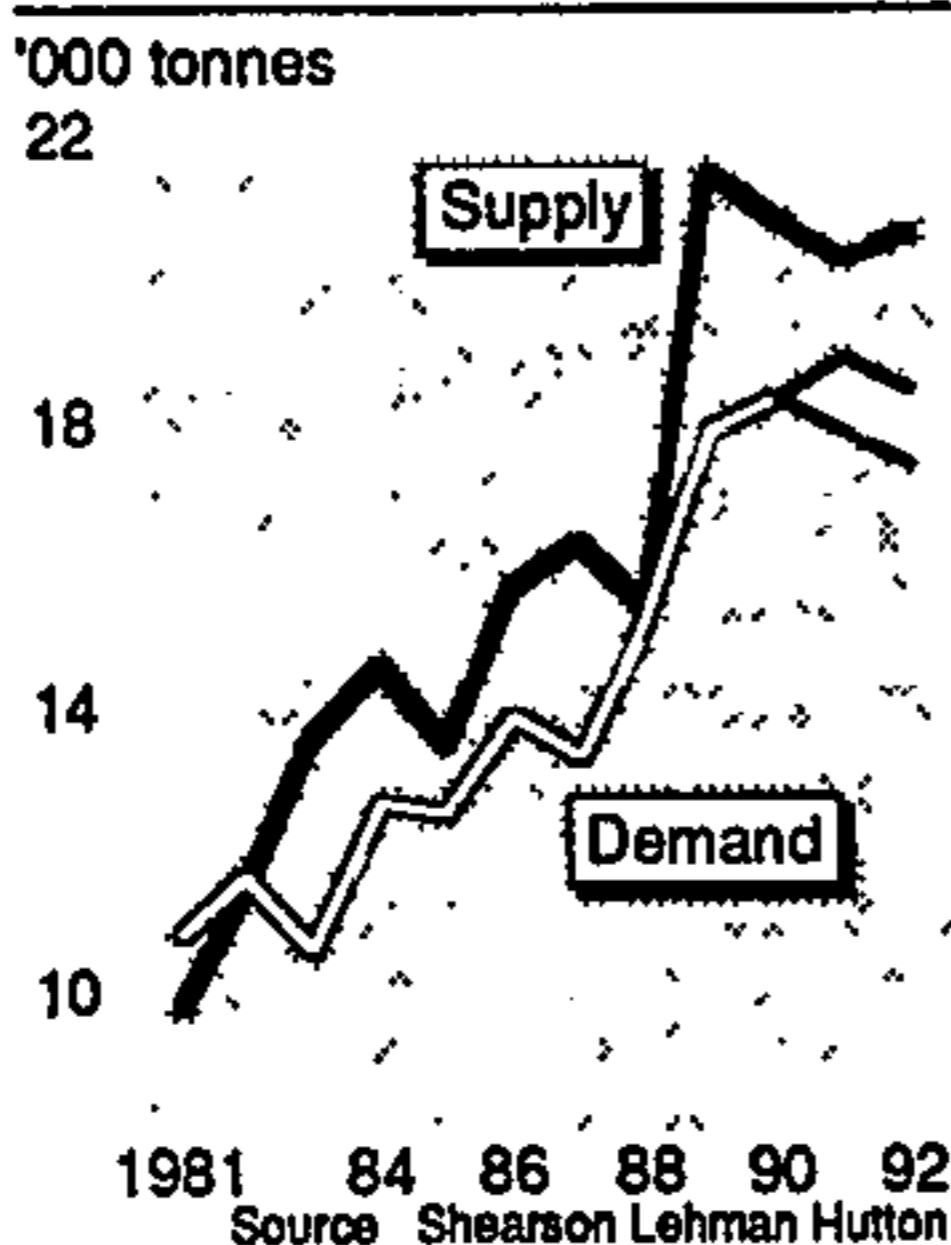
Hardly surprising there is unmitigated gloom in the London mining analyst camp.

## Distress selling

Although gold rallied to \$367 an ounce from Wednesday's low of \$361, confidence has been shattered. London dealers still can't understand why a Saudi Arabian bank dumped the metal in such an extraordinary fashion. Such an order, however, has the markings of distress selling by indebted clients.

Examining fundamentals closely, mining analysts are now concerned about the health of the South African gold mining industry — unless gold rises well above \$400 or R1 200 an ounce. It is presently trading at the lower end of the R950 to

## Gold



Source Shearson Lehman Hutton

## R1 100 band

South African working costs soared to \$276 or R723 an ounce last year, according to Gold Fields Mineral Services from \$76 or only R137 an ounce in 1980.

"Labour costs account for about 45 percent of total working costs and consequently the industry's costs are very sensitive to wage rises," says its latest annual review Gold 1990.

Moreover "the imminent round of wage negotiations may bring about a substantial redundancy programme which will have substantial social ramifications," says Julian Emery, mining analyst at Societe Generale Strauss Turnbull.

Mr Emery, one of the more experienced mining analysts, notes that some "15 percent of production is sub-marginal and this could rise to over 20 percent, taking into account low grade areas in the larger mines.

"There must be a strong incentive to cut capital expenditure programmes substantially and discontinue mining low grade, high cost areas," he says

This would involve both mine and shaft closures.

It would be a major policy change from the traditional aims of preserving longevity of ore reserves via expenditure and tax concessions, Mr Emery says

Massive long life mines operating close to the minimum ore reserve grade and smaller mines working at sub-marginal rates in the expectation of substantially higher gold prices may soon be relics of the past, says Mr Emery

"We do not expect wholesale mine closures, but some rationalisation of high cost mining areas appears inevitable."

## Mine categories

Mr Emery monitors 19 leading South African mines in four categories.

● The leading, high profit margin mines, producing 200 tons a year at unit costs of R520 to R660 an ounce are Driefontein, Kloof, Kinross, Hartes, Beatrix, Winkelhaak, Deelkraal and Southvaal They will reduce capital budgets, but are unlikely to cut production significantly

● Next in line are "good margin mines" with unit costs of R830 to R880 a ton and annual production of 80 tons There is scope for some production cuts, he says and rationalisation of long term capital projects at the larger mines These mines are Elandsrand, Unisel, Vaal Reefs, and Western Deep

● The third category of "low margin mines", producing 180 tons a year with costs of R830 to R880 an ounce includes Buffels, Randfontein, St Helena, Ergo and Freegold Selective tonnage cuts at the underground opera-

tions would help preserve margins

● Lastly "marginal mines" producing 45 tons of gold, with unit costs of R990 to R1 050 are Harmony and Western Areas Mr Emery suggests that tonnage cuts to raise grades would restore profit margins. But gold output would fall by 10 percent.

## Expansion ends

Examining projected expansion plans of the industry, it is clear that the gold price will have to rise substantially in real terms before major deep level projects can proceed, says David Drummond mining analyst at Credit Suisse First Boston.

Meanwhile the depressed gold price is having an impact on the world industry. After several years of heady expansion growth in Western gold mining production is coming to an end, says Gold Fields Mineral Services

Western gold output grew by 72 percent in the 1980s to a record 1653 metric tons last year, says its latest study

During the decade, North American output rose to 418 tons in 1989, compared with 382 tons in 1980, Latin American mines' 229 tons last year against 92 tons in 1980, whilst Australian companies mined 197 tons in 1989 compared with only 17 tons ten years ago, says the report

South African mine production, however fell to 608 tons from 675 tons at the beginning of the Eighties

The weak gold price, rising costs and a tax on gold mining profits in Australia will curb expansion in the Nineties, predicts the report

# Consortium backs off on De Beers

By Magnus Heystek  
Finance Editor

The consortium trying to de-link De Beers from its Centenary counterpart has backed off in the face of what is described as De Beers' "hostile public stance"

A spokesman for the consortium consisting of Syfrets/Finansbank/George Huysamer said yesterday that participation in the proposal could prove to be embarrassing for certain members. It had no choice but to withdraw it.

After Friday's strongly worded statement from De Beers, following its annual meeting in Kimberley on Friday, it was evident that the scheme had little chance of success.

This announcement, which was released yesterday, had no detrimental effect on the share price. De Beers closed at R101,50, up R2,10 from the previous day, as investors started buying back into this counter.

While the major financial institutions were reportedly in favour of the scheme, they were not prepared to risk the ire of South Africa's business powerhouse. And without the backing of SA's large life and pension offices, the scheme was doomed.

This morning, after it was announced that the proposal has been withdrawn, the consortium spoke openly about its plans.

The consortium stressed that the proposal to delink De Beers was primarily based on the assumption that overseas investors will set up a similar scheme, which will delink De Beers after the listing of Centenary AG on June 11.

## Out in the cold

If this was to happen, with no counterpart scheme in operation in SA, any De Beers linked units that flowed North would become split and would therefore be unavailable to the South African investor.

"We feared that this state of affairs would result in the South African tradeability and marketability of De Beers being markedly reduced, to the detriment of all investors in the market," a spokesman for the consortium said this morning.

Another factor which prompted the consortium to construct the scheme, was the restriction on local institutions to invest overseas. "By splitting De Beers into a domestic and overseas company, we

felt that we would be giving local fund managers a greater degree of choice in the way that they allocate their investment funds.

"An additional benefit would be to those unit trust managers who have found it impossible to match their market weighting of De Beers in their portfolios because of the regulation that limits them to preventing more than 5 percent of their funds being in any single counter. Our proposal would have given them two further investment vehicles in the De Beers group," he added.

There was also the question of capital gain. So long as De Beers is effectively stapled, the true underlying value of the company cannot be unlocked. The management of Rembrandt and Premier have shown that by splitting their companies shareholder wealth can be increased.

## Share split

The consortium proposed not only to delink the units but also to split them on a five for one basis. This part of the concept was designed to improve the marketability and tradeability of shares amongst smaller investors who simply cannot afford to purchase De Beers at its current share price.

The recent experience of Liberty has shown that a share split, if handled properly, can increase shareholder wealth.

The actual proposal had the following key points.

The new company (working title Ritz) would strive to obtain between 7,5 percent and 20 percent of De Beers' equity, a shareholding large enough to ensure sufficient tradeability. A target of above 20 percent would have been seen as an attempt to gain control.

In return for every De Beers linked unit, Ritz would issue five A and five B shares with A entitled to benefits accruing from Centenary and B from De Beers. Dividends would have been paid out as soon as possible, not more than a period of a week.

The A and B shares would have been listed on the JSE as soon as possible with an overseas listing also included in the scheme.

According to the plan, Ritz would immediately have dissolved if and when De Beers formally unstapled its units — widely predicted in financial circles — unless 75 percent of Ritz shareholders voted against the plan.

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# 'Chasm' in wage target, warns NUM

## Labour Reporter

The "huge chasm" between National Union of Mineworkers (NUM) demands and the offer of the Chamber of Mines would have to be significantly narrowed if wage talks affecting 500 000 miners were to make progress, the NUM warned yesterday.

The fourth round of negotiations, which affect surface and underground workers on the gold mines and the collieries, takes place today. The present wage deal expires on July 1.

NUM economist Martin Nicol said that at the last meeting, the Chamber had offered minimum wage rises for most workers of between 13 and 15,5 percent.

The union's most recent demand was for increases ranging between 23 and 28 percent, translating into a monthly minimum rate of R575 underground

and R520 on the surface.

In a statement, the NUM said its demands aimed to move the industry towards a living wage, to level the differences between wage rates in different mining houses, to narrow the gap between high-paid and low-paid workers, and to secure the same minimum figure for both gold and coal mines.

Complaining that the buying power of the underground wage had not risen since 1975, it said the industry made a profit of R11 500 per miner last year.

It added that while black miners earned less than their manufacturing counterparts, white miners earned more — R3 674 on average, as against R3 207.

Mr Nicol said the Chamber had granted an average R496 to white workers in negotiations this year. The NUM demand would add R202 to the average wage for blacks.



# Miners call dispute after talks fail

Staff Reporter

Negotiations on wages and other conditions of employment between the Chamber of Mines and the National Union of Mineworkers (NUM) ended in dead-

lock on Wednesday when the union declared a dispute

The NUM decision came after the parties failed to reach agreement on a Chamber offer of wage increases ranging between 13,5 and 16 percent.

The Chamber said in a statement that the higher percentage increase offer was directed at employees at the lower end of the scale. The union had demanded wage increases ranging from 20 to 32 percent

Barry Shipman, the Chamber's general manager of industrial relations services, said: "At a time when the viability of certain mines is being threatened... we believe that the offer presented today was eminently reasonable"

However, NUM press officer Jerry Majatladi said the Chamber's offer was "ridiculously low" and did not compensate workers for inflation.

# Anglo's attributable earnings leap 20,1%

B10.01 5/6/90

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RIAAN SMIT

ANGLO American Corporation's attributable earnings increased 20,1% for the year ended March 31 despite the continuing decline in profitability of its substantial investment in the gold mining industry, chairman Julian Ogilvie Thompson said yesterday

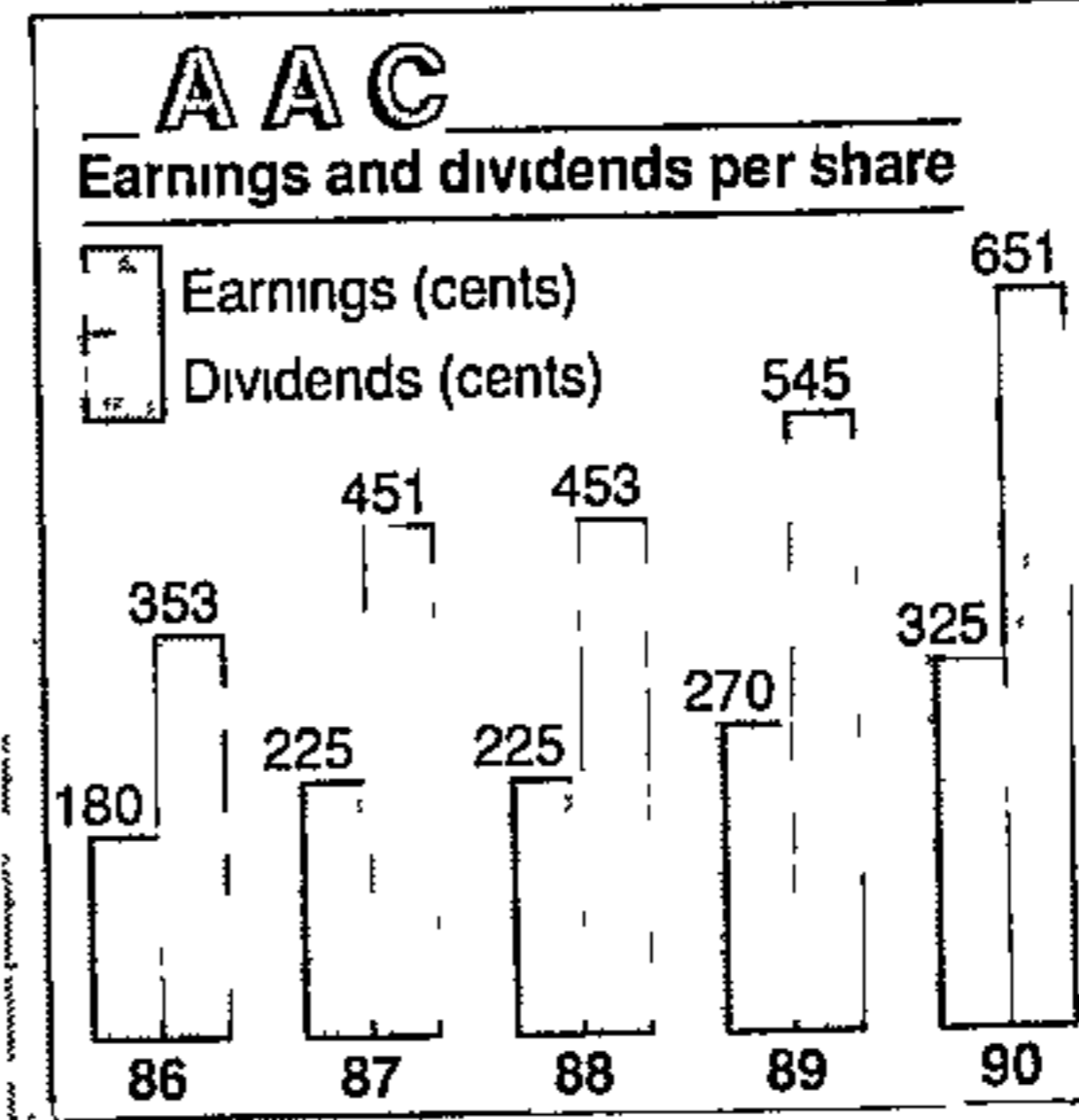
Earnings from gold mines comprised 24% of a new record R1,5bn in attributable income compared with 30% of R1,3bn in the previous financial year — a decline of about R18m, he said

The corporation's performance was "a tribute to the foresight which has built up a broad spread of investments able to provide sound growth despite the poor performance of (the gold) segment of that portfolio". Total dividend of 325c a share was 20,4% higher than the 270c a share for the previous financial year

"The immediate future is likely to see a period of consolidation, given the necessary economic slowdown coupled with lower price levels for many of the corporation's major commodities, particularly gold," he said

The only other sector about which Ogilvie Thompson expressed concern was the industrial sector. In the light of steps taken to dampen the economy and of lower commodity prices, it might prove difficult for this sector to repeat the 12,8% higher earnings of R563m for the year under review

Earnings from the investment in De Beers Consolidated Mines and the diamond trading companies comprised 28,4% of eq-



Graphic FIONA KRISCH Source AAC

uity accounted earnings, increasing 30,9% or R210m to R889m

"The arrangements between De Beers and De Beers Centenary have also added to the value of our investments in this sector. De Beers is currently looking forward to another satisfactory year"

Anglo American Coal's contribution to equity accounted earnings increased 65% to R132m as a result of improved export markets and its increased investment in Eskom business, he said

Rustenburg Platinum, Samancor and Palabora benefited from strong metal prices, contributing R302m to earnings compared with R200m in the last financial year and R140m the year before

Investments in the financial services

□ To Page 2

● See Page 10

## Anglo B10.01 5/6/90

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□ From Page 1

and property sector, notably First National Bank, Southern Life and Anglo American Properties, contributed R180m or 5,8% of equity accounted earnings and were expected to provide continuing satisfactory growth, he said.

Minorco, JCI and South American Investments, with lesser contributions from Goldfields and Gencor, provided the bulk of the R649m of the equity accounted earn-

ings contributed by the mining finance sector, while R43m more was spent on prospecting, which amounted to R181m, largely on gold in SA and in Europe.

Anglo was prospecting a number of shallow gold deposits in Spain, Italy and Turkey, but it remained to be seen whether they could be economically exploited.

● Picture: Page 3

● See Page 8

# Anglovaal and parent unveil record earnings

B/day 5/6/90

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BARRY SERGEANT

FINANCIAL, industrial and mining group Anglovaal and its parent, Anglovaal Holdings, have announced record consolidated earnings and dividends for the year ending June 30 1990.

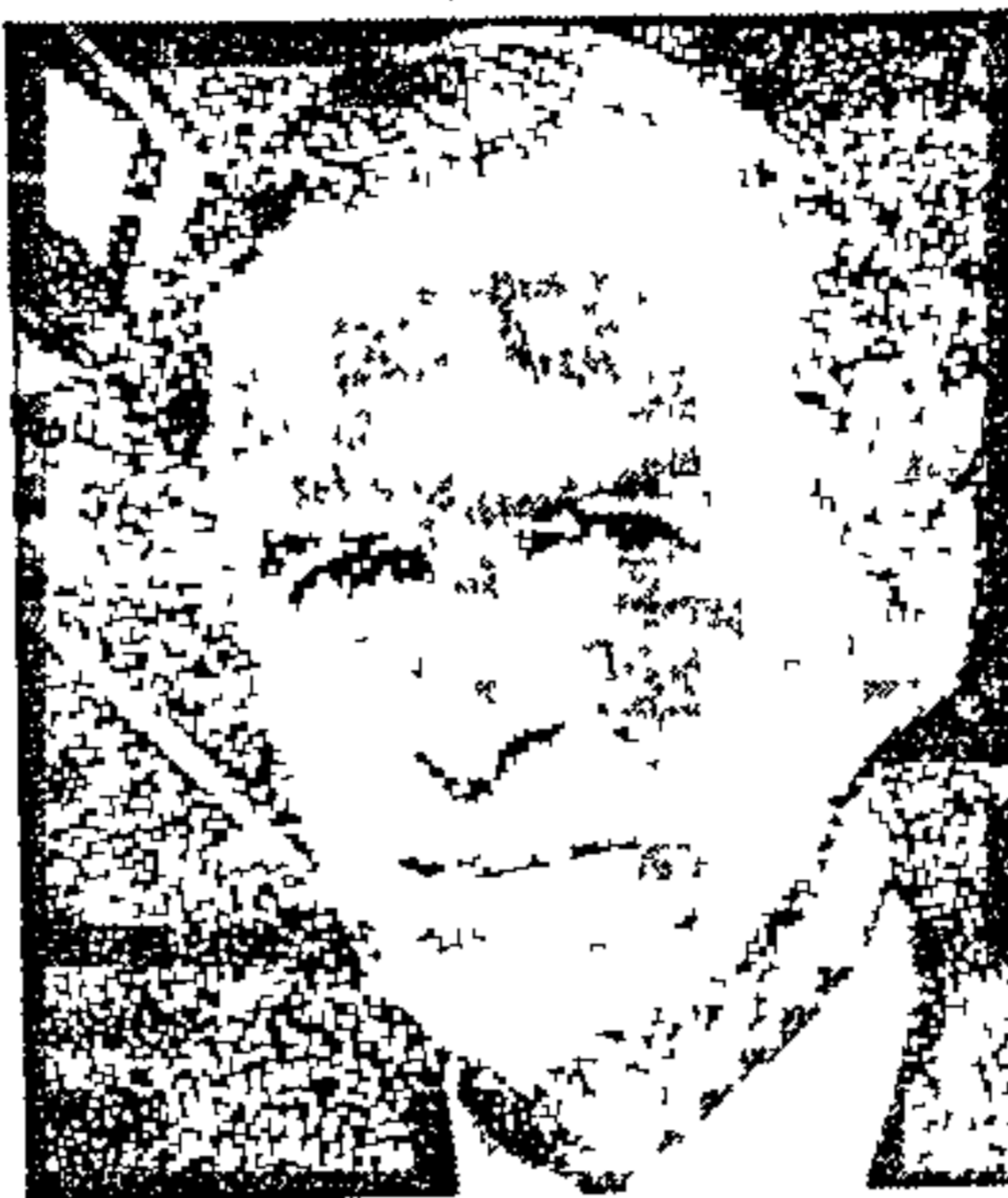
Deputy chairman Clive Menell says these were brought about by significantly higher equity-accounted earnings — mainly from Associated Manganese mines — while the forecast earnings from Anglovaal Industries (AVI) is also expected to rise, "even though Anglovaal's Holding in AVI is 6% lower at 60% following a change in AVI's structure"

Anglovaal's income from its gold mining investments decreased

Anglovaal has raised its final dividend 22% to 62c (51c) on its ordinary and "N" ordinary shares, the total dividend increased 21% to 92c (76c) Anglovaal's estimated consolidated earnings for the year were 27% up at R232m (R183m).

But individual share earnings increased 21% as a result of more issued shares following last month's "N" ordinary rights issue. The new "N" ordinary shares issued in the rights offer (raising R822m) are not eligible for the final dividend declared today.

Anglovaal mining investment com-



● MENELL

pany Midwits has declared a final 4c dividend, giving a total unchanged 6c dividend for the year. Midwits has announced estimated earnings of R26m (R31m) Midwits issued variable rate redeemable-cum-pref shares on June 30, raising its pref dividend payments by R7,2m.

Midwits chairman Clive Menell said dividends from gold mining investments were lower but the company's equity-accounted earnings were higher, mainly as a result of the cessation of losses related to the company's investment in Klipspruit Colliery, which has now been sold

Because funds from Midwits'

R439m rights offer will only become available later this month, the board resolved previously that the ordinary shares to be issued in terms of this offer would not rank for the dividend declared today

Anglovaal Holdings has declared a final dividend of 62c (51c) a share, giving a 21,2% rise for the year to 91,5c (75,5c) With the holding company's main revenue source its dividend income from its Anglovaal shareholding, it reported an estimated taxed profit 22% higher at R8,5m (R7,0m)

Meanwhile, Zandpan has reduced its final dividend to 11,5c (17c) a share, giving total dividends of 22c (30,3c) a share for the year With Zandpan gold mining company's main investment a 19,6% holding in the Hartebeestfontein Gold Mine's equity, its estimated consolidated profit for the year declined to R29m (R39m), reflecting the lower dividend income from Harties

Based on Anglovaal's ordinary dividends for the year, holders of Anglovaal unsecured variable rate subordinated loan stock will receive interest of 92c (76c) a unit, of which 40,5c was paid in January.

All the estimated profit figures are shown after the deduction of taxation, minority interests and preference dividends, but before extraordinary items.

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BIDAM 5/6/90

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# New technology 'could save SA mining industry millions'

PRETORIA — An accurate non-destructive evaluation (NDE) system to locate cracks in mine winder shafts and power generating turbines has been adapted by the CSIR for SA's mining industry.

The system, developed by British company Phoenix Inspection Systems Ltd for testing turbines in nuclear power stations, is the most advanced of its kind in Africa.

"This equipment will enable mines to locate any suspected cracks in mine winder shafts far more effectively than was possible previously," said CSIR project leader Charles O'Connor.

The adaptation of the technology was done at the request of the local mining industry by the CSIR's division of materials science and technology.

Inspections can be carried out during the course of a weekend. The system makes use of computer-evaluated ultrasonic echoes above the threshold of human hearing, and was recently used with complete success at a local mine.

GERALD REILLY

Any crack in a mine winder shaft potentially threatened the lives of workers as well as the mine's profits and production, O'Connor said.

Shutdowns resulting from efforts to locate suspected cracks in mine winder shafts could cost as much as R1m a day per shaft in lost production alone.

The new system, containing 18 ultrasonic transducers mounted in six arrays, can completely cover critical areas far more efficiently.

Said Dorbyl heavy engineering winder design chief engineer Errol Sparg "Access to this new technology means improved safety and profitability for our customers."

In September 1989 about 900 mine winder shafts were in use countrywide. Replacing one of these unnecessarily could cost about R10m in material and lost production costs, he added.

Common printer firms start joint venture

JOHANNESBURG — Anglovaal as well as its parent company — Anglovaal Holdings — have both announced record consolidated earnings and dividends for the year ending June 30, 1990

Anglovaal's estimated consolidated earnings for the year were 27% higher at R232,4m, compared with the previous financial year's R182,7m

However, individual share earnings increased by 21% as a result of the additional number of shares in issue following the suc-

## Anglovaal profits soar

cessful rights offer of "N" ordinaries last month

The company has raised its final dividend by 22% to 62c (1988/89 51c) on its ordinary and "N" ordinary shares. Combined with the higher interim of 30c (25c) a share, this brings the total for the financial year to 92c, being 21% higher than the previous year's total of 76c a share

The dividend was cov-

ered an unchanged 5,6 times by the record earnings

Commenting on the increased earnings, deputy chairman Clive Menell says that these were brought about by significantly higher equity-accounted earnings — mainly from the associated manganese mines — while the forecast earnings from Anglovaal Industries (AVI) is also expected to rise, even though Anglovaal's hold-

ing in AVI is 6% lower at 60% following a change in AVI's structure

Anglovaal's income from its gold mining investments decreased

The group's holding company, Anglovaal Holdings — the main revenue source of which is its dividend income from its Anglovaal shareholding — reported an estimated taxed profit that was 22% higher at R8,5m (R7m)

The company has declared a final dividend of 62c (51c) a share, giving a total for the year of 91,5c (75,5c) — a rise of 21,2%

The group's mining investment company, Middle Witwatersrand (Western Areas), has announced estimated earnings of R26,4m (R30,8m) and declared an unchanged final dividend of 4c a share, making the year's total an unchanged 6c a share. The dividend was covered 1,8 (2,1) times by earnings

Referring to the reduced earnings figure, Menell — the company's chairman — pointed out that because Midwits issued variable rate redeemable cum pref shares on June 30 last year, its preference dividend payments rose by R7,2m

He added that dividends from gold mining investments were lower but that the company's equity-accounted earnings were higher, mainly as a result of the cessation of losses related to the company's investment in Klipspruit Colliery, which now has been sold

With Zandpan Gold Mining Co's main investment being a 19,6% holding in the Hartebeestfontein Gold Mine's equity, its estimated consolidated profit for the year declined to R28,5m (R39,4m), reflecting the lower dividend income from Harties

Zandpan has therefore reduced its final to 11,5c (17c) a share, making total dividends of 22c (30,3c) a share for the year. — Sapa

# Anamint, Richemont spark JSE

By Jabulani Sikhakhane  
Anglo American Investment Trust (Anamint) and Richemont were major features on the JSE yesterday.

Anamint said yesterday that it would split its shares 10 for one towards the end of July, reducing the price to around R125.

Although the market had been expecting the announcement, it produced a R155 surge in the price — up from R1210 to a close of R1365.

By 11am yesterday the price had moved up R40,

although the announcement was not made public until 1pm.

Anamint chairman Julian Ogilvie Thompson said yesterday the split would bring the price in line with the share prices of the holding company Anglo American and its principal investment, De Beers.

Richemont, which now controls Rembrandt's former overseas interests, rose 35c to a new 12-month high of R25 — having touched a midday peak of R25,15. There were a number of considerations un-

derpinning the stronger market sentiment.

Some dealers said the share was buoyed by good profit figures from Dunhill Holdings, held 55,3 percent through Rothmans.

Dunhill's figures, which were released late last week, showed attributable earnings up 33 percent, compared with analyst forecasts of 26 percent.

However, Davis Borkum Hare analyst Pierre Greyvenstein said yesterday Dunhill was a small contributor (around 14 percent) to Rothmans pre-tax profits and therefore should have little impact on Richemont.

Rothmans contributes around 68 percent of Richemont's operating profits, but analysts say Rothmans' relative importance is rapidly declining as the

luxury consumer goods division is taking off.

Mr Greyvenstein said the Richemont results, due on June 27, were expected to be good, with earnings forecast to rise 33 percent in rand terms.

Another ongoing bullish factor is that Richemont is considered to be a "nationalisation hedge" since all its assets are overseas.

With the weak gold price expected to put the rand under pressure, the rand-hedge aspect also becomes increasingly attractive again.

There is also speculation that Rothmans is involved in negotiations with Dutch-based Theodorus Niemeijer, which manufactures pipe and cut tobacco and whose main markets are West Germany and Holland.

# Anamint announces share split

By Day 7/16/90

ANGLO American Investment Trust (Anamint) shares, which reached a new high of R1 365 a share on the JSE yesterday, will be split 10-for-one towards the end of July, chairman Julian Ogilvie

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RIAN SMIT

Thompson said yesterday.

At Anamint's AGM yesterday Ogilvie Thompson said the high level of the company's share price led the JSE to ask the directors to consider sub-dividing the company's shares to make administration of the shares easier.

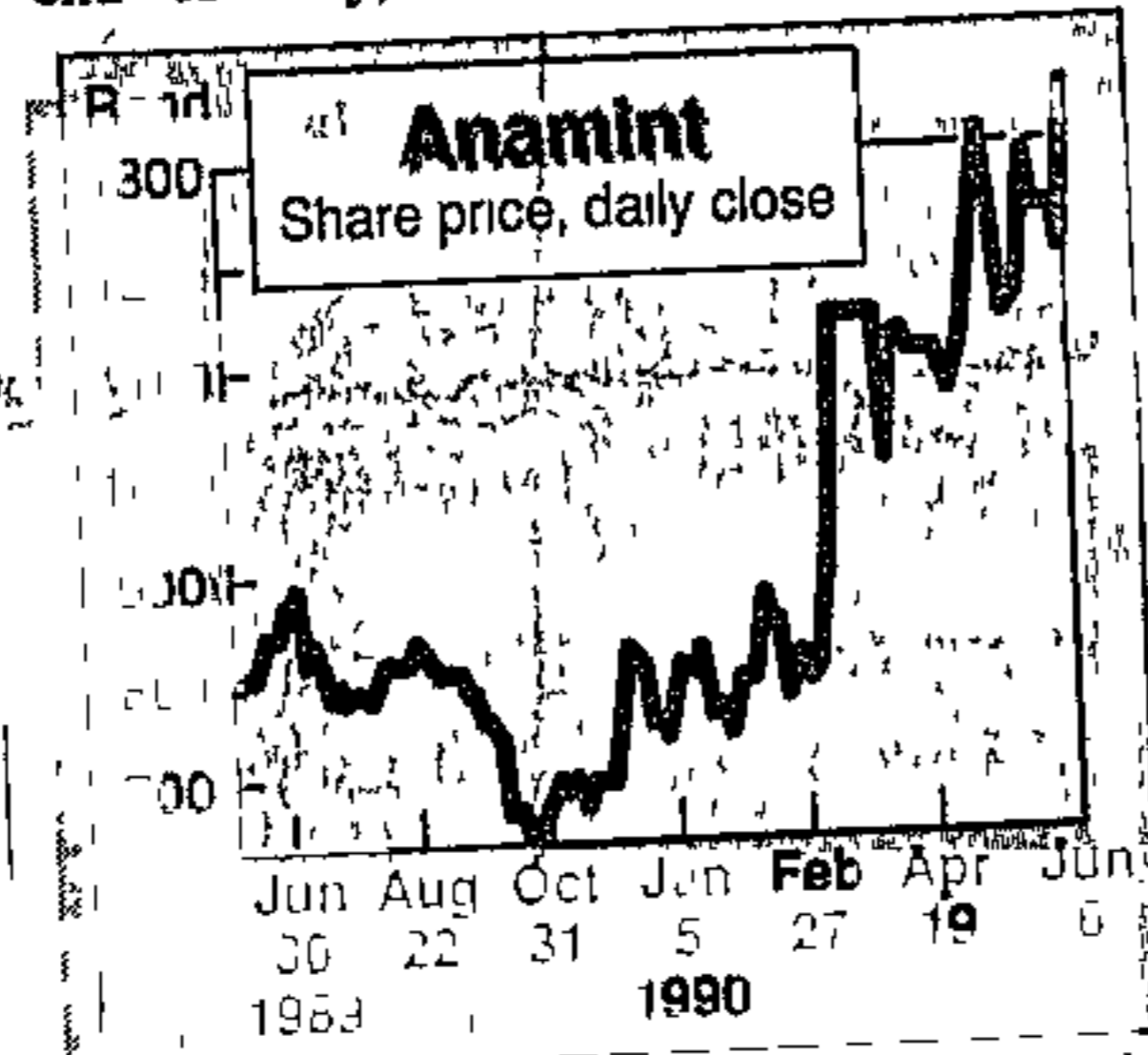
The share price jumped R155 yesterday on 400 shares changing hands in four deals to close at R1 365.

This is more than double its October 1989 low of R630 a share.

Ogilvie Thompson said the split could be expected to reduce the share price to around the R125 level.

This would be in line with the share prices of its holding company Anglo American Corporation and its principal investment De Beers.

The announcement yesterday followed months of market speculation about a share split and denials by Anglo.



Graphic: FIONA KRISCH Source: JSE

# Major SA firms hit hard by recession

w/Manf 8/6 - 14/6/90

(210)

THE economic downturn is beginning to show in the profits of South Africa's conglomerates, several of which have reported poor financial results lately.

Barlow Rand's profits have fallen, as have those of smaller industrial group Fedvolks. Gencor's industrial arm, Malbak, has shown only limited profit growth. Anglo American this week reported healthy results, although much of this came from diamonds and other commodities.

Barlow Rand's 700 companies cover almost every sector so that its performance is a microcosm of the economy itself. Traditionally Barlow's earnings have correlated pretty closely with the economic cycle.

It recently reported a nine percent decline in bottom line profit for the six months to the end of March — at the same stage last year it reported a 40 percent increase.

Barlow's Middelburg Steel, which was hard hit by a major slump in the stainless steel market, was much of the reason for the group's profit decline.

Industrial companies such as Nam-

By ANN FRIEDMAN

pak (packaging and paper) and Romatex (textiles) also contributed less to Barlow's earnings and even its food interests, through CG Smith (which include Tiger Oats), saw profits up by only 10 percent. One which did well, however, was pharmaceutical group Adcock Ingram. But Barlow's troubled gold mine interests in Rand Mines, which include the endangered ERPM, lowered their contribution to group profits.

About 30 percent of profits came from mining and minerals, a further two thirds from industrial interests, and eight percent from Barlow's activities overseas.

Barlow's results, being for the latest six-month period, are probably a better indicator of what's happening in the economy at present than are those of Anglo American, whose results reported this week are for its full year to March.

Anglo reported its profits had increased by 20 percent for the year, but much of this was earned by De Beers, in which Anglo has a 33 per-

cent stake. The booming diamond business, which increased its profits by 31 percent to R889-million, made more of a contribution to Anglo's record R1,5-billion profit than did its gold mines, troubled as they have been by a falling gold price and rising costs. Diamonds accounted for 28 percent of the group's profit while gold dropped to 12 percent.

Its overseas investments — through Minorco and Anglo South America — made substantial contributions to profits as did commodities, such as platinum (through Rustenburg Platinum) and vanadium (through Highveld Steel).

Profit growth in the second half of the year was, however, slower than in the first, and chairman Julian Ogilvie-Thompson this week forecast a period of "consolidation", with commodity prices falling and profits in the group's industrial companies likely to be negatively affected by the economic slowdown.

Some of the bigger industrial companies in the Anglo stable are AECI, South African Motor Corporation, (Samcor), Mondi Paper and Tongaat



# Anglo polishes the new era

SI Times 10/6/90 210

THE decision at 44 Main Street that the dawning of the De Klerk era meant it was time to come out of the pariah closet and hang out more flags has been manifest in several ways.

Anglo American's first move has been an intensive — and costly at a reported total of £5-million — advertising campaign in quality British newspapers.

Its message has been a mixture around the focal point of post-apartheid South Africa and what Anglo has done, is doing and wants to see done to ensure that political change will not mean economic deterioration.

We have yet to welcome former chairman Gavin Relly in the role of ex officio ambassador at Anglo's reopened London office

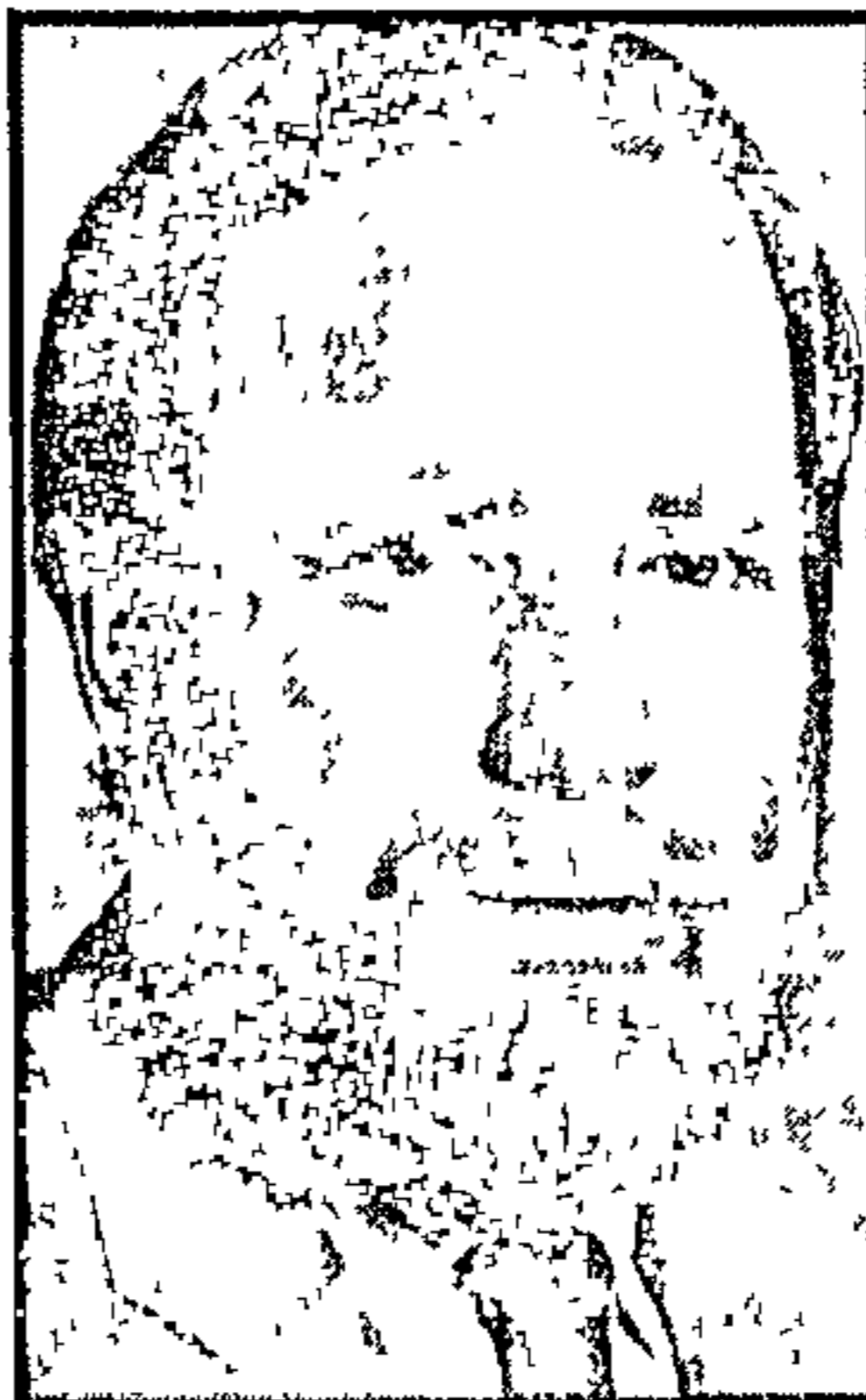
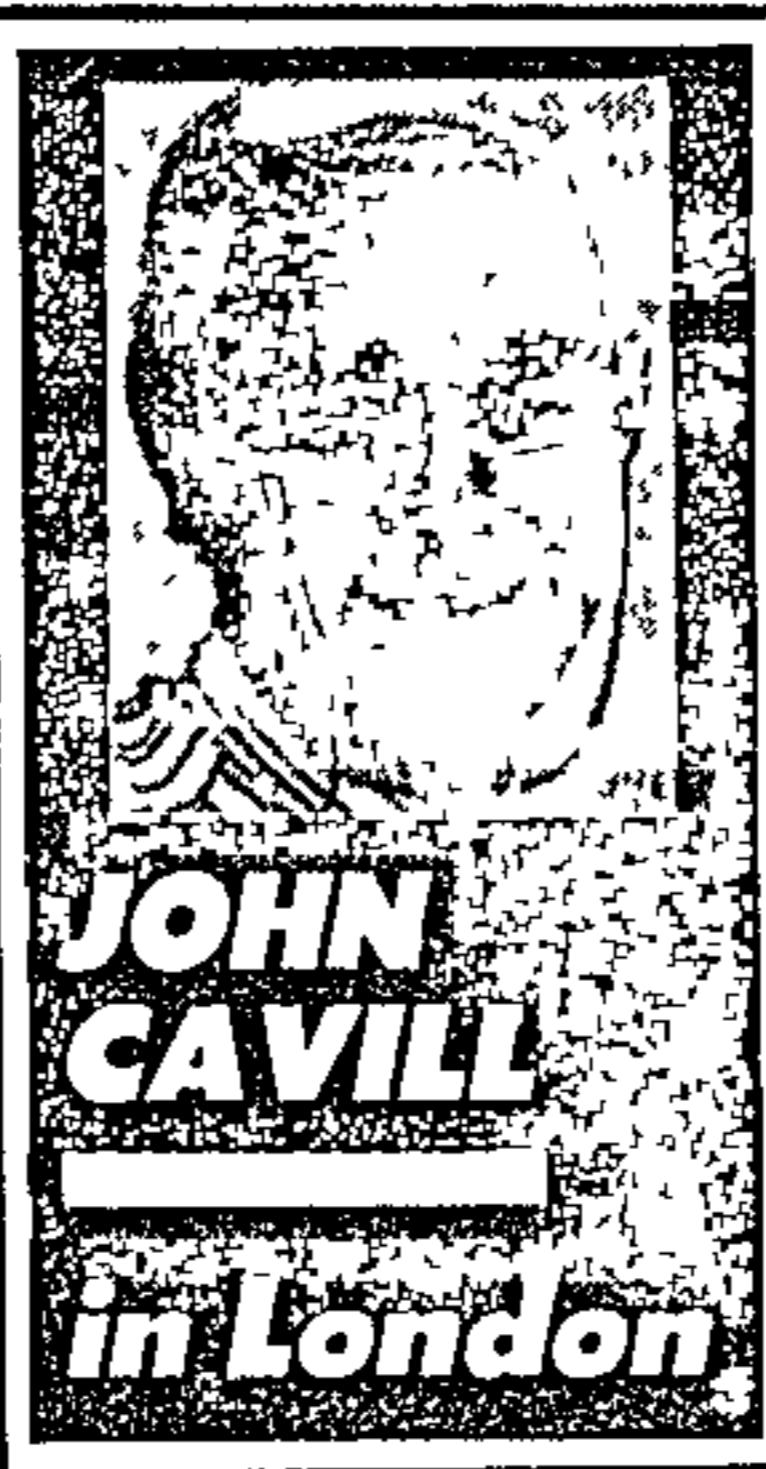
Almost axiomatically, the tangible impact of Anglo's campaign is hard to determine, although its public relations men report encouraging interest from people wanting to read the facts booklet offered in the advertisements.

De Beers, however, will be hoping for something more easily discernible from two presentations at which chairman Julian Ogilvie Thompson, along with deputy Nicholas Oppenheimer, will star in London this month.

## Estimates

On June 19, Mr Ogilvie Thompson will face the Society of Mining Analysts (180 members) and the following day will speak to European and British institutional investors at the offices of Warburg Securities (formerly Rowe & Pitman), broker to De Beers.

In spite of the years of disinvestment, De Beers remains a significant international share and far and away the biggest single SA element in foreign portfolios



Co-star NICKY OPPENHEIMER

Last year, according to Euromoney, the monthly capital markets magazine, international trading in De Beers amounted to \$1.6bn, ranking it 27th among the 300 top "cross-border" stocks in the world.

On current estimates about 25% of De Beers' 365-million deferred shares — excluding the shares owned by Botswana — belong to foreigners. It could well have risen since the unveiling of the stapled De Beers-Centenary shares in March.

Equity markets may have wavered and the gold price has headed south, but De Beers is holding virtually all the 60% gain its share price (in dollars) has chalked up from the low point this year.

No international equity index can match that — nor many globally traded shares.

Warburg's Ewan Worthington, who organised the presentation and has invited 250 investment managers, says: "We decided to do it because, since the advent of Centenary, De Beers has become an even more international share. We think the group has a positive story to tell.

"Its performance has been impressive."

## Scheme

Top of the list of questions Mr Ogilvie Thompson will encounter will undoubtedly be the issue of unstapling Centenary from De Beers to give investors a wholly non-SA earner with the unique quality of being an almost pure diamond investment.

However, since the failure of the Syfrets Trust scheme to offer investors the choice of holding De Beers or Centenary, talk in London of a similar plan has subsided

In the first place, the process of accumulating enough De Beers to make a liquid market in the two halves — by authorised depository receipts — would drive the price even higher.

In any case, some analysts reckon that De Beers-Centenary joint units already offer such good value that they warrant buying, especially on any price correction, without resort to unstapling devices.

## Earnings

De Beers' ability to raise diamond prices this year took many by surprise and forecasts here of equity-accounted net profits of more than \$1.8bn this year — 80% derived outside SA — put the shares on a prospective price earnings ratio of a little more than 5.

That is about half the rating accorded to British mining giant RTZ, subject to the fluctuations of base metals and gold, and the dividend yield is almost identical.

# Anglo polishes

## the new era

SI Times 10/6/90

210



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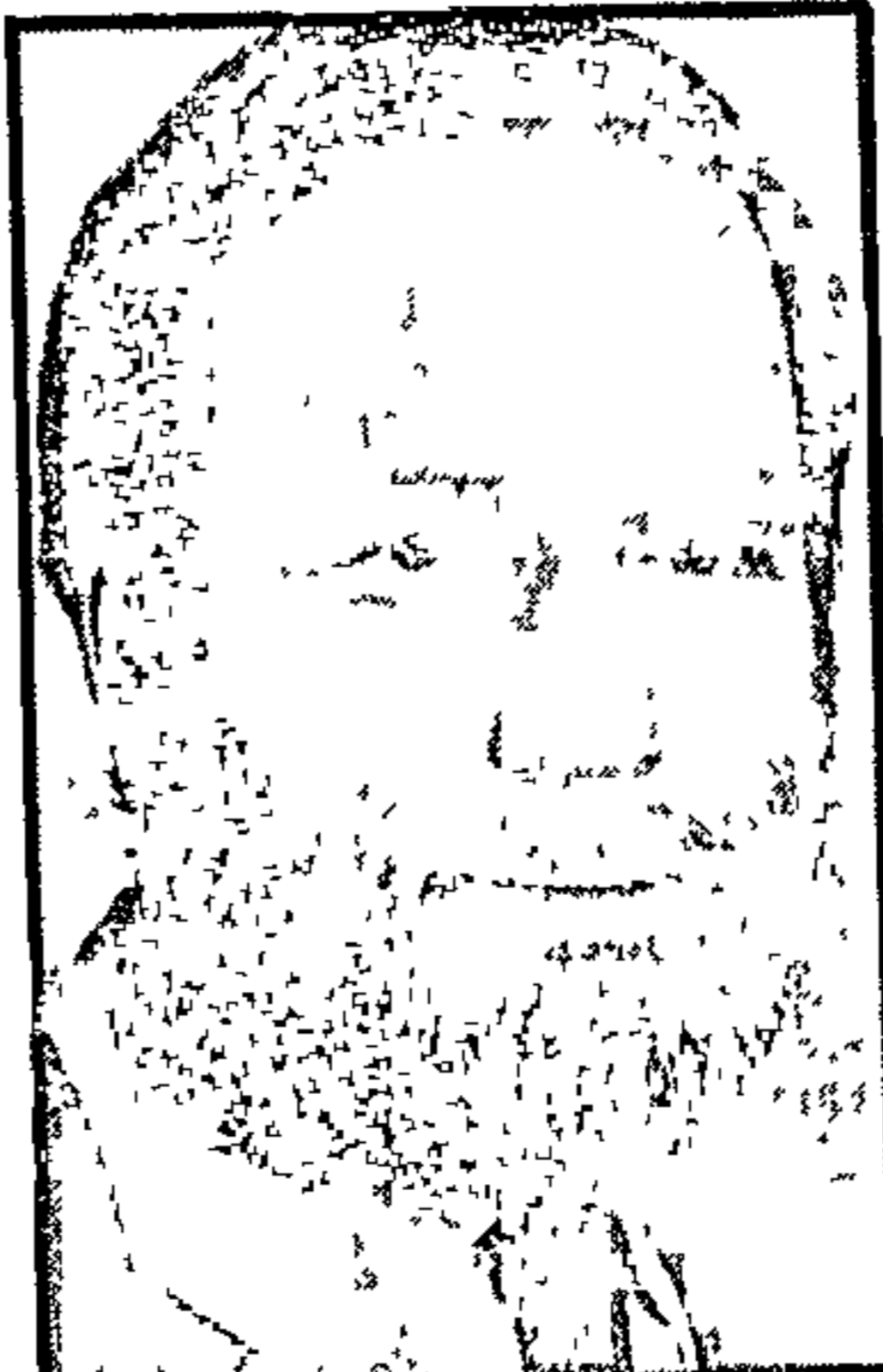
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11/19/69 (212)

## Award is an historic first in SA mining

By Therese Anders,  
Highveld Bureau

An historic first in South African mining was the awarding of the industry's Apprentice of the Year award to Julian Nair, the first non-white miner to receive the title.

Mr Nair (20) received the award from Chamber of Mines president Ken Maxwell on Friday during a ceremony at the Colliery Training College in Witbank.

Mr Nair grew up in Dannhauser, a Natal coal mining town, and began his apprenticeship at Durban Navigation Collieries after being head prefect and dux matric student at nearby Dundee Secondary School.

Although no one else in his family had been connected to the mining industry, he joined up as an apprentice electrician "because I've always been interested in electrical stuff."

With his outstanding apprenticeship results — 99 percent for maths in his N5 trade test — Mr Nair has decided to further his studies when he completes his apprenticeship in a year's time.

After completing a degree in electrical engineering he intends to return to the mining industry.

"And I hope I'll be able to play a role in the future of the country's mining activities," he says.

"Being an Indian has never been any handicap to me in the industry. I really do urge blacks to do an apprenticeship on the mines because there is now so much scope."

# No need for interest rates to be raised

Sten 14/6/90

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By Sven Lünsche

The slump in the gold price to under \$350 yesterday will have some serious implications for the economy — but the Reserve Bank has ruled out a further rise in interest rates.

Professor Jan Lombard, senior deputy Governor of the Bank, said yesterday: "We have no intention at this stage to raise the Bank rate in view of the decline in the gold price."

Professor Lombard was responding to a warning by UBS managing director Mike de Blanche earlier this week, that if gold fell any further, there could be a rise in interest rates, despite a slowing in the economy.

However, Professor Lombard pointed out that there was no need to depress domestic expenditure that much further "as there have already been definite signs of a downturn in consumer spending as well as a decline in demand for new credit finance."

"Even if the gold price fails to recover from its current levels the loss of foreign exchange will not be disturbingly large," he said.

He added, however, that the surplus on the current account would be somewhat smaller and the intention of building up the forex reserves would have to curbed.

## Strict controls

But the Bank is likely to maintain strict control on the money market.

"The tight situation on the market is still acceptable to us as there are some factors easing up on the liquidity in the market."

On Tuesday the Bank called a special tender of R200 million six-day Treasury Bills to drain excess liquidity from the system.

The three-month BA rate subsequently held around 18,3 percent, while the Reserve Bank indicated the market shortage at just under R2 billion yesterday, compared with R1,82 billion last week.

# Stable rand puts pressure on mines

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14/6/90

By Derek Tommey

Gold opened in Hong Kong today at a four-year low of \$350,85 amid intense speculation in Johannesburg over how much longer the rand would continue to trade at R2,66 to the dollar.

In the past four months the dollar-rand rate has been remarkably stable in the face of the sharply lower gold price — in contrast to 1988 when gold fell from \$480 to \$400.

However, in 1988 the rand exchange rate also fell, with the result that the rand gold price actually appreciated — offering much needed comfort to the gold mining industry.

In 1988 the rand gold price started the year at around R940 an ounce. After a temporary dip followed by a strong rally, the rand gold price closed the year at around R980.

This time its behaviour has been completely different. On February 20, when gold was \$420, the rand was R2,53 to the dollar. Since then gold has fallen \$70, or 16 percent, to \$351, but the rand has fallen only 4,7 percent to R2,66.

The result is that since February 20 the rand gold price has declined about 12 percent — from R1065 an ounce to R935.

This, its lowest level for two years, seriously threatens the viability of many mines.

Currency dealers said last night that the Reserve Bank had been supporting the rand exchange rate. Without this intervention the rand would have fallen much further against the dollar.

However, they doubted whether the Reserve Bank could continue indefinitely to prop up the rand if gold dropped below \$350.

Any further slide in the rand gold price would leave the mining industry in serious trouble. Dealers said, therefore, they could not see the Reserve Bank continuing with its current exchange rate policy. They felt it would have to allow the rand to fall in order to give the mining industry some respite.

But there is considerable doubt among economists whether Dr Chris Stals, Governor of the Reserve Bank, will be in a hurry to lower the exchange rate because

it would stimulate inflation, which he is determined to fight.

A lower rand exchange rate would quickly lead to an increase in the cost of imported goods, especially petrol, thereby generating more inflation.

At the end of the day, any benefits the mining industry and the economy might have received from a devaluation would quickly dissipate.

It is now generally recognised that this was the unfortunate result of the 1988 slide in the rand. So it seems that as long as he has money to defend the rand, Dr Stals will do so. And he has a fair amount available.

In the four months to April, SA had a trade surplus of R4 billion, despite the lower gold price.

While much of this will go to repaying foreign debt, some will be left for other purposes.

And, who knows, perhaps the stability of the rand and recent political developments might attract an inflow of foreign capital. It is something that could happen.

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## Anglo agrees on share swap

by Sam S. G. 90

ANGLO American Corporation has agreed to an arrangement which will enable holders of "S" shares in Ergo and Western Deep Levels (WDL) to exchange them with the corporation for ordinary shares in those companies, it was announced yesterday.

WDL option holders can, in terms of the arrangement, also elect to receive ordinary shares.

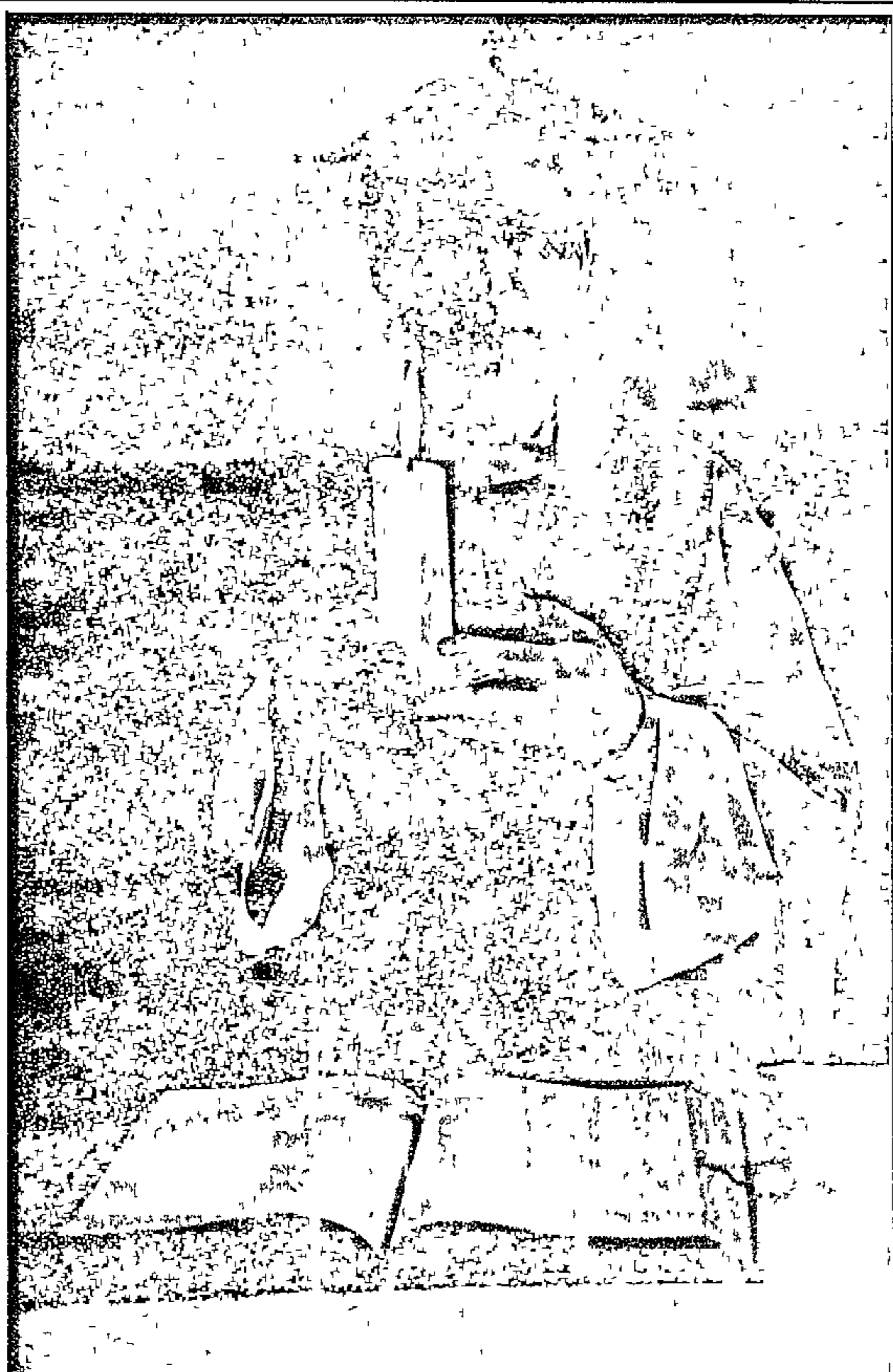
Although there is no practical difference between "S" shares and ordinary shares, the investing community perceives that there is, and the former generally trade at a discount to the latter.

"S" shares were created in 1987 in response to US legislation which prevented US nationals from acquiring capital in SA companies issued after October 2, 1986.

—Sapa

# 8 000 gold mine jobs on the line

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**UNITY PRAYER** Father Eamon O'Reilly's prayer is that today, June 16, be used as a day of unity. A commemoration will be held at Regina Mundi today. ● Photograph Herbert Mabuza

## Low price may force cutbacks, warns Anglo

**SVEN LUNSCHÉ**

**ANOTHER** wave of widespread re-trenchments at South Africa's gold mines is looming as the gold price shows little signs of recovering from this week's four-year low.

Adding to the gloom of recent layoffs, Anglo American announced yesterday that up to 8 000 employees could lose their jobs at the world's biggest mining complex, Freegold, if gold failed to rebound from its current levels.

Gold was fixed yesterday afternoon in London at \$346.90, slightly up from Thursday's close of \$345.80.

The managing director of Anglo American's gold and uranium division, Lionel Hewitt, said about 7 800 workers faced retrenchment as Freegold curtailed operations at its South Region.

### Discussions invited

"At current gold prices and operating costs, certain mining areas were now incapable of sustaining mining operations at their present levels, and steps will be taken to curtail these operations over the next nine months," Mr Hewitt said.

He added that management had invited discussions with representative bodies of employees who would be affected by the curtailment of these operations.

Mr Hewitt said that operations at other Anglo American mines could also be affected.

"Vaal Reefs No 6 and No 7 shafts will be curtailed, together with underground operations at Afrikander Leases, but this would not necessarily result in loss of employment," he said, adding that where possible, employees would be re-deployed within other shafts at Vaal Reefs.

The entry of Freegold on to the list of gold mines operating at a loss at the current gold price has alarmed the industry, already battered by retrenchments this year.

Chamber of Mines figures released this week show that 25 400 people were retrenched in the first three months of this year.

Lay-offs have accelerated since then, and last week marginal producers Stillfontein and Loraine announced the retrenchment of 1 100 people.

In response to the slump, the mining industry has called on the Government to urgently examine a strategy to aid the beleaguered mines.

A report on the Government's strategy towards marginal mines, however, will only be released for public comment early next month, Deputy Finance Minister Dr Org Marais has said.

## TV fees set to rise to R96 a year

**CHRIS MOERDYK**

**TELEVISION** licence fees are soon to be increased to R96 a year after Government approval of the SABC's application. It is believed that the Cabinet took the decision on Wednesday and that an official announcement is due this

## Parents defy DET's order to leave

**EIGHT** Soweto parents on hunger strike at the Johannesburg offices of the Department of Education and Training (DET) yesterday defied an order from the Minister of Education and Development Aid, Stoffel van der Merwe, to leave the building.

The eight, members of the Soweto Education Coordination Committee, occupied the building on Monday after talks between themselves and DET officials broke down. They said they would not leave until each Soweto pupil was provided with a text book.

At 12 15 pm yesterday, Mr Peet Struwig, director of the DET's Johannesburg region, delivered notices to

Star 16/6/90

**JOVIAL RANTAO**

the parents' delegation ordering them to vacate the building within an hour.

"Your continued presence in the building is unlawful, notwithstanding your motives for such conduct," said the letters, which were signed by the State Attorney, Mr J F Zwiigelaar.

Mr van der Merwe warned the delegation in the letters that if they did not comply with the order, he would make an urgent Supreme Court application to

● TO PAGE 2.

# 180 000 miners may lose their jobs

C/Press 17/8/90

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By PATRICK MAFAFO

ONE hundred and eighty thousand workers employed at 17 low-profit gold mines may lose their jobs if the price of gold continues to fall.

The Chamber of Mines, which released these startling figures to *City Press*, said the mines are on the Reef and in the Free State.

They are a source of income to many others besides mine workers.

Closing the marginally profitable mines will result in a lot of suffering as these workers cannot easily be absorbed into other industries.

External affairs general manager for the Chamber of Mines Johan Liebenberg said the rand price of gold was less than production costs.

Peter Bunkell of the Chamber said at the price of R32 000 a kilo in 1989, seven mines were operating at a loss. Taking into account inflation of 15 percent, 17 mines would now be producing at a loss.

Anglo American could lay off nearly 8 000 employees at Freegold's South Region.

Gold and Uranium Division managing director Lionel Hewitt said at current gold prices and operating costs, certain mines could not sustain certain operations which would be stopped over the next nine months.

He added that management had invited discussions with affected worker representatives. "At Freegold South Region this planned curtailment is likely to involve the reduction of 7 800 employees."

At the time of going to Press, the closing price of gold stood at 347 dollars - which translates to about R29 000 a kilo.

Gold represents just below 40 percent of the country's exports, and the gold price is controlled by supply and demand. Higher sales lower the price.

Factors which led to the price slide are:

■ Demand for jewellery is slack and retail sales in major markets, such as the US, have slumped;

■ Soviet Union sales are flooding the market. It is estimated over 300 tons of gold have been swapped for foreign loans;

■ The Middle East has entered the market because of the weakening oil price; and

■ Relations between the East and West have improved.

Gold analysts are talking of the price sliding to lows of 320 dollars.

The London-based *Metal Bulletin* attributes the price slide through the psychological 360-dollar mark to rumours that Japanese banks have been approached by the Soviet Union to use gold as collateral on loans totalling

255 million dollars to cover external debts.

Dark days are ahead for miners because other big industries which would have absorbed them also face a bleak future. The unemployment figure already stands at six million.

With economists estimating economic growth as low as one percent, the more than 200 000 people who flood the job market each year have bleak prospects.

Economists point out that growth of five percent a year is needed to meet the demands of these future job seekers.

World-famous  
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MENTHOL FRESH T



# Trusting in good management to get through tough times

LINDA ENSOR

BUSINESSMEN are in for a tough time in the next 12 to 18 months, believes Marinus Daling, chairman of the massive Sanlam subsidiary Sankorp, which controls assets worth over R50bn.

But in the long term socio-economic developments in the country and the world will present opportunities for SA businessmen. Daling foresees slower economic growth and high real rates of interest internationally and in SA, where a period of continued instability is likely.

"We have seen an increase in stayaways and tension on the shop floor which inevitably has an effect on productivity and confidence and therefore on the likelihood of people spending money.

"Government is busy trying to get inflation out of our system and to eliminate artificial ways of propping up businesses. That doesn't happen without pain. And unfortunately we have a weak gold price at the moment.

"I believe it is inevitable that businessmen will have to look very hard at the cost side of their businesses."

Daling says those industries closest to the consumer will be hardest hit, though exporters will not enjoy a safe passage through the rough ride.



● DALING ... a positive outlook.

Sankorp has a controlling stake in Gencor, which represents 55% of its total assets. Through Gencor, Sankorp controls Genbel, Gengold, Trans-Natal Coal, Samancor, Impala Platinum and Messina, as well as 15 individual mines in the group.

Daling says Gencor management believe mines

should be run like any other business. They are not working on the assumption that any of the group's marginal mines will have to close down, though obviously all mines must at some point come to the end of their working lives.

"A flexible approach is adopted at these marginal mines. Personally I don't think it will be necessary to close down any though it will be necessary to continue to run a tight ship.

"Because we are approaching the mines from a business viewpoint we don't have a critical cutoff point where we say that at this gold price we will not continue running a mine. What we do is to make more and more adjustments and become more clever and more flexible," he says.

"The gold price is a commodity subject to continued price changes and it would therefore be wrong to base a fundamental decision such as closure on a short-term view of the gold price."

Retrenchments and cut-backs in production will obviously be necessary to save the marginal mines, he adds. Evidence of this has already been provided

by the announcement that Gencor's marginal Stilfontein mine is to retrench 500 workers.

But while the immediate scenario is sombre, the long-term outlook is promising to business, Daling believes — provided that the economy remains a free enterprise one.

He pinpoints three key areas of growth: the provision of basic necessities to improve the quality of life of the black community, exports and the beneficiation of metals and minerals.

However, before embarking on an explanation of his views, Daling insists on a proviso: "I am not so much a believer in good industries and bad industries. I am a believer in good management and not so good management."

## Basic

Future growth of the economy will, Daling believes, take place in those sectors geared to the improvement in the quality of life of those large sectors of the SA community who have been "left behind".

"If you look at black spending patterns, you see that black people are spending most of their money on food, transport, housing, health and clothing. These are basic necessities of life and people will spend more money on such items as their disposable incomes rise."

Another element of the improvement in the quality of life is increased electrification of metropolitan areas, with its corollary of an extended use of home appliances.

The highly diversified Sankorp, which is represented in almost every sector of the economy and employs more than 450 000 people, is well placed to take advantage of these opportunities.

In industry it has major holdings in, for example, Siemens, Conshu, Plessey SA, Sentrachem, Datakor, and Automakers (Nissan). Through Gencor it controls Engen and Sappi.

It has a controlling interest in Malbak and its subsidiaries and in Federale Volksbellegings and its subsidiaries including Fedfood and SA Druggists.

In the wholesale and retail trade it controls Trade-

gro and its subsidiaries, as well as Ellerine (via Malbak), and is represented in the engineering, construction, transport and property industry through its interests for example in Murray & Roberts, Umtrans, and via Malbak in Haggie and Blue Circle.

Daling also predicts that black people will become increasingly involved in the financial services sector (insurance and banking) and here again the enormous group is well placed.

As regards exports, including the beneficiation of metals and minerals, Daling says "I think this needed to be promoted within the group. At board meetings we urge people to take a long-term view of exports and invest more time and money in them."

He stresses that expansion initiatives within the group are decentralised with no prescriptions on strategies coming from Sankorp itself.

Capex on group level for projects under way — including the expansion of the sub-vertical shaft at Winkelhaak — exceeds R2bn.

Both exports and expanding the "quality of life" market, are tied, in Daling's view, to SA's role in Africa. "Africa south of the Sahara needs SA now more than ever. The world's attention is now on Eastern Europe and the Soviet Union, and potentially in mainland China which I believe will be the next country to open up."

## Expertise

"The amount of capital and expertise that those systems will require is so huge that there will be little left for Africa, which runs the risk of becoming 'the forgotten continent'."

"SA will be able to keep the prospects of multinational companies heavily engaged in the northern hemisphere alive in Africa. I think they will have to do so through SA and thus will create tremendous opportunities for us."

The immediate obstacle to Daling's vision is, he says, the dismantling of apartheid in a way which preserves a free enterprise system — a subject he can engage you in for several hours if he had that much time to spare.



Violent situations such as those experienced in the Welkom area have brought to light a number of important issues that need urgent managerial attention. Unless through understanding and effective management practices, we can restrain and control such deep rooted passions as those unleashed on the Free State Gold Fields, we may well find violence dictating the course of the future.

This new, powerful and provocative conference will provide you with

a) A framework to use in understanding the deep struc-

# Chamber vows to attack mine racism

210

Star 20/6/90

The mining industry has a key role to play in progress through the development of a common recognition of the dignity and worth of every person **MICHAEL CHESTER** reports.

The Chamber of Mines yesterday pledged to press ahead with attacks on racial discrimination on all fronts

Chamber president Kennedy Maxwell told the annual meeting in Johannesburg that the mining industry had a key role to play in the fight to remove all vestiges of job reservation and remnants of old colour bars

He said sound progress was being made at all levels. More than 6 000 mine jobs that had in the past been the domain of whites only had now been filled by black, coloured and Asian employees

Since the removal of Government restrictions in July 1988, some 580 workers of colour had obtained blasting certificates — once exclusively reserved for whites — and about 400 employees had moved into jobs at artisan levels that used to be inside a strict colour line

"The demographics of South Africa mean we will simply have to find and develop considerably more management talent from all sectors of the population," Mr Maxwell said

"As we increase productivity throughout the economy, so we will increase the wealth generated. And it is from this source that the distribution of wealth will be broadened."

Mr Maxwell said Verwoerdian educational policies had left a legacy of illiteracy for half the population while half the pupil population was not at school.

He stressed the need for vocational orientation in studies to provide the technically trained manpower needed for the future

"Ultimately," he said, "prosperity must depend on human rather than on mineral resources. I think it is no exaggeration to say that our future constitutes a race between education and disaster

"Private enterprise has to be involved in that race, which calls for the development of a relevant and legitimate educa-



Kennedy Maxwell . . . "prosperity must depend on human rather than mineral resources".

tion system for South Africa

"To that end the Chamber of Mines has upgraded its education advisory committee and a concerted effort is being made to focus the industry's assistance in the field of education and training so as to match its future requirements.

"It is worth noting that the mining industry spends upwards of R300 million annually on training — and millions more on subsidising external education programmes and institutions"

## Non-racial

Progress had also been made on other fronts, such as in negotiations with the Council of Mining Unions and on the admission of skilled people of all races to the Mines Benefit Society

The society's executive committee had now tackled the job of drafting an entirely new non-racial constitution

The battle still meets with opposition, however

Mr Maxwell said there was still a dispute over the refusal of the CMU to accept workers of all races in the Mine Employees Pension Fund

The chamber had won an Industrial Court ruling that obstacles must be removed. But the CMU had appealed — and the outcome was still awaited

The Industrial Court had also ruled in favour of the chamber over the refusal of the Mineworkers' Union to allow members to assist in the training of coloured winding engine drivers. An appeal had been lodged by the MWU and again a final ruling was still awaited

"If we can facilitate the process of change in this industry," said Mr Maxwell, "and if we can effectively manage the natural conflict of fears and expectations, we will make a vital contribution to the task of building the new South Africa

"The key to progress lies in developing a common recognition of the dignity and worth of every individual in the workforce"

# 20 gold mines now facing loss situation

By Michael Chester

20/4/90  
New surveys by the Chamber of Mines have revealed that the number of gold mines threatened with operating at a loss because of the collapse of the bullion price has grown to 20 — with a combined labour force of more than 200 000.

The growing threat was disclosed by Kennedy Maxwell in his presidential address at the annual meeting of the Chamber in Johannesburg yesterday.

As the warning was being delivered, the gold price was still struggling below \$350 an ounce on world markets, its lowest in four years.

Mr Maxwell warned that unless there was a dramatic improvement in the bullion price, total gold production — at a peak of 1 000 tons a year in 1970 and already down to 608 tons last year — looked likely to fall as low as 600 tons or even 580 tons for 1990.

Production at the 20 mines on the sick list had been running at about 210 tons, worth no less than R6,3 billion a year in total foreign exchange earnings.

But Mr Maxwell made it plain the actual closure of any of the mines would be considered only as a last resort. "Closing a gold mine is a traumatic and difficult

business," he said.

"Not only does it give rise to the demise of thousands of jobs but it invariably means that even if the gold price were subsequently to recover the mine could have to be closed permanently."

A lowering of the rand exchange rate would help a number of the mines, but the danger was that inflationary pressures would be encouraged rather than curbed.

However, the situation was more positive in the coal mining industry. According to Chamber estimates nearly 50 000 new jobs could be created by the lifting of sanctions on coal exports and a positive economic growth rate.

Mr Maxwell said the result could be a dramatic climb in total coal production to as high as 230 million tons a year by the end of the 1990s.

He said it would mean the direct recruitment of 29 000 more mineworkers by the collieries themselves, and the creation of an additional 18 000 new jobs elsewhere in the economy.

The coal mines had already achieved new export records, with overseas sales last year jumping to 47 million tons, bringing in R3,6 billion in foreign exchange, or R800 million more than in 1988.

Star 20/6/90

# Talks on pay at mines set to end soon

Staff Reporter

Conciliation board talks between the Chamber of Mines and the National Union of Mineworkers (NUM) over demands for wage increases in the industry are expected to wind up next week.

The board met for five hours yesterday to hear evidence from mine employers and the NUM on union demands for wage increases ranging between 20 percent and 32 percent.

## Assurances

Meetings would continue next week, a Chamber spokesman said.

So far, employers have offered increases of between 13.5 percent and 16 percent.

The Chamber has given assurances that employers will not use the collapse of the gold price as a weapon during negotiations.

# NUM calls for inquiry into mining industry

Staff Reporter and Sapa

The National Union of Mineworkers (NUM) has called on the Government to launch a commission of inquiry to investigate the gold mining industry

The NUM was deeply concerned at the current crisis in the industry which threatened the jobs of about 12 000 mineworkers, the union said in a statement

"At the base of the crisis lies the policy of economic mismanagement and serious lack of social responsibility towards miners," the statement said

"It is our belief that the NUM, Government and mine-owners have a collective responsibility towards miners. Production of a commodity which has a fluctuating value like gold necessitates that the parties involved be highly conscious of the change of fortunes related to the market forces"

The NUM would explore all available avenues to ensure "that miners are not going to be dumped by mine bosses without struggle"

Only the nationalisation of mines under a people's democratic state would afford ade-

quate protection to mineworkers against the vagaries of gold and other mining-related problems

The NUM accused the Chamber of Mines in particular of stifling mining related industrial growth by imposing an "extractive economy"

"The result of this is lack of industries processing raw materials which would have provided thousands of jobs," the NUM said

In a detailed analysis of the current crisis in gold divisions of mining, the NUM said the profit margin on gold was at its lowest point since 1956

According to NUM, the major challenges ahead are inflation, falling ore grades, a complex tax system, the lack of investment funds and the need to develop new technology for ultra-deep mining

The six mining houses, Anglo American, Gold Fields, Gemmin, Rand Mines, Anglovaal and JCI, are only concerned for their own profitability and growth, said the NUM.

"We need a new way forward."

# Barlow Rand again SA's top company

INDUSTRIAL and mining conglomerate Barlow Rand was again selected SA's top company in the annual Financial Mail Top 100 Companies survey.

Strong domestic operations coupled with successful exports from the likes of Middleburg Steel & Alloys and Rand Mines resulted in Barlows retaining top position in the rankings of total assets, profit and turnover. It had the highest JSE market capitalisation, against the second highest the previous year.

Barlows achieved net profit of R1,06bn in the year

to September 1989 from turnover of R26,4bn. The group's JSE market capitalisation was R8,23bn.

Steel giant Iscor, listed in November 1989, bounded into second position with assets of R7,79bn and net profit of R1,01bn. It was ranked seventh in terms of turnover and sixth under market capitalisation.

Third in terms of total assets was Anglo American Industrial Corporation (AMIC) with assets of R7,76bn. With its market capitalisation at R5,3bn at the time of the survey, Amic was ranked fifth in

EDWIN UNDERWOOD

this category and was fourth in terms of net profit.

SA Breweries moved up a notch to fourth place with assets of R6,97bn.

Barlow Rand's food, packaging and textiles subsidiary C G Smith fell from third to fifth place in assets but was again ranked second in turnover terms.

Fuel and chemicals group Sasol moved from fourth to sixth place in terms of total assets.

The biggest jump up the list was Rembrandt's in-

dustrial holding group HLH, from 128th to 54th position. Rembrandt lost its second place after restructuring but is still ranked seventh in assets.

Retail furnisher and appliance group Ellerine recorded the greatest fall from 77th place to 99th, and pharmaceutical and medical group Adcock Ingram was ranked 100.

According to the survey the trend in the Top 100 had been towards real asset growth.

**TOP 10 ranked by assets (Previous position in brackets):** 1 Barlows (1), 2 Iscor (-), 3 Amic (6), 4 SAB (5), 5 C G Smith

(3), 6 Sasol (4), 7 Remgro Sappi (11), 9 C G Smith (7), 10 Perm Group (8)

**TOP 10 ranked by capitalisation:** 1 Barlows SAB (1), 3 Sasol (3), 4 (-) (4), 5 Amic (5), 6 Iscor Sappi (6), 8 Tiger Oats (C G Smith (8), 10 not

**TOP 10 ranked by profit:** 1 Barlows (1), 2 Iscor Sasol (3), 4 Amic (5), 5 (-) (2), 6 SAB (4), 7 Sappi (Hiveld (28), 9 C G Smith AECI (8)

**TOP 10 ranked by turnover:** 1 Barlows (1), Smith (2), 3 SAB (3), Smith Food (4), 5 (-) (6 Malbak (6), 7 Iscor (-), (10), 9 Tiger Oats (7), (11)

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## Chamber of Mines hits back at union

By Shareen Singh

The Chamber of Mines has accused the National Union of Mineworkers (NUM) of being naive about economic realities in response to the union's attack on mine bosses over the estimated retrenchment of 12 000 miners.

Chamber president Clive Knobbs said the gold mining industry was being squeezed by falling ore grades, low prices and rising costs, the largest of which was wages. Despite this the NUM demanded a wage increase of over 70 percent at the start of this year's wage negotiations.

The union continued its call for sanctions even if it led to mine closures and unemployment, he said.

While the NUM was concerned about the retrenchments facing the industry now, it was apparently not concerned about those already caused by sanctions or the new job opportunities that have been aborted by them.

He challenged the union to call for an end to sanctions and stop its talk of nationalisation which frightened off investors who are needed to create more jobs.

Retrenchment was the last resort after other avenues were explored. Employment could only be offered as long as businesses remain in business and were profitable, he said.

The NUM said this week that the root of the crisis was mining bosses' economic mismanagement and lack of social responsibility towards miners.

The union also attacked the Chamber for stifling mining related industrial growth by imposing an "extractive economy".

The result of this was a lack of industries producing raw materials which would have provided thousand of jobs, said the NUM.

Last week two mines announced the retrenchment of 1 100 workers.

Anglovaal's Lorraine Mine will retrench 600 of its 10 000 workers over a period of four months and Gengold's Stilfontein mine was to retrench 500 miners.

Analysts said as many as 18 South African gold mines, employing more than 100 000 workers were in danger of running at a loss and thousand of jobs were on the line.

# NUM accuses mines of putting money first

By Shareen Singh

Gold mining involved low wages, migrant labour, repression and dangerous working conditions which killed one miner for every ton of gold mined, the National Union of Mineworkers (NUM) said at the weekend.

In a statement, the NUM accused mine bosses of wanting to keep wages low and to cut costs.

Last night, a Chamber of Mines spokesman said the Chamber would react after later today, after studying the statement in detail.

The NUM said mining bosses

had been slow in addressing problems relating to migrant labour, education and training.

Black miners faced racial discrimination in wages and accommodation, and suffered assaults and abusive language, said NUM.

Last week, the Chamber criticised the NUM for continuing its call for sanctions, nationalisation and a 70 percent wage increase in a time of crisis.

Wage demands on gold mines this year amounted to a total of R1,5 billion, while total profits for the industry in 1989 were R5,4 billion, the union said.



CAFT 7/19/88  
28/6/90

## 8 new gold mines if ring fencing scrapped

JOHANNESBURG — Eight new gold mines, producing some 145 tons of gold a year, could come into production by the turn of the century if ring fencing legislation is lifted.

In a research report submitted to the Wits Faculty of Business Administration, mining research analyst John Koel points out that the additional production of these new mines, with a milling rate of some 20m tons a year, should maintain SA's gold output above 500 tons a year over the next 25 years.

Basing the viability of the new mines on a real gold price of R1 100 an ounce, Koel says, the cash production cost for these new mines is likely to average around \$275 an ounce, which will have the effect of shifting SA's production cost distribution closer to that of international competitors.

If ring fencing legislation, which does not allow capital expenditure on a new gold mine to be re-deemed immediately against the full tax base of an existing mine, is retained, SA's gold output is forecast to decline from some 600 tons a year to around 360 tons a year in 20 years' time. — Sapa

# De Beers slide pinned to a US divestment

Analysts said yesterday that a US pension fund had been off-loading its holding in De Beers, which helps explain the weakness in the share price over the past few days.

After touching a 12-month high of R110, the share had been trading at around R100 prior to the listing of De Beers Centenary AG on overseas bourses two weeks ago.

Last week the share fell from R92,90 to R88 on Friday — a fall of 5,56 percent, which analysts attributed to large parcels of De Beers shares being off-loaded by a US source.

Yesterday, De Beers recovered sharply from a morning low of R87,50 to close 125c firmer at R89,25.

But analysts attributed the recovery to the weakness of the financial rand.

Keith Bright of Frankel, Kruger & Vinderine said the recovery yesterday had no bearing on the mopping up of 300 000 shares estimated to be overhanging the market.

He said De Beers should remain weak in the short term.

He said the US fund could have been taking profits to wipe off its reported illiquidity problems or that the sell-off could be related to Nelson Mandela's visit to the US.

Another possible reason was pressure from the US anti-apartheid movement.

Last week, New York's largest municipal pension fund divested itself of \$563 million worth of stock in 31 local companies as part of the final phase of a four-year plan. Significantly, the announcement was made on the eve of Mr Mandela's visit to the city.

"They could have decided that De Beers will not, in the short term, breach the R100 mark again and then took their profits."

"But this is not necessarily indicative of the general mar-

Diagonal Street

Jabulani Sikhakhane



ket perception of De Beers," Mr Bright said.

In general, diamond analysts agree that De Beers' fundamentals are still quite strong. After firm sales at the Central Selling Organisation's sights in the first quarter of the year, analysts expect substantially higher diamond sales figures for the first half of 1990.

Their forecasts vary between an increase of 1,42 percent to 3,8 percent. The sales figures are expected in the first week of July.

Michael Spriggs of S G Warburg Securities said from London yesterday that although De Beers expected 1990 to be a year of consolidation, sales for the first six months should be around \$2,4 billion.

Mr Bright's forecast is that sales will total around \$2,35 billion, compared with \$2,317 billion in the first half of 1989.

Forecasts for the whole year have sales well ahead of last year's \$4,09 billion. Mr Spriggs is forecasting sales of \$4,3 billion, while other more optimistic analysts think an increase of 22,5 percent to \$5 billion is attainable.

They base their forecasts on strong sales figures in the first sights of the year and strong demand from the Far East, notably Japan.

In January and February this year, diamond sales in Japan rose by 18 percent, compared with a 12 percent increase the previous year.

Mr Bright said the weakness in De Beers could, however, continue in the short term, although the share appeared a good buy at current levels.

## Chamber silent on accusations

The Chamber of Mines has declined to comment on accusations by the National Union of Mine-workers that mine bosses wanted to cut costs and keep wages low.

A spokesman said yesterday the Chamber had studied a statement issued by the NUM at the weekend. It would not react to various accusations as it did not want to become involved in a "merry-go-round" situation with the union. — Staff Reporter.

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# CMC turns around Egoli, Southgo

By Derek Tommey  
Consolidated Mining Corporation's top team of chairman Gerald Rubenstein and managing director Glenn Laing have much to be pleased about.

In the past 12 months they have converted three marginal or loss-making companies — Southgo, Egoli and CMC — into highly profitable and dividend-paying enterprises.

Southgo (South East Rand Gold Holdings) reports today that net income before extraordinary items rose more than seven fold in the 15 months to March from R1,3 million to R9,3 million.

Net income attributable to shareholders rose from R1,3 million to R12,6 million. Earnings were 10,8c a weighted unit and after a three-year drought a dividend of 2c is being paid.

Egoli boosted profits before extraordinary items from R1,5 million to R7,6 million in the year to March. Net income swung around more than R62 million from a loss of R44,5 million to a profit of R17,8 million. Earnings were 42,1c a weighted unit and the dividend — the first for two-and-a-half years — is 6c.

CMC (Consolidated Mining Corporation) had a net income before extraordinary items of R6,4 million — a swing around of R11 million from the previous year's R4,7 million loss. Net income after extraordinary items was R20,1 million compared with a R248 900 loss in the previous year.

Earnings were 6,4c a share and the dividend on the preferred ordinary shares 0,9c.

Mr Rubenstein says it has been decided to hold back CMC's dividend on its ordinary shares. But CMC hopes to pay a dividend in the next year.

The team has done what it set out to do — sold off all extraneous interests and concentrated on mining.

The outlook is good in spite of the low gold price. Costs at gold producer Nigel were \$320 an ounce, at West Wits \$290 and at Knights \$252.

The group has submitted a tender for the ERPM dumps and the Benom operation, which will extract gold from old dumps, should pour its first gold in October.

The group has some R35 million in cash available for new ventures.

# Anglo spending on rights up 75%

ANGLO American's net share of expenditure on mineral rights acquisitions rose 75% to R47,2m in the year to March 31, the corporation disclosed in its 1990 annual report published yesterday.

But it added its voice to industry concern over "the failure of the (draft) Minerals Bill to indicate clearly how the privatisation of state-owned mineral rights will be achieved".

The corporation said that existing laws provided satisfactory mechanisms for

RIAN SMIT

the granting of mining leases or other rights to mine over state-owned mineral rights.

*8/10 am 29/6/90*  
The report said a preliminary feasibility study of the Bloemhoek/Welgelegen prospect north of Buffelsfontein's Beatrix mine had shown this was a marginal proposition at the current gold price.

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The corporation's exploration emphasis had now moved to the Kroonstad

Gap between Freegold's Free State Saaiplaas mine and Kroonstad.

In the Potchefstroom Gap, 19 boreholes were under way in three target areas. A base metal exploration programme was to be launched in Botswana.

Looking at the prospects for gold, the report said the market should establish a floor at which reliable buying interest and physical demand would support the price, and at which investor interest in the market could be restored.

# Anglo holdings valued at R42-bn

W. M. W. 2/16/90

Daily Mail Reporter  
ANGLO American Corporation's investments, according to market and directors' valuation, grew by 35 percent to R41 876-million during the 1989-1990 financial year

This is revealed in by the mining and industrial conglomerate in its latest annual report for the year ending March 1990

Equity accounted earnings for the year were a record R3 130-million (1 352c a share) 18,3 percent higher than last year's figure. Attributable earnings, which exclude retained earnings of associated companies, rose by 20,1 percent to R1 507-million (651c) - also a record.

During the year, expenditure on investments, net of disposals, was R1 123-million compared to R480 million the previous year. Of the various acquisitions, the largest was an increase in the investment in Gold Fields of South Africa both through market purchases and through that company's rights issue. Anglo and its associates now have a 25 percent interest in Gold Fields

Significant investments outside South Africa include an effective 22 percent interest in Deutsche Steindustrie Ag, an international stone operation, and an effective 20 percent in the Medgenix Group, a bio-technology company based in Europe

These are both held by AEH, a wholly-owned subsidiary recently formed to hold Anglo's European interests

Funds were also invested during the year in Eastern Investments Limited, mainly to follow its rights in its interests in the Australian resources sector

In South Africa the corporation followed its rights in issues by Gencor, Samancor and the Premier Group (via the corporation's associate, Premisab Holdings). Anglo now has effective interests of 12 percent in Beverage and Consumer

	1990		1989		% Change
	Rm	%	Rm	%	
Mining finance	649	20,7	598	22,6	8,5
Gold and uranium	373	11,9	391	14,8	(4,6)
Diamonds	889	28,4	679	25,7	30,9
Coal	132	4,2	80	3,0	65,0
Platinum, base metals and other mining	302	9,7	200	7,6	51,0
Industry and commerce	563	18,0	499	18,9	12,8
Financial services and property	180	5,8	144	5,4	25,0
Investment earnings	3 088	98,7	2 591	98,0	19,2
Other net revenue	223	7,1	192	7,2	16,1
Prospecting	(181)	(5,8)	(138)	(5,2)	31,1
Equity accounted earnings	3 130	100,0	2 645	100,0	18,3

The equity accounted earnings have been analysed on a segmental basis to show the relative contribution of the various sectors in which the Corporation is invested

Industry Holdings and the Premier Group. An eight percent interest in Umsiel Gold Mines was acquired from the RTZ Corporation PLC, the investment in Allied Electronics Corporation was increased to six percent and an interest was taken in Iscor on its flotation

Anglo has a 13 percent interest in Soda Ash Botswana (Proprietary) and funds were advanced for this project while further investments were made in Anglo American Farms and HL&H Timber Holdings

On gold, Anglo says that notwithstanding the recent fluctuations in the gold price, 1989 saw a number of favourable circumstances in the gold market.

The growth of Western productions slowed during the year, the flow of metal on to the spot and forward markets from

gold loans and forward hedging sales was lower, and demand for gold in jewellery grew to 1 811 tons, bringing worldwide consumption of gold in jewellery fabrication in 1989 to a higher level than total Western production in that year.

Anglo says although the performance of gold in the first quarter of 1990 disappointed many speculators, Anglo bullion is undervalued and can play an important role as a store of value during a cycle of correction in other investment markets

Gold should establish a floor price which will be supported by both buying and physical demand and at which investor interest should be re-stored

"Momentous changes in Eastern Europe and the Soviet Union have further

supported sentiment for gold," the corporation adds, "although this positive sentiment has yet to attract significant demand from either traditional or new investors."

Gold output by the mines of Anglo's client companies increased in the 1989 calendar year by six percent to 251 tons - 41,4 percent of the South African gold mining industry's total production.

Ore milled by the client companies, at 45,4 million tons, was 1,1 percent higher than last year's 44,9-million tons, while the recovery grade fell marginally from 5,26 to 5,24 grams per ton

Profit margins continued to narrow as the increase in the rand gold price was far lower than the increase in working costs. Revenue from gold increased by 0,9 percent to R8 115-million, while costs per ton milled rose by 15 percent from R103,79 to R119,40

The client companies' profit before tax dropped by 20,5 percent to R2 399-million. Both capital expenditure at R1 177-million and tax at R383-million were lower, leaving distributable earnings of R839-million, 12,9 percent less than the previous year

On the economy, Anglo believes there is a reasonable prospect that the present downturn will not be as severe as that seen during the early and mid-1980s

This is in spite of the constraining effect of large-scale foreign debt repayments

The South African economy is likely to start to recover some time in 1991, the report predicts

It says that lower inflation and higher foreign exchange reserves as essential factors in a recovery

A substantial fall in export earnings will prejudice such a prospect but this should be avoided given sustained, though slower, growth in the major industrial nations

## New strategy helps small businesses

2/14/90 29/6/90

ANGLO American Corporation has adopted a two-pronged strategy of doing business with small businesses

Called the Small Business Initiative, one arm is a company called LITET Limited (previously Labour Intensive Industries Trust Limited) which acts as a vehicle for investing in smaller business concerns. The arm is to provide financial and managerial assistance through the taking of minority stakes in emerging businesses

The other arm is the Small Business Unit, the purpose of which is to increase Anglo American Corporation's and its associate companies' business transactions with the small-business sector.

According to the Corporation's latest annual report, LITET's first investment was made in Masakhane Industrial Cleaning Services, which has a contract to clean a mine hostel in the Free State goldfields.

During the 1989-90 financial year, Anglo American Corporation agreed to invest another R1.3 million over five years in the Small Business Development Corporation (SBDC), bringing its total commitment to R5-million.

LITET also financed a contracting fund, managed jointly with the SBDC. It was specifically established for the assistance of small businesses dealing with the Corporation.

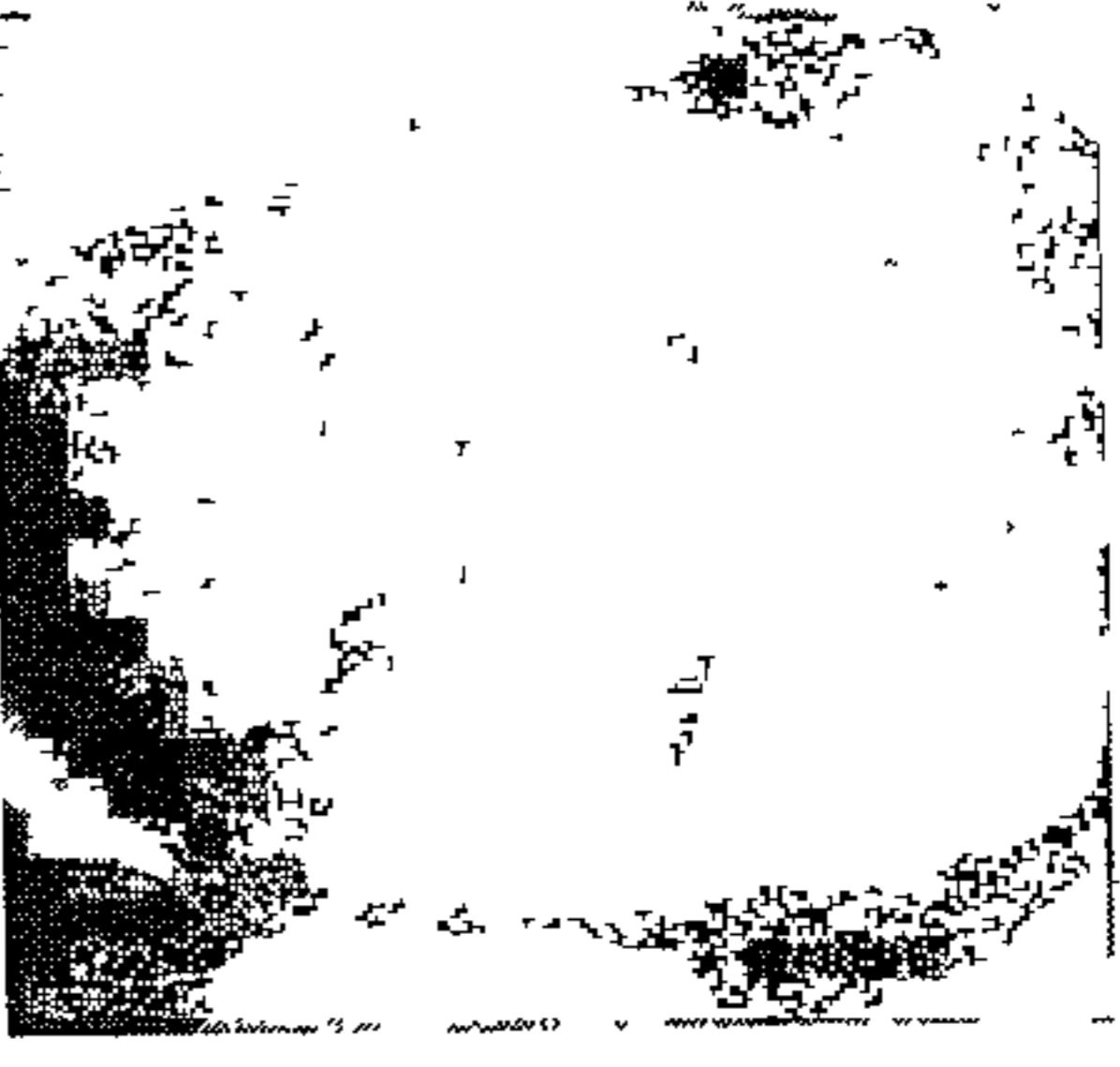
● Anglo American Corporation and its associated companies have spent more than R200-million on skills training during the 1989/1990 financial year.

Of the 2 696 people in trade apprenticeships, almost 20 percent were drawn from outside the white community

The Corporation and its associated companies have invested in educational programmes at a variety of levels: 23 high school scholarships, 122 pre-university programme bursaries, 669 university scholarships, 581 technikon scholarships, 101 in-service bursaries and 422 company-sponsored part-time students at universities and technikons

—Sapa

Mr Chris Hull, finance manager of Anglo American Industrial Corporation Limited (AMIC) has been appointed a director of AMIC



Positioning ahead of EC unity

BTW my 29/6/90

# Anglo sets up new offshore subsidiary

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ANGLO American Corporation has established an offshore subsidiary, AEH, to hold its European interests, in a strategic move to position itself ahead of European integration in 1992.

AEH will exist alongside 39%-held Minarco, also European-based, which has interests in mining, metal processing and industrial materials. An Anglo spokesman said yesterday that were Anglo and Minarco to enter into a joint venture, Anglo's interests would be held by AEH.

He declined to comment on AEH's long-term strategies, and said the size of the company would become apparent only when it had existed for a financial year.

Two substantial acquisitions of European-based companies made during the year were incorporated into AEH. The investments formed part of the R1,2bn (R480m) net expenditure on investments made by the multinational in the year to end-March 1990

According to Anglo's annual report released yesterday, the R1,2bn, together with the R2,3bn share which Anglo had of associated companies' net earnings, resulted in the balance sheet value of investments climbing to R12,6bn (R9,2bn).

The market and directors' value of the investments amounted to R41,9bn as at end March, 34,7% higher than last year's R31,1bn. The adjusted net asset value per share has risen 32,3% to 16 339c.

Significant investments were made to acquire an effective 22,2% stake (after minorities) in an international dimension stone company, Deutsche Steinindustrie AG (Destag), and an effective 19,7% in health care company The Medgenix Group, of Belgium, which promises "substantial growth".

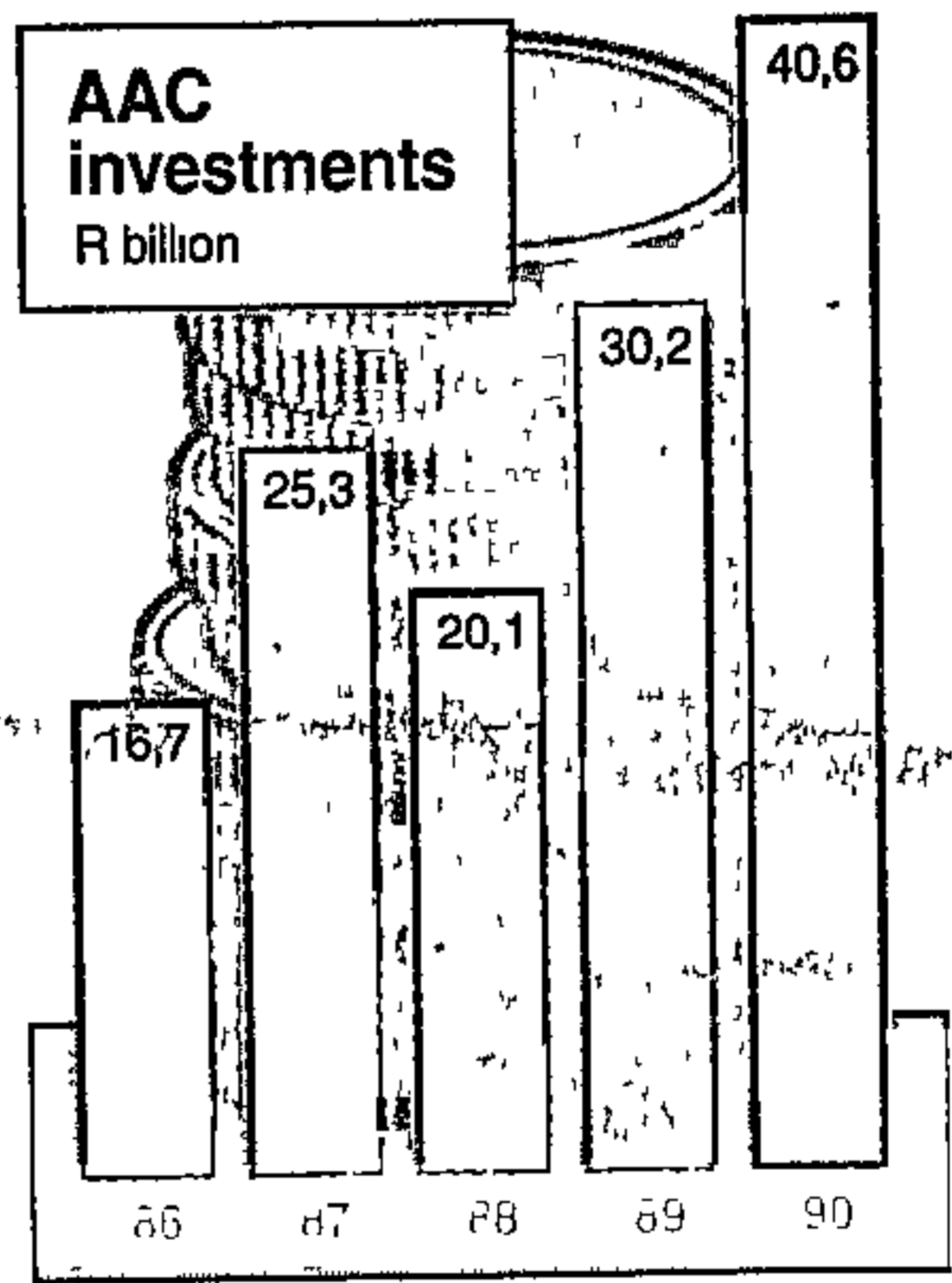
LINDA ENSOR

Destag's leading production area is in SA through wholly owned subsidiary Impala Granite Sales organisations are located in Western Europe, the US and Japan.

Medgenix's products cover diagnostics, over-the-counter and ethical drugs, nutrition products and agrotechnology

Through AEH Anglo holds 6,3% of TransAtlantic Holdings plc, the UK investment holding company in the Liberty Life group. AEH is also responsible for Anglo's gold exploration in the Iberian Peninsula,

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Graphic: FIONA KRISCH Source AAC

From Page 1

## Offshore arm

BTW my 29/6/90

Italy and Turkey

AEH wholly owns Cleveland Potash which doubled its pre-interest profit to £4m during the year and which has embarked on a £3,6m project to increase potash recoveries

The largest investment made by Anglo during the year was the purchase through the market and rights issue of an enlarged stake in Gold Fields, making Anglo a 25% shareholder. The corporation holds 2,7-million (1,5-million) units in Gold Fields with a market value of R268m (R107m)

Investments were also made in Eastern Investments mainly to follow its rights in its Australian resources sector interests.

In SA Anglo took up its rights in respect of Gencor and Samancor issues and by doing so with Premier, via associate Premsab Holdings, obtained an effective interest of 11,7% in Beverage and Consumer Industry Holdings and 11,5% in Premier.

An 8,2% interest in Umsel Gold Mines

was acquired from RTZ Corporation plc, the stake in Allied Electronics Corporation was raised to 5,7% and an investment made in Iscor when it was listed

Funds were advanced to Soda Ash Botswana, in which Anglo has a 13% stake and further investments were made in Anglo American Farms and HL & H Timber Holdings.

In the year to end-March Anglo improved its attributable earnings by 20% to R1,5bn (R1,3bn) and its equity accounted earnings by 18,3% to R3,1bn (R2,6bn)

On prospects the report notes little growth can be expected in SA in the immediate future and a significant rise in unemployment may well occur

"It should nevertheless be possible to establish a platform for recovery starting some time in 1991, the essential preconditions being lower inflation and higher foreign exchange reserves"

See Page 9



# Mine pension funds invest R2-m daily

Star 30/6/90

(210)

THE combined assets of the Mine Employees and Mine Officials Pension Funds total a mammoth R10 billion.

The two funds together therefore rank as the fifth largest investment mass in the country behind Old Mutual, Sanlam, Liberty and Southern.

Barry Botes, chief executive of the two funds, explains that although the two funds are split, they are managed as one entity from an investment standpoint.

"When you have to invest R2 million in new money every working day, you can exert some influence on the market"

In 1989 the market value of the Employees Fund climbed by 38 percent and the Officials Fund by 41 percent.

## FINANCE STAFF

The two funds, which have a combined membership of 104 000, pay out almost R20 million in pensions every month — benefits considered among the best in the pension industry, according to the most recent survey conducted by Alexander Forbes Shepley & Fithett Consulting Actuaries.

Top 10 equity investments at the end of May were Anglo American (R450 million), Liberty (R390 million), D Beers (R366 million), Richmond (R302 million), Sasol (R280 million), JCI (R280 million), Gencor (R279 million), SA Breweries (R266 million), Tiger Oats (R255 million) and gold shares (R253 million).

# Anglo ups stakes (210) in small businesses

Star 30/6/90

THE Anglo American Corporation has developed a two-pronged strategy — including taking a minority stake — to help the emerging small business concerns.

Through its 50 percent-held investment vehicle in small businesses LITET (formerly Labour Intensive Industries Limited), Anglo recently took a 30 percent holding in a cleaning company, Masakhane Cleaning Services.

Masakhane was recently granted cleaning contracts worth R350 000 in the Free State goldfields. LITET remains invested in companies making bricks and handwoven products, employing some 760 people in Ciskei and Lebowa.

Through these investments, LITET hopes to be able to provide financial and managerial assistance.

According to Anglo's annual report released on Friday, additional contracts for Masakhane are under consideration and a number of other potential investments for LITET are being investigated.

According to annual report, the second arm is the Small Business Unit which aims to increase Anglo's and associate companies' business transactions with small business concerns.

The unit seeks to source the right quality goods and services at the right

## JABULANI SIKHAKHANE

price within the required delivery time.

"Contracting procedures have been streamlined, standard documentation significantly reduced, transport, storage facilities and short-term financing (all at commercial rates) provided."

The unit also facilitates the purchasing of raw materials at bulk discount prices and payment procedures have been expedited.

## Expansion potential

"The object is to enable the small entrepreneur to compete effectively with more established concerns. Many contracts have already been successfully placed with small-scale entrepreneurs and the potential for expansion is significant."

During the year under review, LITET also financed to the tune of R250 000 a contracting fund, jointly managed with the Small Business Development Corporation (SBDC), for the assistance of small businesses dealing with Anglo.

Anglo, according to the report, also agreed to invest another R1,3 million over five years in the SBDC, increasing its total investment to R5 million.

Viability the key to subsidisation

# Govt report takes tough line on mines

A GOVERNMENT inquiry headed by Deputy Finance Minister Org Marais yesterday recommended that only mines viable over the long term should receive state subsidies.

The Marais Committee, in a report published yesterday, concluded that the orderly closure of marginal mines would not hold insurmountable macro-economic and regional development drawbacks.

The report was published a day after the Melamet Commission on the fate of ERPM concluded its first phase.

Using the econometric model of the SA Reserve Bank, the committee projected that if 13 marginal mines were closed in the next five years 77 600 jobs would be lost and that the loss of total real value added would be equal to 3.6% of GDP in 1989.

However, it undertook a further simulation in which it assumed an adjustment in a number of macro-economic variables including interest rates, tax rates, exchange rates and expenditure by general authorities in response to the closure of the mines.

This showed many of the macro-economic losses brought about by the closures could be alleviated "to a great extent".

The Marais Committee recommended that state assistance to marginal mines be provided only if it was in the national interest and should comply with recent guidelines laid down by Cabinet.

These stipulate that mines applying for assistance must not be dependent on the state for their long-term viability, and rule out preferential taxation for mines.

MIKE ROBERTSON

determined short period Types of assistance recommended included

- Allowing mines to enter into negotiations with the Reserve Bank to enable them to engage in normal futures transactions in gold and dollars or a refined futures transaction involving stabilised premium earnings (In terms of the latter scheme premium earnings arising from forward sales can be used to increase the present income of marginal mines at the expense of future income)

- State assistance to mines in regard to the pumping out of water on a conditional rand-for-rand or smaller basis.
- Government entering into an agreement with a marginal mine and its creditor in terms of which the state will take over the creditor's legal claims against the mine if it fails to meet its obligations

The report recommended that prior to receiving any assistance a marginal mine must show it has entered into negotiations with organisations supplying its goods and services in an attempt to get concessions.

The committee found few merits in any form of assistance that entailed a direct state expenditure. Direct financial assistance should only be considered where it was deemed to be in the national interest and could be so motivated in public.

In all cases, the report said, assistance should be subject to strict additional conditions. Such conditions could entail

- Preventing mines that receive assistance from declaring dividends until all

To Page 2

## Mine report 6/10cm 4/7/90

relevant loans have been paid back in full

- Provisions entitling the state and mine the right to renegotiate conditions of assistance if extensive changes took place in the circumstances of the mine

- Giving the state the right to insist on repayment of subsidies if the gold price rises steeply over a relatively long period
- Giving the state the right to register bonds on the supported mine's property

The committee further recommended no mine be given assistance unless it agreed to establish a stabilisation fund once it moved into a profit position. Details of such a fund could be worked out by the Inter-departmental Committee on State Assistance to the Minerals Industry (IDC) in collaboration with the Chamber of Mines

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The IDC, the report said, should act as mediator between government and marginal mines and advise the Cabinet on the merits of applications for aid.

The IDC should be able to co-opt consultants to assist it.

In considering applications the IDC should undertake cost benefit analyses to determine whether funds used to subsidise marginal mines would not be better employed in other areas of the economy or to lower taxes.

In addition the report said the IDC should give attention to regional development aspects before making any recommendation to Cabinet as to whether a marginal mine should receive assistance.

See Page 6

# Loss for chamber in running two hospitals

MATTHEW CURTIN

THE Chamber of Mines was losing R500 000 a year by operating two hospitals, the Cottesloe and Rand Mutual, chamber health care services senior GM Dr Daniel Pollnow said yesterday

Commenting after a chamber announcement of 75 job cuts at Rand Mutual due to falling patient numbers, Pollnow said staff numbers at Cottesloe Hospital — a non-racial institution, but reserved for senior employees, so catering primarily for whites — were also adjusted to meet declining occupancy levels

Plans to merge the two hospitals, announced last year, have not progressed. Pollnow said the chamber was committed to merge the hospitals in principle but the decision was suspended for consultations. Progress was slow because of opposition to the merger from the whites-only Mineworkers Union (MWU), he said

MWU officials were unavailable for comment last night

A Rand Mutual hospital spokesman said yesterday the daily average number of patients had fallen from 540 to 300 since 1986. The hospital employs 750 people.

NUM Press officer Jerry Majatladi said yesterday the chamber's decision was "shocking". When health facilities in an industry marked by stressful working conditions were inadequate, it was unacceptable to target hospitals for job cuts, especially when they employed a fraction of the mining industry's 750 000 workers

Majatladi said the NUM had been invited to attend a meeting to discuss the job losses and the union was distressed that a unilateral decision appeared to have been taken over the cuts.

The chamber's statement said it had told the union of the decision and would be consulting it over the staff cuts.

**MINING NEWS**

# Amaprop acquires Durban landmark through Retprop

By Jeremy Rees

DURBAN — Durban's old station building, Newspaper House at 85 Field Street, and Salmon Grove Chambers, have been taken over by Anglo American Properties (Amaprop)

Amaprop has gained control of Retprop Investments (Retprop) and its property portfolio worth about R300 million — and the company is investigating its options for redevelopment of the old station building and Newspaper House

The R11.6 million management contract for the portfolio has been acquired by Anglo American Property Services (AMPROS).

## BOTH LISTED

Retprop is a variable loan stock company owned by the Property Group of South Africa. Both companies are listed on the Johannesburg Stock Exchange.

Retprop has a small ordinary share capital base, 66 percent of which has been bought by Amaprop at 40c a share — or about R2.2 million. An offer is being made to the remaining shareholders.

AMPROS's managing

director Gerald Leissner says the Retprop portfolio comprises essentially CBD multi-tenanted shop-and-office buildings, including Poyntons Building in Pretoria, 35 Wale Street in Cape Town, Thomson House in Randburg and Unipark in Braamfontein.

## EXTEND EARNINGS

Ampros, which already administers offices worth R2 billion, has been seeking to extend its earnings from the running of property portfolios.

Mr Leissner says the formation and listing of the Apex Property Fund last year broadened the company's base to a certain extent.

"But Ampros has been looking at the possibility of forming more property trusts and managing other property companies.

"Although the investment in Retprop is small in rand terms, we believe it is a good portfolio which will grow," said Mr Leissner.

Ampros aims to extend the Retprop portfolio by acquiring new properties through the issuing of variable debentures.

# Outlook for diamond sales improves

Star 4/7/90

By Sven Lunsche

Industry analysts and De Beers are expecting steady growth in diamond sales over the next two years after sales by De Beers' Central Selling Organisation fell for the first time in eight years during 1989 (see graph)

However, a repeat of the double digit growth rates of the mid-1980s is not forecast as the market enters what De Beers chairman Julian Ogilvie-Thompson described as a "period of consolidation"

Ahead of the release of first-half CSO sales during the next few days, he told a seminar organised by stockbrokers Davis Borkum Hare this week that long-term demand for diamonds

and diamond jewellery looked strong.

The CSO sights point to sales in the region of \$2.4 billion for the first half of the year, an increase of four percent over the same period last year

A similar increase is expected by analysts for the year as a whole. Michael Spriggs of Warburg Securities in London expects sales to reach \$4.3 billion compared with last year's \$4,086 billion, while Davis Borkum Hare's Dr Manny Rahn forecasts \$4.4 billion.

Mr Spriggs says that sales this year should benefit from the expected weakening of the US dollar in the second half and the fact that the diamond pipeline is now in a much healthier po-

sition with stock levels held by the cutting industry at substantially lower levels than in recent years

Mr Ogilvie Thompson indicated that a strong momentum towards diamonds in Japan would be playing a major part in the expected steady performance of CSO sales to retailers.

Sales in both Japan and Europe are on the increase and have been boosted by the declining value of the dollar (diamonds are priced in the US currency).

## Total sales

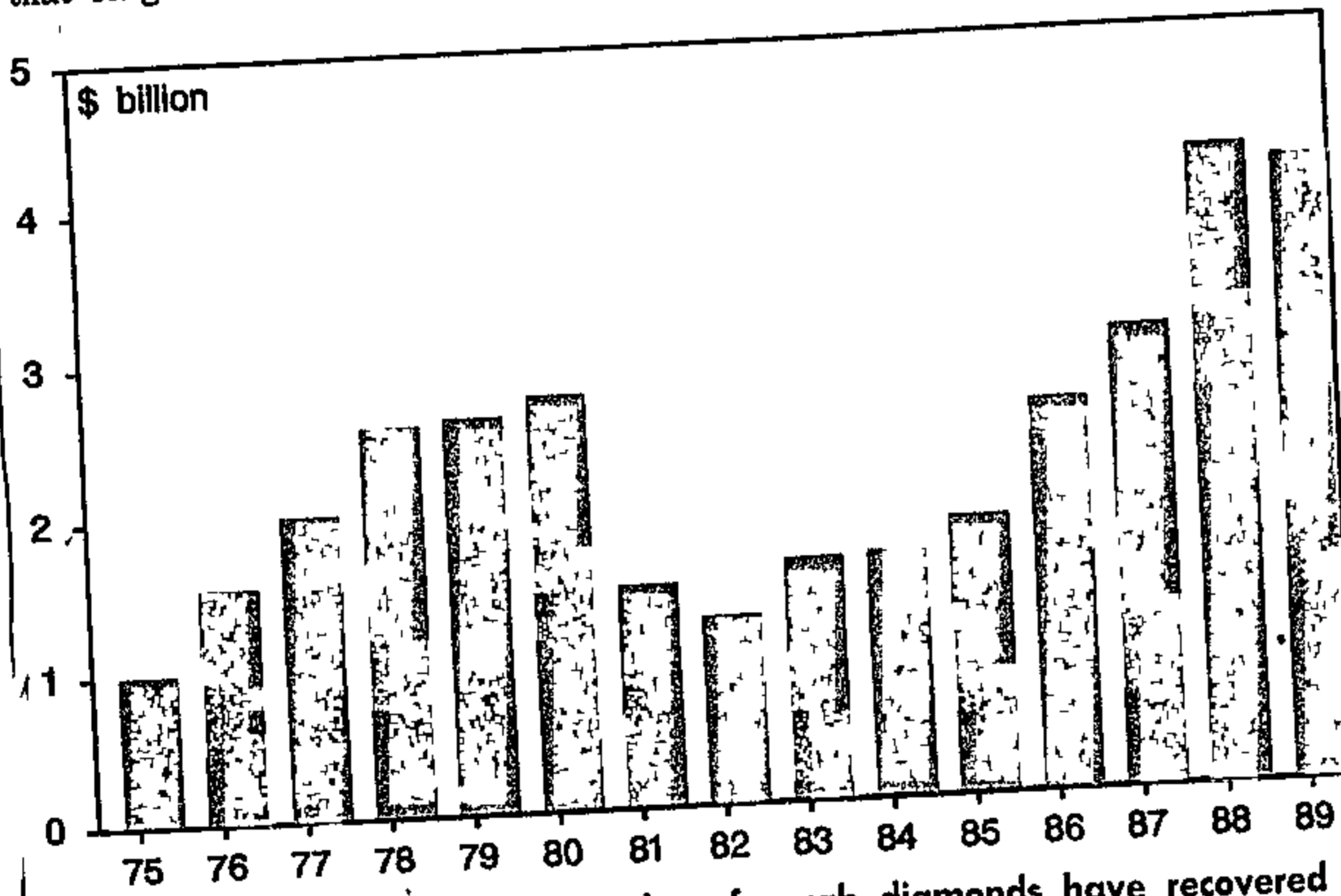
Europe was the fastest growing market last year although only 15 percent of total sales were made there

The market mix has changed substantially over the last three years, with the US's share falling to 32 percent of the market and Japan's increasing to 28 percent last year

On a longer term, argues Dr Rahn, the expected improvement in the economic performance of the major industrialised countries from 1991, supported by the enlarged advertising campaign of \$130 million by the CSO, should give diamond sales a much needed boost.

Mr Spriggs forecasts average CSO sales growth of four percent next year to \$4.5 billion.

"The slowing in economic growth rates among the major economies is expected to lead to flatter rough sales and the total in that year could be similar to that forecast for 1991."



Central Selling Organisation's sales of rough diamonds have recovered strongly since the early 1980s.

# 77 600 jobs lost if marginals close, committee finds

Star 4/7/90

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## Finance Staff

The government has recommended that only mines which show longer-term viability receive state subsidies to assist them when the gold price falls.

But the phasing-out production of gold by marginal mines would have drastic effects on the economy, with about 77 600 job opportunities lost, a government committee headed by Deputy Finance Minister Dr Org Marais said.

The report of the Committee of Inquiry into the Position of Marginal-Profit Mines, released yesterday, said if 13 mines were to close in the next five years the loss of total real added value would be equal to 3,6 percent of GDP

The committee said there were few merits in any form of assistance entailing direct expenditure by the state

It was convinced the economy would be best served by a policy that did not concentrate on giving assistance to a specific industry, but was aimed at the optimal combination of factors promoting overall economic development

If, in the absence of further state assistance, total gold production of the marginal mines came to an end

in the next five years, appropriate adjustments in macro-economic policy would alleviate some of the detrimental effect of the decrease in gold production on the national economy.

The problems of the gold mining industry were such that specific measures aimed exclusively at the industry could hardly be justified on the basis of national economic considerations

There were 13 mines described as marginal and support was being sought for possible assistance for them. In 1988 marginal mines produced about 16 percent of total gold mining output

In its recommendations the Marais Committee suggested the gold mining industry should continue to give attention to productivity and that the government accept the principle of state assistance to marginal mines

But this assistance should be subject to strict conditions

These conditions included: Preventing mines from paying dividends while they receive assistance, repayment of the subsidy if the gold price rises, the possibility of renegotiating the loan when circumstances change and allowing the state to issue bonds on the mines property.

Pumping assistance, however, should be provided broadly, in accordance with the 1963 guidelines

All other assistance should be subject to the establishment of a stabilisation fund.

The assistance, apart from the subsidy for water pumping, should comprise two schemes

- Allowing mines to use futures transactions in gold and dollars or a futures transactions involving stabilised premium earnings, after negotiations with the Reserve Bank

- The government should take over creditors' legal claims against a marginal mine if the mine failed to meet the claims.

For their part, mines should take steps in advance to alleviate their financial problems in other ways than by state assistance

The committee said the role of the gold mining industry had declined considerably over the past three decades

As a percentage of GDP the fall had been limited, from 9,3 percent in the 1960-64 period to 8,7 percent in 1985-89, but the added value of gold mining had dropped by 0,3 percent every year between 1960 and 1989

Gold mines employed 17 percent of all workers in 1960, but this had declined to 9,9 percent last year.

# NUM depllores hospital retrenchments

By Brendan Templeton  
The decision by the Chamber of Mines to retrench about 65 workers from its specialist Rand Mutual Hospital raised questions about the organisation's attitude to miners' safety, the National Union of Mineworkers (NUM) said on Monday

Union spokesman Jerry Majatladi said the reasons given by the chamber for the retrenchments were "a gross distortion of facts".

The chamber should be

building more hospitals like the Rand Mutual rather than cutting down on staff in such a strategic facility, Mr Majatladi said.

## Regretted

The hospital is a specialist referral hospital that caters for black employees in the mining industry.

The hospital's general manager, K C Mourant, said the retrenchments were regretted, but were necessitated by the shrinking patient popula-

tion from the mines from a daily average of 540 in 1986 to 300.

Mr Majatladi, however, accused the chamber of deliberately keeping seriously injured miners at the regional mine hospitals to save costs.

He described the regional hospitals as "terrible" and denied that they rendered high quality service

"If there is any industry which needs efficient medical facilities, it's the mining industry," he said.

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# Falling gold price will not bring additional curbs to slow economy

By Sven Lunsche

The falling gold price, coupled with the subsequent decline in gold production levels, will impact moderately on South Africa's economic growth rate this year. However, argues Standard Bank in its latest Economic Review, undue pessimism concerning the economy's short-term outlook is probably unwarranted.

The bank says it is likely that South African gold production will nevertheless fall significantly below the 1989 level due to the rationalisation of production.

The impact on the economy of this trend depends on whether the gold price maintains the current low levels or declines even further.

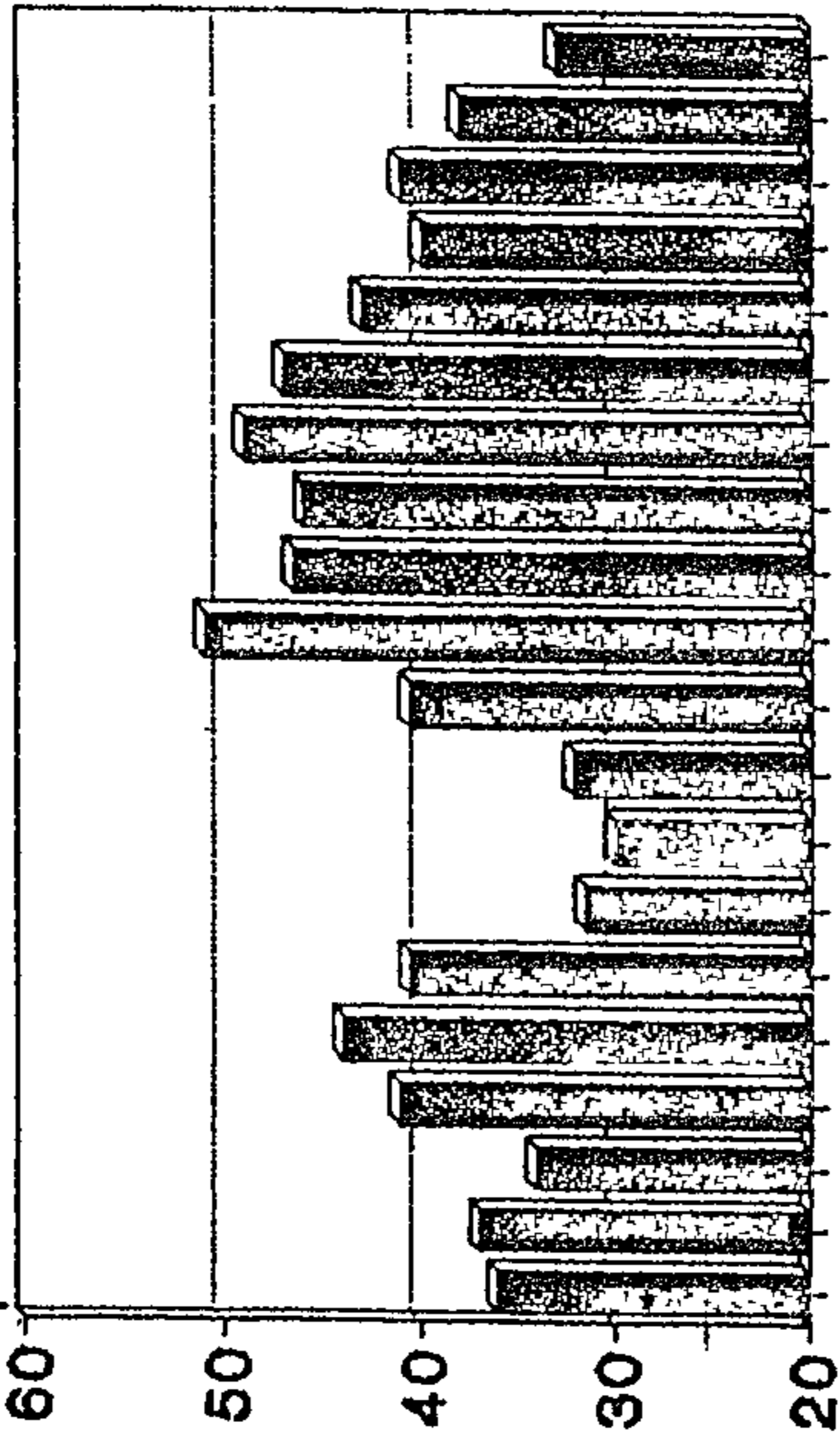
## Growth rates

Using econometric models Standards says that if gold averages \$375 for the remainder of the year and gold production totals 959 tons, an overall growth rate of 0,7 percent can still be achieved, but fixed investment and exports would decline by 2,8 percent and 0,2 percent respectively compared with 1989.

Using an average gold price of \$350 and production levels of 580 tons, the growth rate would slow to a more modest 0,4 percent, investment fall by 2,9 percent and exports decrease by 0,4 percent.

The more significant impact is reserved for the balance of payments, where the surplus on the current account would be reduced from R6,1 billion to R5,4 billion in the second scenario

percent



Gold exports as a percentage of total exports.

A far more noticeable impact on both growth and the balance of payments is expected next year if the gold price remains at current levels.

Likewise, argues Standard, a still much lower gold price, or lower gold production, over the next few months would have a far more serious impact both in the short and in the medium term.

Gold production of only 550 tons in 1990 at an average price of \$320 in the second half of the year, for example, would result in a slight decline in the growth rate and a current account surplus of only R4 billion

However, viewed against the back-

ground of the speed with which domestic demand and activity have been coming off in recent months, additional policy measures to slow the economy in response to the low gold price are probably unnecessary," says Standard Bank.

"There are now even suggestions that maintaining the current policy stance for much longer may induce an 'over-kill'."

On the other side of the economic equation, non-gold exports have remained relatively strong, reducing the percentage of gold exports to the total consistently over the last few years (see graph).

South Africa's improved position in international financial markets also helps, the economists argue

"Thus, even if the gold price were to remain weak and the current account surplus in 1990 fell to some R5 billion rather than the R6 billion level projected earlier this year, the rolling over of significant amounts of foreign debt means that such a surplus will still be adequate for the repayment of debt, without a substantial decline in the level of gold and forex reserves"

## Exchange rate

Standard Bank believes that despite the limited impact of the gold price on the economy in the short-term the rand exchange rate is likely to give way if gold remains low for a longer period

"Such a decline in the rand would obviously undermine the current anti-inflation drive, but in a case of a serious slowdown between maintaining a strict anti-inflation policy and large scale mine closures, there is little doubt that the rand would be used to absorb the shock."

A sustained gold price weakness would also impact on the longer-term growth performance of the domestic economy

"Under such circumstances interest rates will have to remain higher for longer in order to contain domestic demand and protect the current account surplus against rising import levels

"As a result, the economy would take longer to recover from the current economic downswing," the bank concludes

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# 12 miners arrested in murder probe

## Staff Reporters

Twelve miners have been arrested in connection with a Virginia mine personnel manager's murder which has sparked a confrontation between the Afrikaner Weerstandsbeweging (AWB) and police.

The miners, who work at the Harmony Mine where Mr Steve Buitendag (42) was murdered on Monday, were detained for questioning yesterday, said police spokesman Major Johan Fouche.

The AWB threatened yesterday that it would take "drastic actions" to protect white miners on the Free State goldfields after Mr Buitendag's murder.

The National Union of Mineworkers (NUM) said the murder of Mr Buitendag was very unfortunate and regrettable and appealed to all parties to remain calm and avoid provocation.

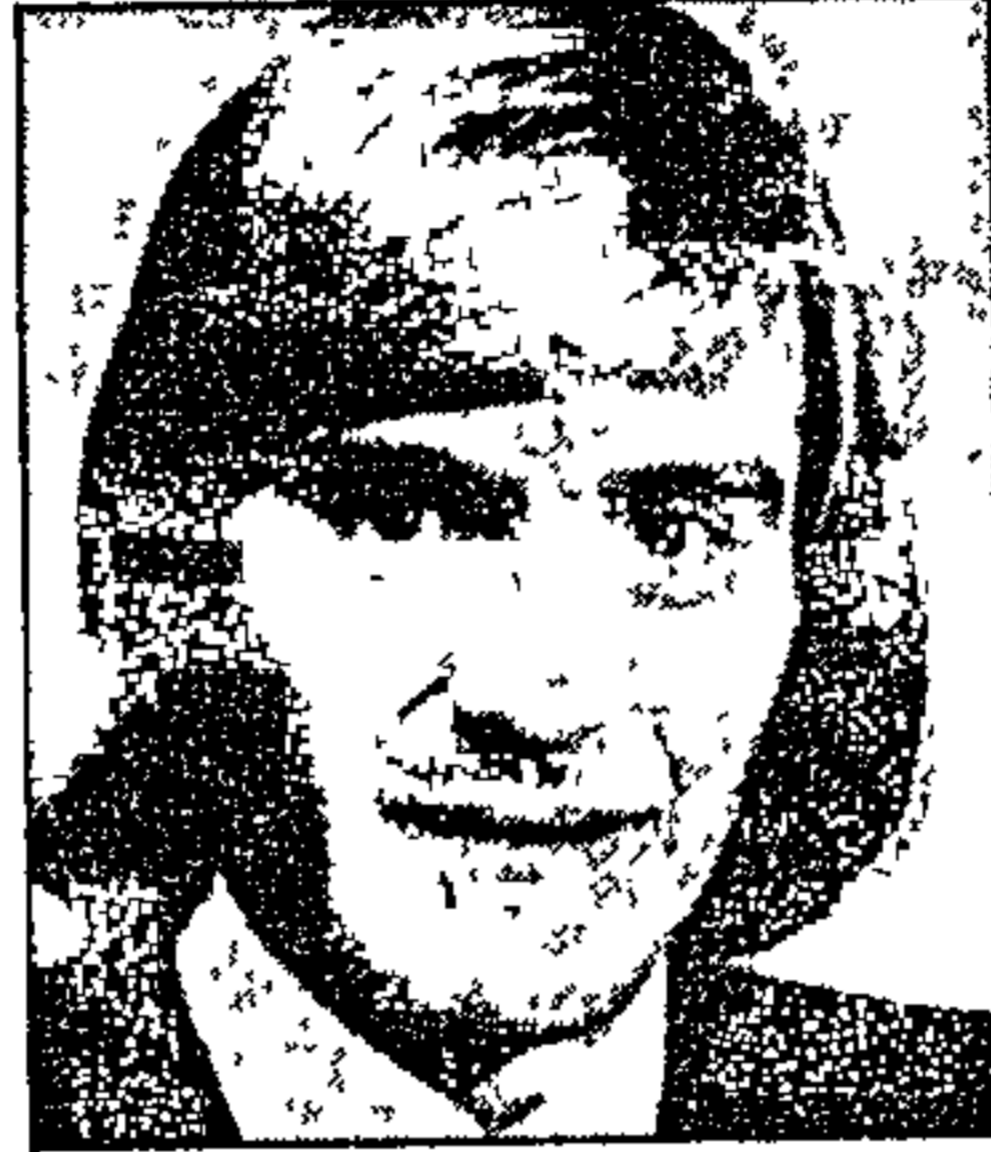
## Radical

The AWB accused the Chamber of Mines of throwing a "handful of whites" at the mercy of "the radical ANC" because they did not have the means to protect themselves underground.

The SAP was accused of not being able to protect white miners and of virtually leading illegal African National Congress marchers on five occasions in Welkom.

Describing its view of the situation as "serious", the AWB demanded security meetings with the SAP, mine security and management and Law and Order Minister Adriaan Vlok

In reaction, Law and Order



Well-liked ... murder victim  
Mr Steve Buitendag.

Ministry spokesman Brigadier Leon Mellet said those who took the law into their own hands would have to suffer the consequences

Referring to an alleged SAP "witch-hunt on Christian Boer and right-wing folk", the AWB said the continued detention of mine captain Hendrik Steyn, held in connection with the blast at the NUM headquarters in Welkom, "destroyed all forms of goodwill and co-operation".

Earlier, the AWB denied Mr Steyn was a member

"Serious racial conflict can be created by this. The AWB wants to remain within the law, but the illegal ANC activities allowed within white areas — permitted by the SAP — create a breeding ground for even bigger 'racial-conflict-boycotts' and industrial conflict," said the AWB

Brigadier Mellet rejected the claims of bias against the AWB, saying police were at the moment also holding two ANC members in terms of security legislation in Welkom

"It is totally untrue to say that we are engaged in a witch-

hunt against the AWB. This is pure, malicious, propaganda," Brigadier Mellet said

He added that northern Free State police chief Colonel Henrie Heymans was handling the tense situation in Welkom with the "greatest of circumspection and not in a small-minded fashion"

"He listens to all sides involved in order to avoid conflict," Brigadier Mellet said

The AWB also demanded that Mr Adriaan Vlok and the Chamber of Mines pay urgent attention to the safety of white miners after Mr Buitendag was stabbed and battered to death by miners on Monday.

He and two other employees were investigating black miner dissatisfaction with wages. Described as "easy-going", Mr Buitendag was well-liked by black mine-indunas, relatives said yesterday.

## Dangers

"The leader of the AWB, during talks with Mr Vlok, discussed the situation on the mines fully with him and highlighted the dangers and areas of contention," said AWB chief secretary C Smit "Mr Vlok is aware that, as a result of an old mine regulation, no weapons for the self-defence of mineworkers may be carried underground."

"A handful of whites are therefore blatantly placed at the mercy of the radical ANC. The means by which the police can offer underground protection quickly do not exist."

"The AWB warns that the movement will take drastic measures itself if its people do not get the necessary protection," said Mr Smit

# HELLO

## Thatcher welcomes Mandela to 10 Downing

# Maggie

South Africa 5/7/90 (510)

**LONDON - ANC leader Nelson Mandela was greeted at the door of No 10 Downing Street yesterday by British Premier Margaret Thatcher.**

This was their first meeting since Thatcher's invitation on his release in February to come to England for talks on the South African situation.

Earlier in the morning, the ANC deputy president addressed British business leaders and asked them to have investor confidence in post-apartheid South Africa, although they should maintain isolation of South Africa in the meantime, only providing aid to the ANC to re-establish itself in the country and to repatriate exiles.

Traditionally, only VIP visitors to Downing Street are greeted on arrival at the door by the Prime Minis-

ter - an indication of the importance Thatcher attaches to Mandela's visit

Official sources said, however, Thatcher, who maintains strongly that President FW de Klerk should receive some form of international "reward" for his reforms so far, would be strongly urging Mandela to renounce the ANC's armed struggle

On the sanctions issue - the Prime Minister has always opposed such measures against South Africa as counter-productive, and Mandela has urged the Western world in his four-week tour to maintain them - the two were expected to agree to disagree

Mandela has, however, said he is confident his meeting with Thatcher will serve to narrow gaps in their respective approaches to South Africa's problems

### Meeting

Yesterday's meeting formally amounts to a breaking of the ice in strained relations between the ANC and the British Government, following Thatcher's branding of the organisation three years ago as "terrorist"

Mandela said in France on June 7 at the beginning of his European tour that the ANC was keen to improve relations with the British Government, in recogni-



British Prime Minister Mrs Margaret Thatcher greets ANC deputy leader Mr Nelson Mandela as he arrives at No 10 Downing Street in London yesterday before holding talks with her. Picture by Associated Press

BRITISH  
PARLIAMENT

APR 1990

## Mine report 610am 417190

relevant loans have been paid back in full  
 Provisions entitling the state and mine the right to renegotiate conditions of assistance if extensive changes took place in the circumstances of the mine

Giving the state the right to insist on repayment of subsidies if the gold price rises steeply over a relatively long period  
 Giving the state the right to register bonds on the supported mine's property

The committee further recommended no mine be given assistance unless it agreed to establish a stabilisation fund once it moved into a profit position. Details of such a fund could be worked out by the Inter-departmental Committee on State Assistance to the Minerals Industry (IDC) in collaboration with the Chamber of Mines

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• See Page 6

# Gold has been subsidised for too long

By Sven Lunsche

The findings of the Marais Committee into Marginal-Profit Mines have been welcomed by Gengold managing director Gary Maude, "but they have come a year too late," he said

"The findings are based on free market principles and reflect what we have been saying for some time," Mr Maude said

He added, however, that the whole emphasis of government's mining policy should shift towards "the opening of profitable mines"

Other industry sources, including the Chamber of Mines, would not comment on the report.

Market analysts, however, have described the report as a tough pill to swallow for an industry, which for long had substantial backing from both macro- and micro economic state policy

The Committee, which was headed by Deputy Finance Minister Dr Org Marais, recommended that only marginal mines



Gary Maude

which show long-term viability should receive state subsidies.

According to the Committee there were 13 mines, described as marginal, which had sought possible assistance

While in principle these mines

would not be assisted, subsidies would be granted if certain strict conditions were fulfilled

Mr Maude said that the findings, if implemented, "would call a halt to those mines which produce gold at unprofitable rates"

"While this will unfortunately lead to large-scale unemployment, the skilled and semi-skilled labour will undoubtedly be absorbed by profitable mines and new mining ventures"

The Marais Committee estimated that the phasing-out of production by marginal mines would have drastic effects on the economy, with the loss of about 77 600 job opportunities and total real added value equal to 3,6 percent of GDP

Mr Maude said the report had come a year too late and much harm had been done since then through policies such as the devaluation of the rand which has kept the rand gold price artificially high.

"We have been subsidising the price of the metal for far too long"

He said he would like to see some price elasticity in the market, allowing only those producers to supply the market who can mine on a profitable basis

The Committee recommended strict conditions for making subsidies, including preventing mines from paying dividends, while they get assistance, repayment of the subsidy if the gold price rises and the possibility of renegotiating the loan when circumstances changes

"These findings will force the mines, which seek assistance, to make some hard economic decisions, but they will benefit the industry," Mr Maude said.

The emphasis of state policy should rather be directed towards setting a climate where the industry could open new and profitable mines, for example, by completely lifting existing 'ring-fencing' legislations, he said

# Diamonds are a best friend

**Activities:** SA's biggest mining house. Important holdings include 52% of Anamint, an effective 33% of De Beers, 49% of Amgold, 45% of Amic, 51% of Amcoal and 39% of Minorco.

**Control:** De Beers owns 37,8% of the equity  
**Chairman:** J Ogilvie Thompson; deputy chairman: N F Oppenheimer, W G Bousted

**Capital structure:** 228,5m ords, 2,9m 'S' ords Market capitalisation: R26,96bn

**Share market:** Price R116,50 Yields 2,8% on dividend, 11,4% on earnings, p/e ratio, 8,8; cover, 2,0\*. Trading volume last quarter, 4,7m shares

Year to Mar 31	'87	'88	'89	'90
<b>Investments:</b>				
Book value (Rm)	2894	3210	3419	4120
Market value (Rm)	25336	20070	30122	40553
Attributable earnings (Rm)	1031	1037	1254	1507
Equity-accounted earnings (Rm)	1503	1809	2646	3130
Attributable earnings (c)	451	453	545	651
Equity-accounted earnings (c)	658	790	1148	1352
Dividends (c) ...	225	225	270	325
Net worth (c)	10539	8536	12379	16340

\*On attributable earnings

Once again diamond investments were the most important contributor to Anglo's results, accounting for 28,4% of equity accounted earnings (1989: 25,7%). The major growth sectors were, however, coal and platinum, base metals and other mining. Coal, though a small element, grew by 65% while other commodities saw a 51% increase in earnings, to account for 9,7% of the total.

The gold portfolio saw declining income and a shrinking percentage of earnings. Once the largest contributor, gold now ac-



Anglo's Ogilvie Thompson ... cautiously optimistic

counts for only 11,9% of equity accounted earnings (14,8%). The average rand gold price has remained virtually static at around R32 000/kg for the past two years, while persistent inflation has put considerable strain on margins

Steady performance from other interests saw investment earnings rise by 19,2% and overall equity accounted earnings 18,3% higher at a new peak of R3,13bn. This is the slowest rate of increase since 1985 but still above the average of 15% of the past 10 years. Clearly, the group is levelling off

An extraordinary surplus of R685m arose largely as a result of Minorco's disposal of Consolidated Gold Fields and consequent US\$645m capital gain, 39% of which was attributable to Anglo

The most significant new investment was the purchase of 1,1m GFSA shares for R328m to bring the total held by Anglo and associates to 25%. Certainly a strategic move, it nonetheless represents good timing if forecast for the market in general, and gold in particular, is fulfilled

The directors say "Little if any growth may be expected in SA in the immediate future, and a significant rise in unemployment may well occur. It should nonetheless be possible to establish a platform for recovery starting some time in 1991, the essential pre-conditions being lower inflation and higher foreign exchange reserves." The group believes this downturn should not be as severe as those of the early and mid-Eighties.

Given government's determination to reduce inflation and raise forex reserves, and the degree of success already achieved, the stage could be set for an upturn next year.

Anglo is also cautiously optimistic on gold, saying "the market should establish a floor at which reliable buying interest and physical demand will support the price, and at which investor interest can be restored"

The corporation sees the metal as undervalued and feels that it "can play an important role as a store of value during the cycle of correction in other investment markets."

Anglo mines have fared reasonably well relative to the industry. On an indexed basis, mining houses overall have seen a steady

P.T.O.

decline in recovery grade over the past five years. However, Anglo has seen this stabilise, with the indexed grade static since 1987 (Only Gencor has managed an increase, which started in 1988.)

Anglo recently announced a phased reduction in employment at Freegold, Vaal Reefs and Afrikander Lease (FM June 22) as part of a rationalisation programme aimed at overcoming shrinking margins. The cost-cutting measures are expected to entail minimal loss of production at Freegold and, in fact, an increase at Vaal Reefs as a result of high grading. Cuts are to be made over nine months, so won't be felt immediately, and there will probably be a further drop in income for gold investments during this year.

The diamond market is going through a tough patch. Rough prices were lifted in March by 5,5%, after last year's particularly high price hike of 15,5%. Sales of uncut stones seem to be running slightly ahead of last year in value terms, but the polished market is feeling some resistance. Growth in earnings from diamonds is still expected, but slower than last year's 30,9%.

Other commodities are also feeling the pinch. Platinum producers are seeing lower metal prices, bar rhodium. Unfortunately, Rustenburg is having difficulty supplying rhodium and is unlikely to benefit from price run as much as the other producers. Again, growth may be dulled.

Base metal prices are off peaks but remain at reasonable levels. Destocking in the stainless steel market began towards the end of 1989, resulting in sharply lower nickel and chrome prices. The steel market seems to be in a correctional phase within a long-term bull trend which should resume within a year. The impact on current performance will, however, be negative.

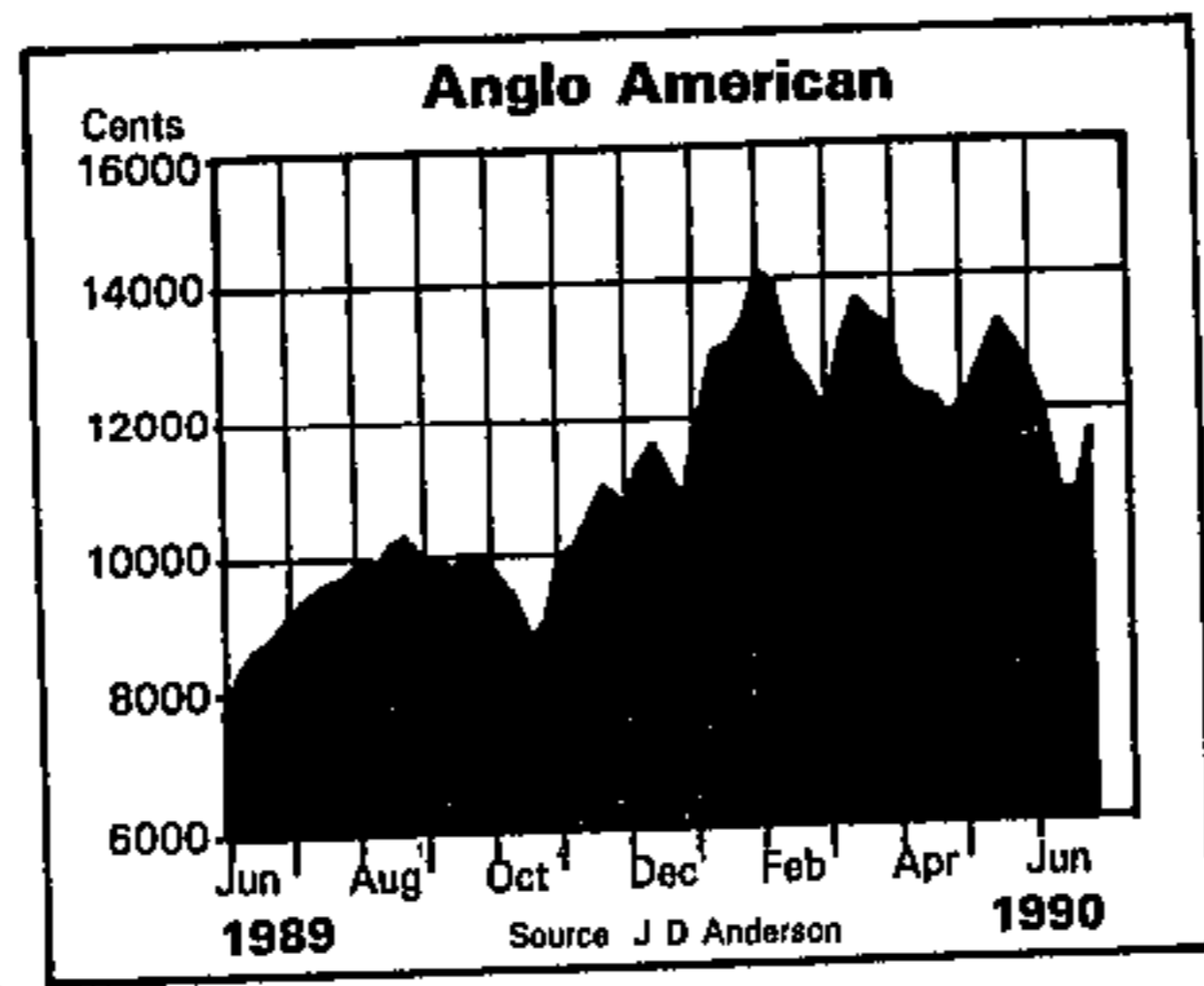
Until expansion of the Richards Bay Coal Terminal is complete, Amcoal will not be able to raise exports to any great extent. Rationalisation in the gold industry will also adversely affect Eskom's power generation and hence, need for coal. Amcoal is, therefore, unlikely to see anything like a repeat of last year's performance.

On the industrial side, Amic is looking for merely maintained earnings as restrictive economic policies hold sway in the short term. Added to this, political uncertainty has introduced "a considerable degree of fluidity into the economic outlook."

Anglo publishes its chairman's statement

to coincide with the AGM (August 16), in which it looks at the future. It is clear, however, that the group will be under pressure to see even a modest hike in earnings, let alone match inflation. The dividend is almost certain to be pegged. At R116,50 the shares are fully priced.

Gillian Findlay



Star 6/7/90 210

# Chamber's offer accepted by NUM

By Sven Lunsche and  
Brendan Templeton

The gold mining industry was yesterday thrown a lifeline by the National Union of Mineworkers (NUM), which last night accepted the Chamber of Mines' final offer of wage and salary increases ranging from 14,5 to 17 percent at affiliated gold mines.

But the NUM's assistant general secretary, Marcel Golding,

said the union had declared a dispute at coal mines and would be holding a strike ballot among its 35 000 affected members.

The wave of retrenchments, however, is continuing at the gold mines with Gold Fields of South Africa (GfSA) announcing a planned lay-off of up to 4 500 workers at its seven mines over the next 12 months.

Industry analysts believe that the NUM accepted the chamber's wage offer at gold mines in order to avoid further retrenchments if the gold price fails to recover.

Some mining groups have indicated that an increase above the final offer would have inevitably led to further cut-backs in staff complements.

However, Mr Golding said the NUM rejected the proposal that a joint working group be established to discuss hours of work and that the union was sticking to its demand of 98 hours per fortnight.

## Coal mines

The NUM accepted a number of other proposals including a 15 percent increase in holiday allowances, the establishment of a committee with regards to skills development and education, and GfSA becoming party to an agreement on miners' accident leave and income security.

Mr Golding said that coal mines were making a large profit and there was no reason why coal miners, who earned less than gold miners, could not be given the NUM's 20 percent increase demand.

The move by GfSA to lay off about 5 percent of its 80 000 gold mining workforce is the latest in a series of cutbacks by the industry, which has been hard hit by the falling gold price and increasing costs.

## Survival

Announcing the GfSA cutbacks, the general manager of the gold division, Mike Tagg, said management was trimming the workforce by more than was desirable, "but it is a question of short-term survival of the mines".

Of the 4 500 planned retrenchments, 350 are skilled workers, who would probably be taken from two new mining projects at Leeudoorn, at the Kloof gold mine, and the Northam platinum mine, he said.

Mr Tagg added that the cutbacks were part of a provisional budget for the financial year to end-June 1992, and once a final decision had been made the unions would be consulted.

Hardest hit by the move will be the Venterspost gold mine near Potchefstroom, where 1 000 of the 8 500 workforce will be retrenched.

At Doornfontein, Libanon and Driefontein, up to 300 unskilled and 50 skilled workers could lose their jobs, Mr Tagg said, adding that retrenchments on a smaller scale were planned at Deelkraal.

About 200 workers will also be laid off at the Vlaktefontein gold mine, which is closing over the next few months.



# 4 to 5 pc growth seen for SA When trade returns to normal

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Per 11/7/90

## Anglo says 45 pc control claim 'gross exaggeration'

By Magnus Heystek

Anglo American has denied a suggestion that it "controls" 45 percent of the market capitalisation of the Johannesburg Stock Exchange calling it a "gross exaggeration" as a result of double-counting and other errors.

"In fact the proportion of JSE shares constituted by Anglo American and associates and the companies they 'control' is not more than 30 percent," chairman Julian Ogilvie Thompson says in his annual report. "Administration and control are not — as is so frequently assumed — synonymous."

McGregor's "Who own Whoms" publication recently estimated the level of Anglo's control at about 45 percent.

However, Mr Ogilvie Thompson says: "Our holdings are generally large, often majority, public shareholdings in companies we administer, particularly the gold-mining companies."

"Moreover, a director's fiduciary responsibility requires him to take decisions in the interest exclusively of the company on whose board he sits, not the interest of the company that may have nominated him to represent it."

"More illustrative of the real worth of Anglo American and its associates is that ventures that they have developed from grass roots now account for some 25 percent of the JSE's capitalisation."

Mr Ogilvie Thompson also examines what he calls the "true measure of the concentration of the national economy" by relating ownership of the nation's total fixed assets.

After adjusting the latest statistics for the recent privatisation of Iscor, about 54 percent is owned by the government and parastatal organisations, and four percent by agriculture.

Another 36 percent is owned by non-Anglo American companies listed on the JSE, by unlisted entities such as Sanlam and Old Mutual, the multi-nationals and private businesses.

Anglo American and its associates and the companies they "control" account for six percent, says Mr Ogilvie Thompson.

"Moreover, as experience in the two largest economies, the United States and Japan makes clear, the existence of big companies... is conducive to the growth of small business, not the reverse."

Mr Ogilvie Thompson discloses in his annual report that about 160 000 present and former employees now hold more than two million Anglo American shares under the employee share ownership scheme introduced three years ago.

The value of this combined shareholding is well over R200 million even at the lower price now prevailing.

He says a third free offer of shares is in progress.

By Magnus Heystek,

Finance Editor

South Africa's annual growth rate could rebound to between four and five percent should trade and financial relations with the rest of the world be normalised, says Julian Ogilvie Thompson, chairman of Anglo American Corporation.

Commenting in his first chairman's report of AAC he says that trade and financial sanctions have compelled South Africa to restrict the growth rate to two percent a year — "perhaps to zero in 1990" — in order to finance international debt repayments amounting to some R21 billion over four years.

"Simply stopping the haemorrhage — a prospect which the EC summit meeting in Dublin has now brought closer — would enable us to raise the growth rate to about three percent per year."

"With a resumption of trade credits and capital inflows on the earlier scale we could raise it to between four and five percent, perhaps more. That would add another R5 billion to R10 billion a year to our total resources, and would be of tremendous assistance in correcting inequality, both directly and by creating new employment," Mr Ogilvie Thompson said.

"Five percent growth, a modest enough target in normal circumstances, could create around 200 000 new jobs a year in the formal sector and at the same time greatly benefit employment in the informal sector," he added.

Mr Ogilvie Thompson identified Government as the "biggest single impediment to growth in South Africa", because it frustrated its real function as facilitator by its preference for direct controls that largely ignored the concept of pricing by relative scarcity, and by introducing policies that, in the supposed interest of the white electorate, discriminated racially in both political and economic affairs.

One consequence was that State expenditure soared to a proportion of the national income that made inflation virtually unstoppable, consuming resources which, had they been left in the private sector, would have generated more wealth and money for social expenditure.

In this regard he referred to a country like Sweden where excessive rates of taxation to finance social expenditure has proved to be self-defeating because they cripple growth.

### Diversification

Other points made by Mr Ogilvie Thompson.

● AAC's policy of balanced diversification enabled the Group to achieve record earnings, a fall in the contribution from gold more than offset by substantial increases in all other sectors.

Attributable earnings increased by 20 percent to R1 507 million, or 651c a share, in the year to end-March. Equity accounted earnings were 18 percent higher at R3 130 million, or 1 352c a share. The

total dividend for the year was again raised by 20 percent to 325c a share, being twice covered by attributable earnings and 4,2 times by equity accounted earnings.

● Earnings from gold mining fell by R18 million to R373 million, equivalent to 12 percent of equity accounted earnings against 15 percent the previous financial year.

● AAC invested R1 123 million in equities and loans over the year. The group participated in a number of major rights issues by companies, including Gold Fields, Samancor, Gencor and the Premier Group. The group also provided funds for the North East Cape Forests Venture, subscribed to the Iscor flotation and acquired a parcel of shares in Unisel, the gold mine in the Orange Free State.

● Investments made outside South Africa included further funding of Eastern Investments in respect of its Australian natural resource interests; advances to Soda Ash Botswana and a new investment in Deutsche Stenindustrie, an international dimension stone-cutting operation.

This shareholding, and that in the Medgenix Group, the diversified medical services company mentioned last year, have been transferred to a wholly-owned subsidiary formed to hold all AAC's European interests.

● At the end of the financial year the group's net asset value had risen by 32 percent to R37,8 billion, R163,39c a share.

# Metaclo minorities decide on legal action against controlling shareholder

Stein 11/7/90 (58) (210) (273) (191)

By Ann Crotty

Minority shareholders in Metal Closures SA (MCG-SA) are taking legal action to prevent the controlling shareholder MCG-UK from implementing a proposal that would convert MCG-SA into a wholly owned subsidiary of MCG-UK.

A group of minority shareholders will be making an application to court today to prevent the Registrar of Companies from registering the four special resolutions passed at yesterday's general meeting.

The special resolutions were passed by 77,2 percent, with 12,5 percent voting against.

MCG-UK holds 77 percent of the shares and voted in favour of all resolutions, which are not effective until they are registered.

Donn Jowell of attorneys Jowell, Glyn & Marais who is acting on behalf of the minorities believes the effect of the special resolutions in this instance is oppressive and that a majority shareholder cannot ex-

ercise his power in a way that discriminates against minorities.

While it is generally accepted that a majority shareholder can vote in his own self-interest when a proposal is for the benefit of the company as a whole, in this instance the results of the proposals being voted upon discriminate against the minority and advance the interests of the majority.

## Major grievance

The major grievance of minority shareholders is that the procedure being used by MCG-UK gives minorities absolutely no say in their expropriation from the company (The procedure involves the conversion of the 23 percent minority shares into redeemable preference shares and their subsequent redemption at an effective R23 a pref.)

Of secondary importance is the level at which the takeover price has been pitched, which is

felt by the minorities to be very low

At least one of the major minority shareholders seems keen to continue to hold listed MCG-SA shares

Graham Dickason of the Mines Pension Fund makes the point that it has been invested in MCG-SA since the company was listed: "We would like to stay with it."

There are two legs to the action the minorities are taking.

The first leg argues that the majority shareholder has exceeded its power in the implementation of the proposal.

The second argues, under section 252 of the Companies Act, that the minorities have been unfairly prejudiced.

At yesterday's meeting Gerald Stein of attorneys Werksmans, representing Finansbank, said the procedure used by MCG-UK was legitimate in terms of the law and that if the procedure had been abused then minorities had a

remedy through section 252.

Mr Stein referred to the suggestion by brokers Martin & Co that MCG-SA should be valued at R34,80 to R48,30 as "horribly misleading" and asked Martin & Co's Winston Floquet to explain why he felt R23 was an unfair price

In support of his contention that the price was too low, Mr Floquet said the company's asset base had recently been replaced. Gearing was low by industry standards and the earnings pattern of MCG-UK was less volatile than that of other players in the industry

"Our valuation of the company is a minimum of R30"

According to Mr Stein, MCG-UK believed it was availing itself of its rights within the law

"The minorities are well protected in terms of both the procedure and the price"

He said an independent party (Finansbank) had advised on the fairness and reasonableness of the price

# Anglo spells out policy on 'new' SA government

Business Editor

2/16/45 11/7/90  
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ANGLO American Corporation, the country's largest conglomerate, says it is prepared to enter into mining-venture partnerships with a future South African government.

The chairman, Mr Julian Ogilvie Thompson, said Anglo had enjoyed successful partnerships with the governments of Botswana and Namibia and he believed this also could happen in South Africa.

A future government would be able to take shares in new mining ventures in exchange for mineral rights, he said.

## RAISE GROWTH RATE

Mr Ogilvie Thompson said that from 1985, trade and financial sanctions had compelled the country to restrict the growth rate to 2 percent a year or less, financed by cuts in international debt repayments.

"Simply stopping the haemorrhage — a prospect which the European Community summit meeting in Dublin has now brought closer — would enable us to raise the growth rate to about 3 percent a year.

"With a resumption of trade credits and capital inflows, we could raise it to between 4 and 5 percent, perhaps more."

That would add a further R5-billion to R10-billion a year to the country's total resources.

●See page 13.

# Mines seen as source of right-wing terror explosives

Tens of millions of kilograms of explosives are made in South Africa every week, making the country one of the biggest manufacturers and users of explosives in the world.

"The dynamite factory", as AECI's Modderfontein plant has been called for years, is the biggest of its type in the world.

Explosives are transported and stored in a long chain of activities between manufacture and usage, a chain which seems particularly vulnerable to interception and sabotage by various elements.

It is the widespread availability and use of explosives at the mines where the real problem lies.

Thousands of tons of explosives disappear into South

Right-wing bombers seem to have access to large amounts of commercial explosives with which to carry out a rapidly expanding terror campaign. Where do the explosives for right-wing bombs come from and can controls be intensified? **CRAIG KOTZE** and **MONICA NICOLSON** investigate.

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Africa's mines every week and, according to police and mine sources, it is virtually impossible to impose total control.

It is also on the mines that large support for the far Right wing lies. And with racial tensions still extremely high in places such as the Free State goldfields, the mines seem to provide ample opportunity for rightwingers to arm themselves with explosives.

The possibility that explosives can be stolen from magazines and other places above ground is not totally discounted, but police say regulations and a tight permit system make control of above-ground blasters very easy.

"It's not impossible for blasters using explosives for swimming pools and other commercial enterprises to steal explosives, but we keep them under such a tight rein that it would be very difficult.

The problem definitely lies elsewhere, underground on the mines.

"It is easy to criticise them, but we must remember that they have a vast problem. It is not easy to control explosives underground with unions — both white and black — resisting the searching of miners as they come out of shafts," said one policeman.

According to a mine boss in charge of signing out explosives, finding out how much was used and then making sure the excess was returned at the end of the day was problematic.

An official of the Department of Mineral and Energy Affairs in the Mining Engineers' Department said it was very difficult to establish ex-

actly how much explosive was used

"It is easy for a miner to put a few sticks of explosives in his lunch tin, especially when the fine for being caught is only R500 and/or 12 months imprisonment," he said.

It is stated in the mines and works regulations that the mine manager should appoint a person at exit points to search miners leaving work, and that no miner had the right to refuse to be searched.

The official pointed out that big mines, like Anglo-Vaal, had 40 000 miners, and to check everyone would be impossible.

"We looked at putting in sensor gates, but every miner who came into contact with explosives during the day would get pulled off," he said

# Lonrho attracts interest

Lonrho, the international mining and industrial holding company, is attracting good demand as investors begin to appreciate the real value of its platinum interests.

John Clemmow of brokers George Huysamer says in a report that there are no companies strictly comparable to Lonrho. But its extensive offshore interests should give it a premium over local mining and/or industrial holding companies.

At its present forward P/E ratio of 13,9, Lonrho is under-valued relative to Minorco and Charter in the mining house sector and relative to Barlows and SAB among industrials.

The merger of Karee into Western Platinum has left Lonrho with 75 percent of the equity and 73 percent of the profits of the combined Western Platinum, Karee and East Plats.

He says the combined platinum operation controls a lease area holding vast reserves of Merensky and UG2 Reef, over 26km of strike (roughly equivalent to that of Impala).

Prior to the inclusion of Karee, Western Platinum was planning to increase production from 1988's 150 000 ounces of platinum per year to 290 000 by 1992.

The addition of Karee could add another 100 000 ounces by 1991, with a possibility of another 140 000 ounces by 1994.

Lonrho has said West/East Plats is capable of producing 800 000 ounces of platinum per year by 1993 without resorting to external funding.

West Plats has always been considered to be the lowest-cost platinum producer and the inclusion of Karee has helped maintain that position.

Lonrho could expand production much faster than is believed and, being the lowest-cost producer, West Plats will be able to weather any price war that might break out among other producers.

Syd Vianello of brokers Ed Hern Rudolph says in about three years' time Lonrho will emerge with a dominant share of platinum production in South Africa, relative to other mining houses like Gencor and Johannesburg Consolidated Investments (JCI), which respectively control Impala Platinum and Rustenburg Platinum.

Mr Vianello says Lonrho could be worth R30 a share, compared with its current price of R19,10.

He says, however, the problem is that Lonrho's share price is made in London where institutions are not enamoured of Lonrho.

The other negative factor is Lonrho's

Diagonal Street

7190  
Jabulani Sikhakhane



ho's perceived exposure to Africa. However, this perception is "peanuts" relative to Lonrho's size, he says.

Mr Vianello says Lonrho is an attraction for South African investors because of its rand-hedge element (about 65 percent of its bottom-line is outside Africa).

It also offers an attractive vehicle for exposure to Europe 1992 and the emerging East European markets.

Lonrho has been buying into international trading houses in France and West Germany.

The West German-based Kröpp Lonrho GmbH is ideally placed to benefit from developing East European markets, while Lonrho's other trading company, Kuhne & Nagel will continue to provide strong earnings potential.

Mr Clemmow notes in his report that Lonrho could easily fit into the mining house (financial) sector of the Johannesburg Stock Exchange and take its place alongside Minorco as a good financial rand investment.

Mining and leisure are the biggest contributors to Lonrho's pre-tax profits. In financial 1989 mining contributed 24 percent and leisure chipped in with 21 percent.

Forecasts are that from 1991, 45 percent of Lonrho earnings will be from mining, with over 80 percent of these coming from platinum.

Lonrho's main gold investment is a 45 percent stake in Ashanti Goldfields Corporation, which mines a huge deposit 350km north-west of Accra, Ghana.

Current production is 340 000 ounces per annum at a production cost of \$223 per ounce. At the end of the \$160 million expansion programme in 1993, production should increase to 600 000.

There is the potential to expand to one million ounces by 1998.

Mr Clemmow says the capex programme will not only increase production, but lower production costs to \$200 by 1993.

Sub-level caving is still the most common mining method, but open-pit operations are being expanded rapidly.

Lonrho SA's gold interests are held through a 66 percent stake in Duiker Exploration.

# Rand Mines plan for ERPM

By Ann Crotty

Following last week's announcement that the Government had decided to continue providing assistance to long-suffering ERPM, Rand Mines has issued details of a rationalisation and financing plan for the mine.

The plan, hinging on continued support from the Government, involves the agreement of ERPM, the Government and the mines' major creditors.

Major features of the rationalisation plan include:

- Mining activities will be concentrated in the high-grade underground sections, mainly in the eastern portion of the mine, and on sand treatment operations.

- An additional loan facility of up to R35 million will be advanced by Rand Mines and will bear interest at prime rate.

- Certain surplus assets will be sold.

- Repayment of 30 percent of the company's liability for interest due (on the R60 million loan from FNB and the existing R20 million loan from Rand Mines) will be extended beyond the currently agreed period until such time as the company can afford to meet these obligations, or to end-December 2002, whichever is earlier.

- The Government has undertaken, if necessary, to make available further facilities not exceeding R33 million after January 1 1993, either as a loan, a guarantee or a subsidy, to enable the company to meet deferred interest payments due on the consortium loan.

- Rand Mines (Mining & Services) will reduce its management fee by 50 percent, effective for the two years to end-December 1992.

This will be subject to a maximum annual amount of R3 million.

According to ERPM's 1989 annual report, this rationalisation plan, which involves reducing the labour force to 4 000, is critical to the survival of the mine.

MINE TAXES F1M 13/7/90

## Too little

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Mining house tax experts agree that Barend du Plessis' Budget concessions on ring fencing do not go nearly far enough to act as a real incentive to the development of new gold mining ventures

According to Brian Robinson, administra-

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tive manager, companies services, Anglovaal, there are two serious limitations. Anglo tax consultant Marius van Blerck endorses these sentiments

Firstly, a mining company may not access the 25% allowance on the tax base of an existing mine until the new mine is in production in the year of assessment. Of course, unredeemed capex may be carried forward.

Van Blerck concedes a measure of compensation for this wait has been given through the increase in the allowance on unredeemed capex (from 10% to 12% a year). But — given the unavoidably long lead times — the waiting period decreases the return and increases the risk.

This is particularly serious in the context of a low gold price. Gold mining tax bases have shrunk dramatically in the past few years and there can be no certainty of much tax base at all five or 10 years from now.

Secondly, says Van Blerck, ring fencing may not be relaxed where a mining company acquires the right to mine a new area through the issue of any shares which have dividend rights calculated by reference to profits in that area.

When mineral rights owners sell their holdings to a mining company, they often want to participate in the profits in that specific area rather than see the benefit diluted through taking merely a share in the company as a whole.

Robinson agrees, saying there is more uncertainty than ever about the value of a new gold mine. To classical uncertainty about grade must now be added volatility in the dollar price of gold and the exchange rate of the rand, while inflation makes future working costs more difficult to predict.

All this, says Robinson, can make it well-nigh impossible to put a confident money value on a given block of mineral rights when a mining venture is put together. The only way to structure a deal satisfactory to both buyer and seller will often be the issue of shares — perhaps participating preference shares — which will enable the vendor of mineral rights to participate in whatever future profits turn out to be.

True, says Van Blerck, mineral right holders can still get a direct return through a royalty, but this is not always ideal. Van Blerck expresses sympathy for the Revenue, which wants to block artificial schemes which enable the mining company simply to "host" the new mining development without being an economic participant. But there must be better, more sophisticated ways to achieve this than such a severe restriction on ring fencing.

Robin Friedland

B / Day 16 / 790

## Couriers may help out with postal delays

THEO RAWANA

A HUGE backlog in postal deliveries has forced the Post Office to look into the possibility of using private couriers in a bid to speed up deliveries.

Posts and Telecommunications spokesman Amanda Singleton said the probability of contracting couriers to transport mail was being investigated.

She said the Post Office would write out specifics for tenderers and couriers could tender

• "The couriers will only transport mail from main post offices to depots — not do a door-to-door delivery operation," she said.

Sapa reports Western Cape deputy senior director of postal services Jurie Swart as saying courier contractors had helped to deliver to rural area depots for some time

Referring to business complaints about outdated sorting equipment compounding delays, Swart said "We believe we have an efficient mail-sorting system at Cape Town and technicians are in the process of further updating our equipment."

Postmaster-General Johan de Villiers said last month the Post Office was giving urgent attention to the problem of delays in mail deliveries

## Prohibited

An effort would be made to expand the in-house transport network and the transport facilities of couriers.

He said private couriers were not allowed to deliver mail. "Private couriers are prohibited from delivering direct mail to the public or mail from individuals to private houses.

Deputy chairman of Sun Courier's holding company Uniserv Barry Saxton said Post Office delivery problems could be solved within price ranges acceptable to the public.

He said his companies had the infrastructure for fast and efficient national delivery, including outlying areas and small towns

The Post Office could be helped with major problems areas such as speed and reliability in transporting mail to post offices, especially those in outlying areas and also in minimising the sorting delays.

The SA Post and Telegraphs division announced on Friday that a priority mail service between Pretoria and East London was going to be put to the test for six months

# OK gives notice of 570 retrenchments

OK BAZAARS has issued retrenchment notices to 570 employees in the PWV area due to the effects of prolonged striking by SA Commercial Catering and Allied Workers' Union (Saccawu) members.

However, talks will resume this week between the union and OK, Checkers, and Southern Sun in an attempt to end industrial action.

OK spokesman Gavin Brown said wage negotiations with the union would continue on Thursday, but the retrenchments would go ahead as initially planned.

Affected workers were notified on Friday that their employment contracts would be terminated at the end of the month. Brown refused to comment on the nature of the talks, which have been held sporadically over the past two weeks

Saccawu national organiser Jeremy Daphne denounced the retrenchments and said the company had undertaken at talks held last week to consider the union's demand to withdraw the notices.

As the strike entered its seventh week, Daphne said the union would take an improved management offer

DANIEL FELDMAN

to its members for consideration this week.

The union originally demanded a R160 across-the-board monthly increase, as well as an R800 minimum monthly wage, while OK offered service-related increases and a minimum wage of R710 a month after a year's service

Mediation between the union and Checkers is scheduled to resume today. Saccawu has lowered its demand to a R150 across-the-board increase, and management has offered R138

Talks between the union and Southern Sun continued throughout last Thursday night and into Friday. The outcome of the talks could not be established yesterday.

Daphne also said the union had written to Law and Order Minister Adriaan Vlok "in the light of ongoing police harassment" The letter stated that the arrests of picketers were not only without any justification in law, but constituted "a gross interference with workers' rights to picket".

Unless arrests were discontinued, the union would reserve its right to seek relief in the Supreme Court

# Nationalisation of mines must hit economy expert

DANIEL FELDMAN

NATIONALISATION of the mining industry will inevitably lead to a mis-allocation of resources, inefficiencies and the detriment of the economy, says Chamber of Mines senior economist David Kennedy

In the latest edition of the chamber's newsletter, Kennedy said "The risks involved in tampering with an industry that employs over 750 000 people and provides some 55% of the country's foreign exchange earnings must outweigh any perceived advantages" B / Day 16 / 790

Economic research showed there were no imperative economic or financial reasons for nationalisation, and any government already had the power and the necessary means to exercise fairly effective control without resorting to public ownership, he said

In addition, the experiences of Eastern Europe, the cost of nationalisation in Western Europe and the failure of nationalisation in Third World countries like Zambia and Burma offered proof that nationalisation did not work.

sation did not work.

Modern economic studies had shown empirically that State-controlled industries were almost certain to be less efficient than privately-owned businesses

"For private enterprise to survive and prosper in SA it may be necessary to depart from its proper and correct role of aiming to maximise profit and to take a more active part in fulfilling socio-economic expectations," said Kennedy.

"This may include allocating more resources to education and training, and perhaps even some kind of affirmative action employment programme. This should help to defuse current antagonisms and help provide an acceptable face for capitalism in SA"

Kennedy said nationalisation was not based on tangible economic/financial criteria, but was in fact an emotional reaction to perceived injustices



# Analysts divided on gold's sharp rebound

210 Star 16/7/90

By Sven Lunsche

With gold moving to a seven-week high over the weekend, analysts are hedging their bets over the future course of the metal.

Gold rose \$12,80 in London on Friday to close the day's trading at \$364,55, a trend which continued in New York the same day and this morning in Hong Kong, where the metal opened at \$363,60.

Gold's surge provided a welcome boost to share prices on the Johannesburg Stock Exchange.

At the close on Friday the gold index had registered a 6,5 percent, or 95 point, rise to 1 535 after plunging to a low of 1 441 on Thursday.

The overall share index benefited from the surge in gold share prices and recovered to 3 063 from Thursday's 3 007.

The industrial index was not much changed at 2 967, a seven-point rise for the day

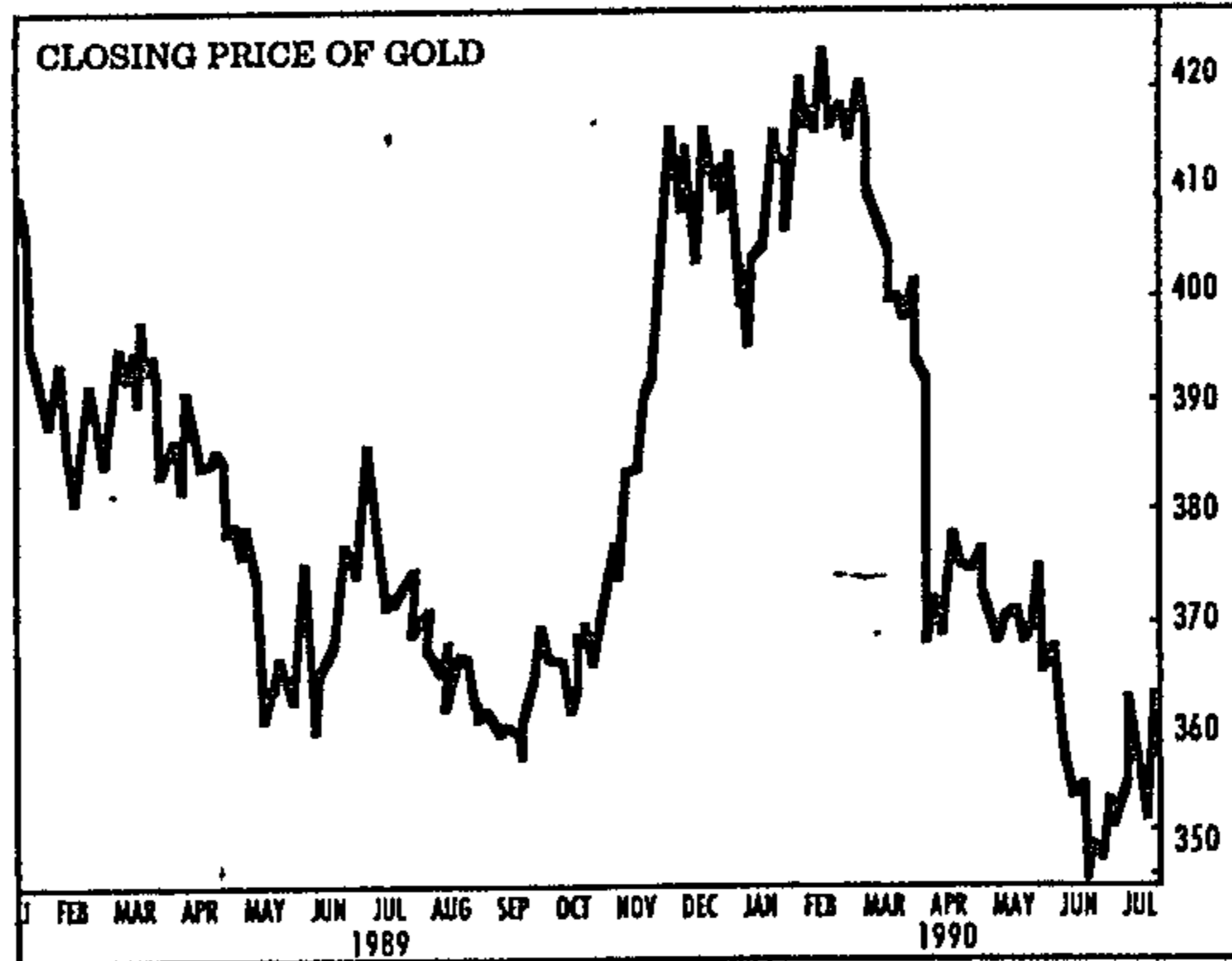
## Platinum futures

Gold pulled other precious metals higher, sending October platinum futures to finish \$7,90 higher at \$486,80 an ounce

Gold shot to its highest price since May 28 on buying tied to a weaker dollar, higher oil prices and a statement on Thursday by Federal Reserve Board chairman Alan Greenspan that the US central bank might push interest rates lower.

Mr Greenspan said he was preparing to ease monetary policy in response to a credit squeeze.

The Fed on Friday confirmed it was easing monetary policy by adding funds aggressively to the banking system to take the



London dollar gold price

Federal Funds rate, at which commercial banks lend to each other overnight, from 8,25 percent to eight percent.

This was the first time in six months the Fed had moved its target for the rate

The move came despite economic data showing the underlying rate of US inflation was still rising modestly.

Gold's rise came just a month after bullion hit a four-year low on June 14 when it closed at \$345,75.

Some analysts view its recovery since then as a sign that the worst is over.

However, others interpret the rise as little more than a trading rally in a continuing bear market.

The comment by Mr Greenspan was the catalyst for the whole move, Craig Sloane, metals analyst at Smith Barney, Harris Upham, told Reuters.

Due to the rise in oil prices, some Middle East investors who were active sellers of gold in recent weeks might now have less reason to liquidate gold holdings, he said.

Rising oil prices sometimes signal higher inflation, which would be bullish for precious metals, which are a traditional hedge against inflation.

## Profit-taking

London dealers said that while some profit-taking brought gold prices off their early-session highs on Friday, they expected gold to consolidate early this week, before once again testing higher levels.

They said gold's rise was accentuated by at least two waves of buying from banks in the Middle East.

Some speculators fear the Middle East has once again been "working the market" —

selling short and then off-loading large amounts of gold at critical points

They expect repeat sales from this source, according to a report in the International Gold Mining Newsletter

The magazine speculates that other large sellers could enter the market

"One such seller could be Canada, which, in the middle of a constitutional crisis surrounding the province of Quebec, is having to support the Canadian dollar and has been a seller of gold in the past."

Another unknown is the recent announcement by the Brazilian central bank that it has been selling gold for US dollars as part of an effort to reduce smuggling

As a result almost 140 tons of gold have been involved in arbitrage over the past four months.

A spokesman said when the central bank received gold and paid out US dollars, it immediately sold on the gold in the market

While the Brazilian gold price has now recovered and some private investors are moving back into the market, the spokesman expected further sales by Brazil of about 50 tons a month for the time being

Wall Street's Dow Jones index broke through the 3 000 mark for the first time on Friday as shares responded to signs that the US was heading for long-awaited lower interest rates, AP reports.

At noon on Friday the 30-share average of industrial stocks powered ahead 30,45 points to 3 000,25.

However, as is typical when the market advances, it then fell back to close at 2 980,20 for a gain of 10,40 points on the day.

# Gloom for most JSE companies

**BOTTOM-LINE** profits of JSE companies are expected to come under attack on a number of fronts in the coming year, with few likely to rise above the gloomy economic and stock market conditions, say analysts.

High interest rates, political uncertainty, inflation, unexciting prospects for precious metals prices and dwindling consumer confidence will all play a role in the assault on profits.

One analyst sums up the situation by saying that it is

now "a very difficult time to pick any winners"

Steve Rubenstein of Fergusson Brothers says an average growth of 13% is predicted for the financial and industrial sectors of the JSE for companies with 1990 year-ends.

## Output

More beleaguered than most is the mining sector.

Gold mines are being squeezed "every which way" An unrewarding gold price, high cost inflation and Reserve Bank determination to protect the rand

are some of their headaches

Platinum companies are also looking at a flat world price because of more output in the global market. The benefit from a good rhodium price is likely to be small

Base metal companies have similarly few highlights to look forward to, although one analyst says the improved nickel price could have a positive spin-off for platinum companies

Coal's outlook is less than

bright, because Eskom's consumption has reached a plateau and export prices have weakened

The banking and financial services sector is the one with happier prospects than most and shares in this sector are described as "defensive in an uncertain market"

The consensus among analysts is that margins will hold up well compared with the rest of the industrial sector and earnings and dividend growth of 15-20% can generally be expected

Financial companies are expected to do well in their portfolios, said one stockbroker. This was due to an undemanding price earnings range of between about 5 and 7, compared with substantially higher ratings of some blue chips like Richemont, SAB and Tiger Oats, but their earnings outlook was not particularly good.

## Thorns

Building societies' margins are benefiting from favourable interest rates in the retail market and the fact that the cost of funding is likely to start declining faster than the cost of their retail lines

The thorns in the otherwise rosier picture for this sector are potentially worsening bad debt ratios and slower volumes

The insurance sector has to be seen in its two distinct components life companies are forecast to produce earnings of between 20%

and 22% and are said to be relatively recession-proof, because policies are not easily cancelled

Short-term insurers, on the other hand, are much more cyclical performers and earnings are expected to be well down on last year's 35%-40% earnings growth. Earnings improvement this year is not expected to exceed 10-14%.

The industrial sectors are being affected by the slow-down in the economy, uncertainty about politics and the looming probability of retrenchments

## Trouble

Some analysts forecast a 20% decline in the earnings of the likes of Barlows. Amic is also expected to see a dip in earnings.

Remgro's earnings growth is not expected to be more than 5%-10%, Rainbow's results were forecast to be well below prospective forecast, Kanhym could not expect more than 10% growth, the cement producers could expect a 20% drop in earnings and the building and construction industry is said to be in trouble

The only relief from a generally depressing scene was in the furniture and household sector, which has seen a 30% annual growth in the past three months, but even this is not expected to be sustained

The clothing sector has also been showing some real growth, a broker said.

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NEWS

ANC is Govt's only credible negotiator, says economist

# 'NP has lost control'

PORT ELIZABETH — The National Party had lost control of the country, according to Dr Ronnie Bethlehem, group economic consultant for mining giant Johannesburg Consolidated Investments.

He added that the NP had also lost control of the townships and education.

He said the Nats needed a partner

if stability were to be restored in South Africa and the ANC was the only worthwhile and credible negotiator if this were ever to be achieved.

Both parties had finally realised that negotiations were the only way to a political solution.

The NP had finally realised that the body politic could no longer be separated and the choice was one of domination or democracy.

He said the ANC had also realised that the Government was too strong

preliminary conversations, had been driven by the understanding that country's economy could not suffer another decade of stagnation.

Dr Bethlehem said the NP would lose its constituency once democracy was accepted and, as the country headed into a recession, the blue-collar vote would be vital for State President de Klerk's five-year-reform initiative.

If the negotiations failed for the NP and the parliamentary order survived, the CP would win the next

general election.

For the ANC, failure would also mean the black community would reject the non-racialism the organisation stood for.

The majority of the black community and the most radical were those aged between eight and 18, who were Marxist-Leninist.

If the ANC failed, the failure would be inherited by the Pan Africanist Congress.

Both the Government and the ANC realised they had a lot to lose if their negotiations failed.

### SATURDAY STAR CORRESPONDENT

to be overthrown.

"The gap between the NP and the ANC has narrowed and is bridgeable by negotiations.

"These two are the only parties who can, together, achieve stability in South Africa. The Conservative Party and the Democratic Party are not in a position to do so."

However, time was running out and both parties, now involved in

# Bombs 'easy to steal' warns blaster

By DOMINIC JONES

A QUARRY blaster has warned President F W de Klerk that ineffective laws on the use of commercial explosives could lead to massive bloodshed by right-wing fanatics

In a letter sent to President De Klerk two months ago, Derrick Foreman of King William's Town said it was easier to steal commercial explosives than a chocolate bar

This week, in the wake of suspected right-wing bomb attacks that have killed two people and injured 49, the former Dale College pupil spoke out against "gross irregularities" that could have lethal results

Mr Foreman, 44, has battled for three years to get regulations on explosives tightened up

## Drastic

"People don't know that it's easier to steal explosives than sweets. If they knew the government was partly responsible there would be an outcry

"Unless something drastic is done about this soon, more people will die"

Mr Foreman alleges that inefficiency in the Department of Minerals and Energy Affairs has made it easy for right-wingers to obtain explosives

"Somebody who gets a blasting ticket illegally can put the lives of those who work with him in danger

"If he wanted to, he could steal enough explosives to kill thousands of people

## Hurt (210)

"I've written to everybody from the Attorney General of the Eastern Cape to President P W Botha and President De Klerk.

"I believe they don't want this to get to the courts."

In his May 3 letter to President De Klerk, Mr Foreman warned "It will be too late to take action when somebody is hurt or killed because of these irregularities"

His letter was referred to Minister of Mineral and Energy Affairs, Dr Wim de Villiers, who said there was "no evidence of any irregular practice"

Despite growing evidence that explosives are being stolen from mines, no tightening up of security has been recommended by the Chamber of Mines

The Chamber was satisfied that everything possible is done to control the use of explosives in the mining industry, a spokesman said.

# Gold mines apply drastic remedies to staunch losses

By Sven Lunsche

Mining houses are taking drastic steps to avoid a continued slump in earnings at their gold mines as prospects for a marked recovery in the bullion price remain dim

Provisional calculations show that the combined bottom-line earnings of gold mines in the stables of the six major mining houses slumped by over 80 percent in the June quarter

The decline has been partially blamed on factors such as scattered industrial unrest and production losses in the wake of the Welkom tornado and underground fires

But the falling gold price has played havoc with the results of all mines

In the June quarter the average rand gold price received slumped by about R2 400/kg to levels of R31 100/kg to R31 600/kg

The impact on mine results makes dismal reading

Of the mining houses' 34 producing mines, 11 showed a loss after tax, state share of profits and capital expenditure

## Decrease in profits

Included in this figure is the world's largest mine, Anglo American's Freegold, where earnings slumped by R100 million to a loss of R14 million

At the taxed level, eight mines showed a loss and 16 reported a decrease in profits

Only ten mines increased their taxed income for the quarter

Using the Chamber of Mines' yardstick of what constitutes a marginal mine, 18 of them would currently be considered marginal

The combined results of the six mining houses reflect this trend

Taxed profits fell by a provisional 20,8 percent to R728 million from R919 million

Two mining houses, JCI and Rand Mines, which controls the troubled ERP1 mine, showed taxed losses of R21 million and R17 million respectively

As a result of the problems at its Freegold mine, Anglo's earnings after tax and capex fell below those of Gencor for the first time

Capital expenditure at all the mines increased by a surprisingly high 28,9 percent to R643 million (R499 million), which left the slump in earnings after tax and capex even more pro-

QUARTERLY FINANCIAL MINING FIGURES (R MILLION)

MINING HOUSES	COSTS		TAX		TAXED PROFITS		CAPEX		PROFITS AFTER TAX & CAPEX	
	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE
ANGLO	1 587	1 585	56	17	444	334	257	282	187	52
GENCOR	503	510	93	62	123	108	27	40	96	58
GFS	548	575	133	36	253	272	159	239	94	33
ANGLOVAAL	248	253	79	46	63	52	9	14	54	38
RAND MINES	395	399	5	5	11	(17)	18	21	(7)	(38)
JCI	322	327	5	4	25	(21)	29	47	(4)	(68)
TOTAL	3 603	3 649	371	170	919	728	499	643	420	75

nounced at 82,1 percent to R75 million (R420 million)

The impact of the lower profits is not only limited to shareholders of the mines — the Receiver of Revenue will receive 54 percent less this quarter, with tax payments dropping from R371 million to R170 million

Production levels were, however, barely affected gold produced fell by only 340 kg to 145 750 kg, while the grade held steady at just under five grams per ton milled

The industry seems to have brought its costs under control, with total costs over the three months rising by 1,3 percent to R3,65 billion (R3,6 billion)

Nevertheless, further cost-cutting measures will be applied over the next few months as the gold price shows no signs of a quick and stable recovery

Industry sources have indicated that since the beginning of the year the rand gold price received has plunged by a further R1 000/kg to R30 000/kg to R30 500/kg

The cost-cutting measures have taken on an even greater urgency at marginal mines because assistance has been virtually ruled out by the recent findings of the Marais Committee into state aid for these mines

Hardest hit by cost-cutting measures will be the industry's 500 000 workers

This level is already about 100 000 down on the total workforce at the beginning of last year

On the back of about 15 000 lay-offs in the June quarter, the mining houses have already given notice that a further 20 000 posts will be slashed over the next few months

This has gone hand in hand with the temporary closure of unprofitable sections, as in the case of JCI's Western

Areas, where the closure of the North Shaft will result in the loss of 4 400 jobs and six tons of gold annually

Costs associated with workers — wages, accommodation, overtime, etc — account for just over half of total costs and many mines are seeking arrangements with the unions to reduce expenses even further

Anglo is currently asking the unions for an extra shift a month over the weekend, which would produce gold at a cost of 70 percent of the normal rate

Other suggestions put forward by Anglo include longer unpaid leave for the workforce to avoid additional lay-offs

The industry is also negotiating tougher contracts with suppliers, or

have appealed to them to bring down the bulk cost of goods

Anglo gold chairman Clem Sunter has said the tougher approach will be reflected in the results of some group suppliers

In order to avoid the impact of the volatile gold price, all mining houses have said they will be making use of the Reserve Bank's hedging facility

So far, the amounts involved have been limited, with the exception of Western Areas, which is hedging about half its annual production at its South Shaft

But industry sources foresee a greater use of the facility if the gold price falls further

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# Proposals widely praised

Member bodies of the Private Sector Council on Urbanisation have welcomed the proposals on a comprehensive urbanisation policy and hoped policymakers would seriously consider and speedily implement them.

The Chamber of Mines said the proposals were courageous, imaginative and thoroughly researched and, if implemented, offered South Africa a unique chance to get ahead of the enor-

mous development challenges. The SA Chamber of Business endorsed the call for the repeal of racial laws which inhibited economic growth.

The Steel and Engineering Industries Federation of SA urged policymakers to give urgent attention to development in the major urban areas. This, it said, would create sound economic growth and a better quality of life for all citizens.

# Moscow in \$5-bn deal with De Beers

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De Beers yesterday advanced a \$1 billion loan to the Soviet Union's diamond industry.

The Soviet Union's diamond stockpile will be shipped from the Moscow State Treasury to De Beers' Central Selling Organisation (CSO) in London to be held as collateral for the loan.

The Soviet Union, the world's second-largest diamond producer in value terms, has also signed an agreement, estimated to be worth \$5 billion, to sell its rough gem diamonds exclusively for the next five years through the CSO.

The CSO has continued to market Soviet diamonds, which have reached it through a tortuous trail of intermediaries since their previous direct marketing agreement was ended for political reasons in 1963.

The deal will enable De Beers, which already accounts for more than 80 per cent of world trade in rough diamonds and is the world's biggest miner, to deal directly with the Soviet Union and therefore further tighten its grip on the

market.

Nicholas Oppenheimer, chairman of the CSO, says: At a time of considerable financial strain, the Soviet Union has been able to raise a loan of \$1 billion, while signing a contract with De Beers which assures the Soviet Union of a steady and predictable flow of funds from its diamonds for the next five years."

Gary Ralfe, a De Beers director, says repayments on the loan will start in November and attract a commercial rate of interest, but won't give details.

De Beers found the cash from its own resources and borrowing facilities already in place.

It is already structured to absorb heavy swings in its cash flow as it buys and sells about \$4 billion of diamonds a year.

The group is heavily under-gearred (the last balance sheet showed \$1,7 billion in cash) and certainly has no need to turn to its shareholders for more money.

Mr Ralfe says the changes made by

his group in May, which split the company and placed the non-South African operations into De Beers Centenary, a Swiss subsidiary, was an important factor in the deal because the Soviet Union's contract was with the Swiss company.

On the Soviet side, it was signed by Glavalmazoloto, the precious metals and diamonds organisation.

Although not formally stated, it is implied that the \$1 billion will go to help finance the further development of the Soviet Union's diamond industry, based in northern Siberia, Mr Ralfe says.

He does not expect the Soviet stockpile to be returned to Moscow

If the diamond market develops as De Beers hopes, the stones will be sold by the CSO over the next five years. — Financial Times.

● De Beers shares have risen strongly in the past few days. They have gained almost R7 since the weekend to close at R97 last night



# Severin considers rights issue

SEVERIN Mining and Development's (SMD) directors are considering a rights issue to remove Rand Leases' heavy debt burden of R28,4m.

SMD director Franka Severin said yesterday that since borrowings began five years ago interest alone had doubled debt and alternatives were being considered to remove it in the "very near future".

"This could be mainly through a rights issue in which SMD would be willing to capitalise its entire loan to Rand Leases," she said.

The company's Rand

### Business Day Reporter

Leases and Eersteling mines today announced pre-tax losses of R12,9m and R2m respectively for the year to end-June, due in part to higher borrowings.

Severin said Rand Leases, where final quarter borrowings rose to R28,4m from the previous quarter's R24,3m, had switched to maintaining an economical tonnage of 12 000 tons a month. Mining operations at KR2 shaft were stopped and most of the mine's workforce retrenched.

The losses of the current

quarter's operations were due mainly to the retrenchment of half of Rand Leases' workforce and the loss of production due to labour unrest, she added. But directors were confident results would improve rapidly due to better control as a result of the lower tonnage being mined.

Borrowings at Eersteling grew to R1,1m from zero in the March quarter. Severin said the directors' decision to mine 12 000 tons a month to restore profitability and avoid decreasing mine ore reserves had resulted in 400 employees being retrenched.

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# Smaller gold mines in fight for survival

By Derek Tommey

The large gold mines are not alone in being in serious difficulties as a result of the depressed gold price. Several smaller gold mines are also fighting for their lives.

This is reflected in the announcements by the Severin Group that it is retrenching about 1000 workers in a bid to curb losses at Rand Leases and Eersteling, and by Consolidated Modder that it has started a rationalisation programme to reduce costs.

The serious situation in which the smaller mines are finding themselves is highlighted in their June quarterly reports.

## Depressed result

Of the seven "smaller" mines reporting, one (Rand Leases) has increased its loss, three (Osprey, Consolidated Modder, and Eersteling) have moved from profit to loss, one (South Roodepoort) reports a sharp drop in profits, one (Modder B) a small drop in profits and one (Gazgold) an increase in profits — but from a depressed March result.

The feature of the Golden Dumps group mining quarterlies issued today was the relatively small drop in profits at Modder B Gold Holdings.

Its production figures show the mine tried hard to maintain profits. The milling rate was increased from 8 073 tons in the March quarter to 9 230 tons in the

June quarter resulting in the amount of gold recovered jumping from 46,7kg to 53,1kg.

But the drop in the gold price limited the rise in revenue from R1 559 000 to R1 652 000 which was not enough to offset the increase in working costs. As a result the operating profit dropped from R320 245 to R290 666. After paying R114 169 (March quarter R113 136) in interest on the R1 852 000 debt, net profit before tax was R176 497 — down from R207 109 in the March quarter.

Another Golden Dumps' mine, South Roodepoort, also reported a profit — but much lower than last quarter. Net profit before tax slumped from R1 072 000 to R94 000 and after capital expenditure of R117 000 (March. ml) the mine had a loss of R23 000.

South Roodepoort was another mine that tried hard to overcome its unfavourable environment and pushed up its gold production from 308,5kg to 338,7kg. But again the drop in the gold price restricted the growth in income. This grew by R283 000 to R1 045 400. This was not enough to offset the R1 269 000 jump in expenditure to R1 022 500 and working profit tumbled from R1 216 000 to R229 000. Interest payments on the R995 000 debt further reduced the profit.

## Working costs

Consolidated Modder increased its milling rate, but a significant drop in the average yield from 4,89g/t in March to 3,68 g/t on the June quarter and a drop in the gold price resulted in revenue falling from R20,8 million to R15,5 million.

Working costs rose from R17,4 million to R18,7 million, partly as a result of a R1,3 million non-recurring payment and the profit of R3,4 million in the March quarter was replaced by a loss of R3,6 million in the June quarter. Net interest took another R2,88 million (R2,16 million) increasing the loss to R6,46 million against a profit of R1,5 million in the March quarter.

Severin is another group confronting

major problems. A sharp drop in production at Rand Leases caused revenue to fall. But owing to heavy retrenchment payments operating costs were only trimmed.

The result was that the working loss jumped from R1,6 million in the March quarter to R3,2 million in the June quarter. The payment of R1,2 million in interest pushed the total loss for the quarter to R4,5 million.

The drop in production reflected a change in the mine's management philosophy from increasing production to maintaining an economical tonnage of 12 000 tons a month, says a director, Mrs F Severin.

Altogether the mine is laying off about 600 workers.

## Interest payments

The results should improve rapidly, says Mrs Severin adding that accumulated interest payments have doubled the mine's debt in the past five years. Plans are being considered to remove all the debt in the near future. This could be through a rights issue with Severin capitalising its entire loan to Rand Leases.

She says that shareholders were warned recently to exercise caution in dealing in their shares and this situation still holds. Eersteling, the other mine in the Severin group, swung from a profit of R10 000 in the March quarter to a loss of R1 360 000 in the June quarter.

One reason was the drop in the grades in the payshoots which is common in greenstone ore. However, the average grade for the year has matched the predicted grade, says Mrs Severin.

Another reason was an illegal two-week strike which badly affected production for a month. This led to the dismissal of the entire underground workforce.

Eersteling is also to reduce milling to 12 000 tons a month and this has resulted in the retrenchment of 400 employees. Capital expenditure has been limited to underground development.

# Nothing cautious about De Beers

Star 28/1/90

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IT was the second time in not too many months that De Beers was involved in a major move which some players in the market obviously got wind of and were able to make a couple of quick bucks.

Myles thinks it's an awful shame and a bit strange that De Beers doesn't issue cautionary announcements warning shareholders that negotiations are in progress which might affect the price of the share — then the shareholders who aren't privy to inside information mightn't be so easily persuaded to part with their shares.

Not that the share price was helped much by this transaction — at the end of the week De Beers was R94,75 having reached a high of R98,50.

No mention of the diamond deal being linked to guaranteed annual tours by the Moscow circus over the same five years. Myles' Mum hears from very reliable sources that this side of the deal still has to get the go ahead from the ANC guys.

Its odds on that Shoprite is acquiring Score — or at least part of it. Score has three trading divisions: Trador cash and carry, Grand Supermarkets and Score.

Shoprite (which is part of the Pepkor group) is considerably smaller than Score but is a much more profitable operation. Taking on all of Score in the current trading environment would be fairly ambitious but Mr Wiese has been on the acquisition trail for some time and seems reasonably keen to buy something.

According to Myles, an announcement will be made on Tuesday.

What's going on at Malbak? A serious amount of shares were traded in Malbak and Malhold during the week. Myles was unable to establish the identity of the seller but is hoping that there aren't any major changes on that horizon as Sankorp really does have its hands full trying to sort out Fedvolks.

## Inside Out

ANNE CROTTY



The FSI shares took a bit of battering this week and market sentiment on that front isn't too hot right now. Its partly coz of prospects for group performance in the current financial year, particularly with the dull outlook on the international front. And Myles says that investors weren't too enamoured with what's being referred to as the Cheops restructuring plan that management presented to the JSE committee for approval.

Seems that the JSE told the guys from Doornfontein that it had a problem with multiple pyramiding structures even if they do have some tax saving benefits.

From what Myles could make out, the FSI guys were considering pushing all their operations down into W&A. This would leave Waicor, FSI and FSG as just holding companies.

There was even some talk of taking out the minorities in Vektra, Homemakers and Hunts and issuing W&A paper.

Unlike De Beers, Rhoex issued another cautionary this week. But no indication of whether or not it was related to the cautionary issued in mid-May with Sub Nigel. Are there now two deals on the go?

Myles thinks Rhoex may be trying to tie up some deal with Anglo to get financing for its heavy sands project.

Myles also came up with the idea that TGH's Entercor might be selling off Deale and Huth, the cycle people.

Supertrans was down to 15c this week on fairly heavy trading. The company issued a cautionary back in March about negotiations being in progress — but there has been no further news on the front.

# Mining industry tax concessions examined

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REMARKS by Finance Minister

Barend du Plessis suggest that a host of tax concessions for the mining industry, in areas from housing to new mine development, are being examined.

Speaking at the opening last week of Loucas Pouroulis's Goudini Chrome, Du Plessis said capital expenditure write-offs, surcharges and housing and infrastructure allowances were in the process of change.

He also spoke about ring-fencing, the restriction whereby capital expenditure on a new mine may not be set off against the taxable income from an existing mine.

"We are looking at the 25% capex write-off for new mines from the tax base of existing mines," he said.

Du Plessis was referring to the par-

## ROBERT GENTLE

tial lifting of ring-fencing announced in the recent Budget which means 25% of a new mine's development can be written off against an existing mine's tax base, provided both are property of the same taxpayer.

On the costs of electricity and transportation, he said there was room for improvement in the fee structure to provide "a stimulus".

Du Plessis conceded tax concessions to one particular sector were contrary to both government's policy of broadening the tax base and prevailing international wisdom.

However, given the role of the mining industry in terms of jobs and foreign exchange earnings, there was "no way" government could overlook

its importance as the major engine of economic growth.

Simpson McKie gold mining analyst Rodney Yaldwin said that while tax exemptions on say, housing — which constitute about 20% of a new mine's cost — were not to be sniffed at, the crucial issue was ring-fencing.

"It is common knowledge in the industry that the concession on ring-fencing announced in the recent Budget fell far short of what was needed to bring new mines into production."

Analysts believe the money which would be released upon the scrapping of ring-fencing could see the creation of up to a dozen new gold mines.

Deputy Director General of Finance Estian Calitz said yesterday that he was not aware of any imminent change in ring-fencing.

# Mining industry on red alert

LONDON. — After the \$1bn Soviet diamond coup by De Beers last week, the international mining industry is now on red alert, if the entire Russian stockpile of rough diamonds is open for purchase, what next?

Diamonds are Russia's fifth largest source of desperately needed foreign exchange. Now gold swaps, joint venture mining deals and platinum marketing and refining contracts with the USSR are being mooted.

Top Western mining companies are now planning to visit the Soviet Union later this year.

Not only does the diamond deal, giving the new Swiss arm of De Beers exclusive rights over the marketing and sale of Russian rough diamonds for the next five years, establish a landmark for the world diamond industry, but its door-opening implications for other precious metals areas could be colossal.

Australian miner CRA (49%-owned by RTZ) is hoping to build on technical co-operation agreements through contacts made at this month's Vladivostok Trade Fair.

And natural resources consultancy Robertson Group has had a "very encouraging" initial response to invitations sent to more than 250 mining companies to subscribe for mineral deposit data and meet Soviet mining officials.

The agreement secur-

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**Bill Jamieson of The Sunday Telegraph looks at the implications of last week's Russian diamonds coup by De Beers.**

ing Western sole access to such a valuable Russian resource as diamonds parallels the achievement of George Matthey in securing exclusive rights to all the Czar's platinum in 1851.

It testifies not just to the changes at De Beers but to a major shake-up within Glavalmazoloto, the Russian directorate of diamond and precious metals mining.

How the deal came about tells much about the extent of the shake-up. A phone call in early May from the Moscow headquarters of Glavalmazoloto ("out of the blue", recalls De Beers director Gary Ralfe) gave the first indication that the Russians wanted to deal.

Moscow had severed formal links with the De Beers' controlled Central Selling Organisation in 1963.

A week later a top-level Glava delegation headed by Valery Roudakov arrived in London and gently floated the billion-dollar proposal. Ralfe recalls: "When they mentioned \$1bn our breath was taken away."

"For a long time we asked each other: 'Hey, are we really going to do

a billion-dollar deal with Glava? It's a huge sum in anyone's books.

But then we saw it as a key that would unlock a door."

Ralfe, Nicky Oppenheimer, De Beers Centenary chairman Alex Barbour, deputy chairman of the CSO, and Anthony Oppenheimer flew to Moscow. Weeks of shuttle negotiations followed.

If Ralfe was in any doubt how desperate the Soviets were, it was dramatically dispelled by an incident with a taxi driver.

Rushing to a cab for a critical meeting at Glava's anonymous headquarters in Kalinin Prospect, Ralfe discovered he had no roubles. He apologetically offered a \$10 bill.

"Will this do?" A beam — the size of a melon slice — spread across the cabbie's face.

"In one day I've earned as much as I do in a month."

If that was the effect in Moscow of \$10, De Beers now had an inkling of what \$1bn could mean.

As for Glava itself, Ralfe says: "We were dealing with people of great grasp and flexibility. They were also able to move at very short notice."

The authorisation for the bankers draft (the \$1bn loan will earn interest at Libor plus margin) was signed last Wednesday. Moscow's entire diamond pile will come to London.

Ralfe denies De Beers Centenary was set up for this deal, but admits: "What facilitated this was a company—registered in Switzerland whose assets and earnings are entirely non-SA."

It will have little immediate earnings impact, most of the Soviet rough has ended up passing through CSO hands. But it secures stability in diamond sales by removing a latent risk of disruption as the Soviet cash crisis has worsened. The USSR accounts for some 25% of world production by value.

Close followers of the CSO, which markets 80% of the world's gem diamonds, also believe the deal has strengthened its hand with rebel Australian producers, who have been looking to sell their diamonds outside the cartel.

Indeed, other precious metals producers have cause to look with envy at the CSO's achievement. Not once in over 50 years has the CSO reduced the price of diamonds.

According to stockbroker Williams de Broe, the price of rough diamonds has outperformed gold over the past 15 years.

Could a SA-Soviet axis pull off in gold what it has spectacularly achieved in diamonds?

Unlikely, since diamond sales arrangements are unique. But the creation by Anglo American of a holding company for its European interests has fed keen speculation that it may be planning a De Beers style split — and a push east.

Meanwhile, more significant than the Russians joining the World Gold Council, a body with no influence on marketing and supply, is the opening of up to 100 Soviet mining prospects to overseas joint ventures. Greater still may be the implications for platinum.

Robertson Group has secured an exclusive agreement with the Soviet Geology Institute to market more than 60 and possibly up to 100 mineral ventures. Director Gordon Riddler reports interest "right across the spectrum".

## Chamber, NUM fail to reach agreement

218/90 By Brendan Templeton

Mining bosses and the National Union of Mine-workers (NUM) last night failed to resolve whether a strike by about 20 000 miners would go ahead or not

NUM spokesman Jerry Majatladi said the Chamber of Mines had made some concessions at the last-ditch meeting.

They had made concessions on holiday allowances but had increased wages on only one mine.

In a strike ballot about 90 percent of the NUM's members voted in favour of striking after the Chamber of Mines failed to meet the union's demands for wage increases of between 18 and 20 percent.

Later revised wage increases from Anglo American's Amcoal and General Mining's Transnata were also rejected by the union.

The Chamber of Mines offered increases between 14,5 and 17 percent, Amcoal between 16,4 and 18 percent and TransNatal between 14,5 and 28 percent.

Although the NUM has accepted offers from the gold mines in financial difficulty, it believes the coal mines can meet its demands.

# Anglo 'for the slaughter'

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**NEW YORK - Anglo American Corporation, which sought to save South Africa from apartheid, is now hunkering down to save itself, says the influential Wall Street Journal.**

In a lengthy report from its correspondent in Johannesburg, the *Journal*

**SOWETAN Correspondent**

nal. America's largest-selling national daily that is virtually required reading for all of America's business community, said that Anglo, along with many other South African corporations went beyond the usual realm of business.

They challenged the Government to scrap racial segregation and white minority rule in favour of power sharing with the black majority.

But now that the Government has moved bodily in this direction by unbanning the ANC, the Communist Party and other groups and by engaging them in negotiations, the company that so ardently promoted change is scrambling to protect itself from the fallout," the newspaper said.

Evoking the lager metaphor, the paper added: "At its mines and factories Anglo is wrestling to contain the heightened political tensions of a polarised work force, already several clashes between white and black workers have disrupted gold production in the Orange Free State." And in the board room, Anglo is circling the wagons against threats from the newly legal

organisations to nationalise or break up the company as a means of dismantling the greater white economic monopoly.

"In the new politics of correcting the inequalities of apartheid, Anglo is the fattened calf."

The newspaper quotes an ANC economist, Mr Tito Mboweni, saying that Anglo reflects the concentration of economic power within a minority of a white minority.

"Clearly, a future government will have to deal with this," he said.

In an outline of what it described as South Africa's "mining colossus and corporate anti-apartheid crusader," the *Journal* said Anglo towers over the South African economy from the top of a pyramid of interlocking corporate holdings.

At the pyramid's pinnacle is an all-white, all-male executive committee - they call themselves a band of 'brothers' - that operates from a squat three-storey building in downtown Johannesburg known simply as 44 Main Street."

The report, written by the *Journal's* South African correspondent, Roger Thurow, pointed out that Anglo had always reckoned that it would have the most to gain from an economy freed from segregation. An end to apartheid would end South Africa's isolation and allow Anglo to give reign to its ambitions to expand abroad.

But, in a perilous transition to a post-apartheid economy, Anglo may also have the most to lose," said the *Journal*.

**Argie bargy** FIM 318190

Edward L. Bateman is pushing its overseas development further along the road with plans to operate what could be a large mine in Argentina. Its project and engineering arm has secured the exclusive right to develop various base metal and gold mining projects in Argentina, which could enhance Bateman's existing rand hedge qualities if it succeeds. But we're a long way from anything yet — running mines in Argentina, particularly its remoter provinces, isn't likely to be a piece of cake. And the way the Argentinian currency is going could also be a major drawback.

Bateman Project Holdings (BatePro) has secured the option to develop the Bajo la Alumbrera mining complex in the province of Catamarca. Pre-feasibility studies indicate a number of deposits with the potential to yield 60 000 t of copper, 10 t of silver, 500 t of molybdenum and 7 000 kg of gold a year. An excited John Herselman, BatePro's executive chairman, expects this complex to rank with Palabora, Bougainville or Lornex when fully developed.

A letter of intent has been signed between BatePro and Catamarca's mining organisation Yacimientos Mineros Aguas de Dionision (YMAD), authorising a preliminary technical and financial evaluation of the mining projects for which the options have been secured.

Once exploitation of the deposits is approved, a full agreement is expected to be signed with BatePro acting as project manager, providing services, plant and equipment. Financing of the estimated \$500m (R1,3bn) capital commitment will be raised from parties interested in participating in the venture. Herselman says a number of SA's major mining houses and international mining operators have expressed interest in forming a consortium, together with BatePro and YMAD, which will provide finance and operational skills.

BatePro's revenue from the project could be received by way of a management fee for the development of the mine and provision of services. In addition, as a member of the consortium, an equity stake should be negotiated. YMAD's share will be decided on completion of the final technical and commercial evaluations but is expected to be between 10%-20% of net profits.

The project will help Bateman in its drive to expand its overseas operations. Investment analysts reckon non-SA profits presently contribute about 40% of group profits, and speculate that the intention is to boost this to about 50%. The company's officers will not comment on the financial contribution of the overseas operations but warn that the source of earnings varies, sometimes widely, according to the progress and completion of geographically spread contracts. BatePro and the group's other operating arm, Bateman Industrial, have been involved in the US,

FIM 318190

Europe, Israel, the Pacific Basin and other South American countries (210)

Bateman's true rand hedge qualities are little known and difficult to establish because of the limited information the group offers shareholders. The decision to publicise the involvement in Argentina may represent a welcome move towards better disclosure.

Pam Baskind

# Mondi gets R454-m cash injection

By Sven Lünsche  
Paper company Mondi is to receive a R454 million cash injection from shareholders Anglo American Corporation (AAC) and De Beers to finance a number of significant expansion projects.

Associated company NTE (formerly Natal Tanning Extracts) would receive an additional R60 million, AAC chairman Julian Ogilvie Thompson said yesterday.

De Beers will be the major contributor, injecting R318 million into Mondi and R42 million into NTE, with AAC contributing R136 million and R18 million respectively.

## Ceded rights

Mondi's majority shareholder, Anglo American Industrial Corporation (Amic), has ceded its rights in terms of the capital injection.

As a result, De Beers' interest in both Mondi and NTE has been raised to 17 percent, while Amic's stake has been reduced from 63,7 to 53 percent.

AAC's holding remains unchanged at 30 percent.

De Beers has been interested for some time in acquiring a more meaningful stake in Mondi.

The increased backing of such a powerful investor will be invaluable over the longer term," Mr Ogilvie Thompson said.

De Beers will also pay Amic R2,5 million for the small number of shares in both Mondi and NTE that will be sold to adjust the shareholdings of the two companies to the agreed percentages.

The capital expenditure programme includes the financing of the R220 million modernisation and expansion of the BM6 board machine at Mondi's Springs Board Mill.

## Board production

The new board machine, which was officially started by Mr Ogilvie-Thompson at a function yesterday, doubles the annual carton board production capacity at the mill to 80 000 tons.

There is a potential to increase it further to 100 000 tons.

Other projects include the modernisation of the PM1 paper machine at the Merebank Mill and the establishment of a recycled fibre plant to supply Merebank.

In addition, Mondi has identified expansion opportunities in the medium-to-long-term, which will require substantial capital injections.

NTE's capital injection will be used to assist the company in becoming completely self-financing.

NTE supplies timber to Mondi and plans to increase supply volumes through the acquisition of additional plantations and land for afforestation.

In his address, Mr Ogilvie Thompson attacked recent calls for nationalisation by groupings such as the ANC and the PAC.

"Proponents of a redistributive quick fix, a once-off transfer of wealth, as the way ahead for growth in South Africa, are living in a world of make believe," he said.

"Any government can plunder the many to enrich the few, but you cannot plunder the few to enrich the many."

## Competitive advantage

"Still, some economists of the left see in the 'dismembering of the conglomerates' a perfect way of redistributing the wealth of the economy... and propose destroying the competitive advantage of efficient large companies by using crude anti-trust measures to break them up," Mr Ogilvie Thompson said.

"If one were to distribute all the assets of Anglo American

equally to every person in the country, the capital value would amount to less than R1 000 and it is certain that the productive capacity of those assets would be severely curtailed."

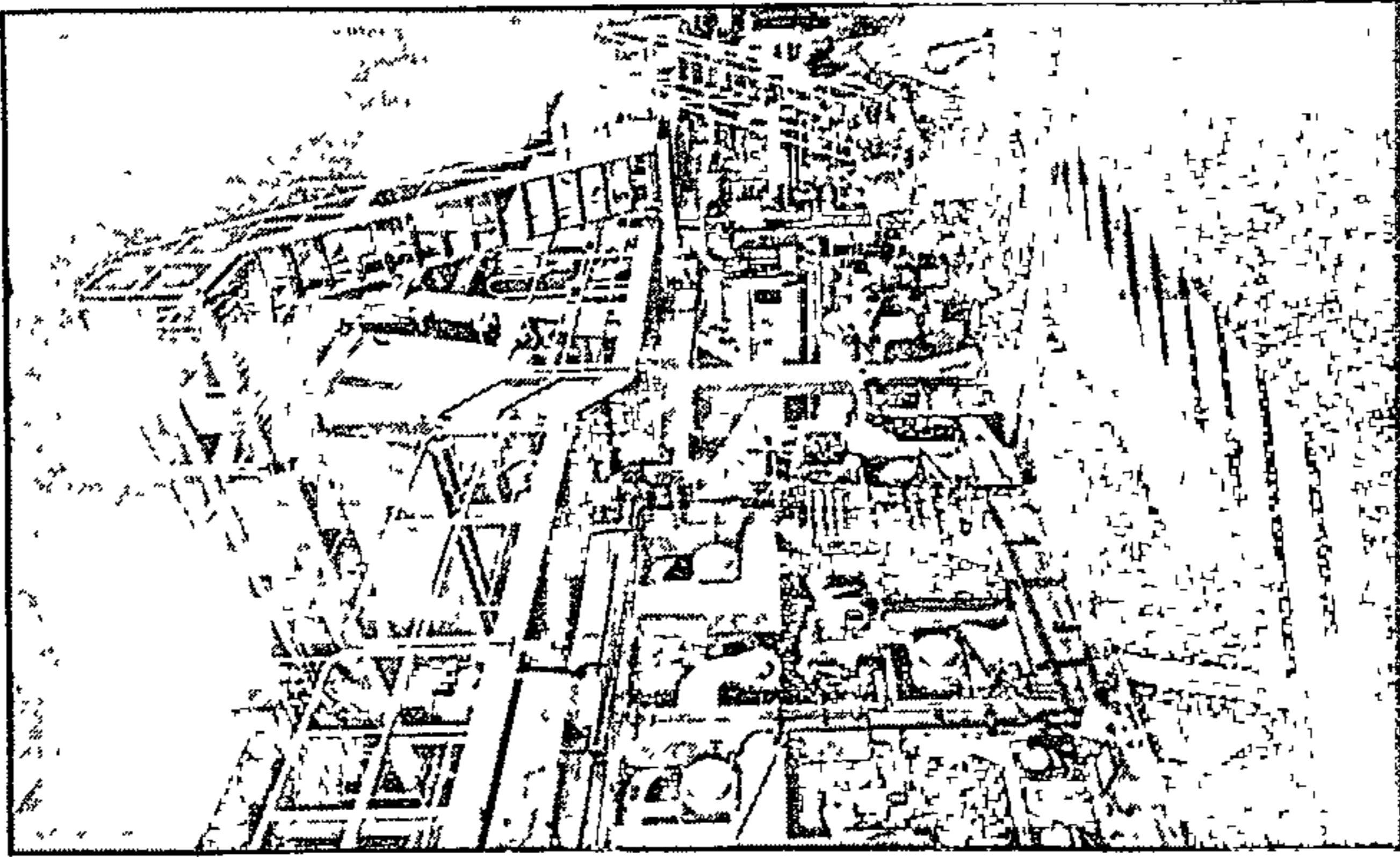
The goals of greater opportunity and a more equitable distribution of wealth, however, could only be achieved by a growing market economy where the private sector had the freedom to fulfil its wealth-creating functions, he said.

## Broad understanding

"We need to encourage a broad understanding that large internationally competitive companies are important in the armory of an economy."

"The problem in South Africa is not that companies are too large, but that in relative terms the economy is small and also that the state accounts for 54 percent of the economy, which leaves little room for the private sector."

"What this country needs is more big groups like AAC and De Beers, which are able to back companies like Mondi to compete on an international scale," Mr Ogilvie Thompson said.



The new BM6 carton board machine at Mondi's Springs mill, which has been modernised and expanded at a cost of R220 million.



# 'Quick-fix a mirage'

8/8/90 (210) (48)  
Proponents of a redistributive quick-fix, a once and for all transfer of wealth as the way ahead for growth in South Africa, were living in a world of make-believe, Anglo American chairman, Julian Ogilvie-Thompson, said last night.

"Any government can plunder the many to enrich the few, but you cannot plunder the few to enrich the many."

The goals of greater opportunity and an equitable distribution of

wealth could be achieved only by a growing market economy, where the private sector had the freedom to fulfil its wealth-creating function

The problem in South Africa, was not that companies were too large, but that in relative terms, the economy was small, he added

The Anglo chairman was speaking at a function in Springs marking the completion of a R200 million expansion project at Mondi Paper.

# Minorco deal may be Anglo internal transfer

LONDON — The R150m Minorco deal on the JSE this week is believed in London to have been an internal transfer by Anglo American to an offshore subsidiary in Europe *8/10am 9/8/90*

But a sudden surge in turnover of shares in London and New York last Friday is also intriguing London brokers who monitor the Anglo-De Beers grouping.

The deals in which 997 000 Minorco shares changed hands in London, with another 217 000 in New York, plus Tuesday's 2.4-million share deal — reportedly put through by Davis Borkum Hare in Johannesburg — marked a flare-up in activity after several dormant months.

JOHN CAVILL

Speculation that the London and New York trading may have involved sales by Charter Consolidated of its remaining holding was denied by the group. Last year Charter started to sell its 3.8% stake, realising a profit of £24.4m, and announced the rest would go as part of a disposal of low-yielding passive investments.

David Ridley at brokers Williams de Broe Chaplin said "It looks like an inter-group deal which would have to be done through the market to ensure it was an arm's length transaction price"

One theory is that Anglo may have ob-

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tained permission to shift part of its 39.1% holding in Minorco to the Luxembourg register to increase the asset base of its new European holding company AEH Limited

At brokers James Capel an analyst said: "It could be one further step towards splitting Anglo's offshore assets into an overseas subsidiary along the lines of De Beers /

Centenary Putting Minorco shares into AEH would seem a plausible explanation"

Other brokers were mystified. Huw Williams, at Kleinwort Benson, said "From the market point of view Minorco has done and said nothing to excite investor interest since the Freeport McMoRan takeover"

# Chamber warns of jobs cutback

By Michael Chester and  
Brendan Templeton

The SA Chamber of Business (Sacob) has warned that wages demands, soaring above the inflation rate, would inevitably lead to a cutback in the size of the labour force.

This warning puts business in opposition to labour over the implications of a pending nationwide strike by 115 000 workers in the metal industry.

The warning was delivered at a Sacob news conference in Johannesburg that heard forecasts by the Steel and Engineering Federation (Seifsa) that a nationwide strike by the National Union of Metalworkers in the next few weeks now looked inevitable.

Seifsa economist Michael McDonald said the union was holding a strike ballot over the deadlocked reached with Seifsa in its demand for increases of more than 50 percent in minimum wage levels — "but the outcome is beginning to look like a foregone conclusion."

It would be the first strike to hit the metal in-

dustry since 1986. The danger date was August 20.

"The employers have offered increases of 19 percent for labourers, the largest on record," said Mr McDonald.

"There comes a limit to the labour bill any company can afford."

Sacob deputy director-general Ron Haywood said: "If wage levels go over the top, you start looking at retrenchments.

"Though the emphasis in South Africa needs to be on job creation to hold the lid on unemployment, inflated wages will force employers to look at alternatives like more automation," he said.

Spokesman for the National Union of Metalworkers (Numsa), Bernie Fanaroff, pointed out that more than 100 000 retrenchments had taken place in the industry since 1982 — at a time when companies were showing record profits.

Dr Fanaroff said the 100 000 retrenchments since 1982 took place through rationalisation and to raise profitability — not because of wage demands.

# Anglo mine in Andes losing \$1,1m a month

LONDON — Marte, the gold mine in the Andes controlled by Minera Anglo American Chile, is losing money at a rate of \$1,1m a month, according to a report in the latest issue of Metal Bulletin (MB).

Commissioned in 1989, Marte was scheduled to be producing 2,9 tons of gold a year.

Instead, says the MB report, output is running at 1,5 tons. "To break even, Marte should produce at a rate of 200kg a month but it is hardly reaching 100-150kg"

Marte is owned by Minera Tres Cruces (MTC) which is 56% controlled by Minera

Own Correspondent

Anglo American — part of Anglo American South America (AMSA) which in turn is 59% held by Anglo, including indirect holdings via De Beers, Minorco and Amgold. The other partners are Cominco (24%), the Canadian mining group, and Chemical Bank (20%) of the US. (210)

Now, says the MB report, MTC "may consider revising gold-related projects in the Copiapo region. It is also possible that Marte could be up for sale".

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1/20/90

# Welkom miner found dead — 10 men held

Staff Reporters

Star 10/8/90 210

Ten miners are being held for questioning in connection with the death of a miner whose body was found underground at President Steyn mine in Welkom yesterday.

This follows Tuesday's violent clashes between miners and security officials.

A police spokesman said today it was not yet certain

whether Nicolaas Jordaan (42) was murdered or had died in an accident, but 10 miners were detained for questioning

Mr Jordaan's body was found on the 82nd level of No 4 shaft at 10 am. He had apparently died of multiple head injuries.

Police and the Inspector of Mines will conduct a joint investigation into Mr Jordaan's death and a post-mortem examination

will be conducted by the State pathologist from Bloemfontein

Three miners were reported dead on arrival at the Ernest Oppenheimer Hospital on Wednesday after several skirmishes between toyi-toying mineworkers and mine security following a mineworkers' meeting at No 4 shaft in the afternoon.

Anglo American has put the number of people injured in the

clashes at 18, but the National Union of Mineworkers said more than 20 miners were hurt.

One of the injured was hostel manager Keith Whitfield (38), who was stabbed and wounded.

Police arrested 34 miners in connection with violence and arson after an administration block, beer hall and three hostels were looted and set alight by rampaging miners.

# They're tired of secret mining back

SUE OLSWANG

SEVERAL disgruntled owners of companies which supply goods to mines have made allegations about bribery and corruption in some of the country's leading mining houses.

In exclusive interviews with the Saturday Star they claimed that personnel — both at mine level and in buying departments — accept, and sometimes demand, "kick-back" payments in the form of cash, strip downs, hunting trips, lavish lunches and "gifts" in exchange for business.

Business owners and their employees agreed to lift the lid on bribery and corruption only after being given strict guarantees that their identities would not be revealed. They refused to name individual mining employees who they believed were on the take, but alleged they were aware of corrupt business practices in Rand Mines, Gold Fields, Anglo American, Anglovaal, and Johannesburg Consolidated Investments (JCI).

## Mines aware

When approached for comment, four mining houses openly admitted their awareness of malpractices in the industry, one even going as far as revealing how many employees had been dismissed and prosecuted for "improper commercial practices".

One businessman who used to supply equipment to mines in Carletonville and its surrounding areas told the Saturday Star: "The system is blatantly corrupt, and the industry so crooked that it actually smells."

"There are, of course, some companies who are sole distributors of excellent products which the mining houses must buy and those companies, in general, cannot have their integrity questioned. But I believe at least 70 percent of the mining supply and contract companies pay some sort of kick-back — either to personnel on the mines or to people in buying departments."

The newspaper heard claims about the home of a head office buyer being built by a "grateful" supply company. Suppliers also claimed they

## Boss complained of graft seven years ago

STAFF REPORTER

AN executive director of the Anglo American Corporation hit the headlines seven years ago when he declared that widespread corruption was rampant in South African business.

Mr Dennis Etheredge, then chairman of Anglo American's gold and uranium division, told a 1983 conference of the Institute of Internal Auditors: "It is abundantly clear that a great many of the actions which result in personal gain at the expense of the institution are based on collusion between someone employed by the institution and someone on the outside, usually a supplier of equipment or goods or a contractor providing services, repairs and the like."

"Between them they collude to rob the institution by falsifying the financial arrangements between the two bodies they represent."

Mr Etheredge quoted from some signed letters he had received, including one from a woman who worked in her husband's business and another from a manager.

## Heart aches

The woman said: "I have always taken the view that payments of this nature are nothing other than bribery but I'm afraid my adamant attitude has lost my husband a great deal of the more lucrative type of business. When I see how much harder he has to work in order to maintain this ideal of honesty, my heart aches and I don't know whether I am right to be so rigid."

The manager said: "It has been disappointing in these last 13 years in South Africa to have experienced situations whereby because of my personal principles I would not stoop to graft. The consequences of lost business, although hurtful and unprofitable at the time, resulted in a clean conscience. . . . Corruption needs harsh treatment actioned by all . . . our strength to eradicate graft will only come from unity of effort."

Mr Etheredge went on to discuss ways to fight corrupt practices, ending his speech with the statement: "Hottlines, ombudsmen, internal audit, education, legislation — so many possibilities and combinations, good and bad, but what is abundantly clear is that something must be done."

● Mr Etheredge retired at the end of 1983. He died in October 1987.

were aware of orders being given to competitors after mine employees received "gifts" such as cases of liquor, gambling trips and weekend "get-aways", and one business owner alleged that "kick-backs" even extended to the purchase of gifts for the children of mining employees.

Four business owners interviewed by the Saturday Star alleged that certain mining employees — including resident mine engineers and senior head office buying personnel — "give away beyond their means."

Faced with closure after one mining house "turned off the tap", a peeved business owner said: "The less honest suppliers stay in business because they

for mining houses to buy inferior products, either because prices are lower or "the supplier is favoured."

"You can offer them a vastly superior product, granted at a higher price, but it will be refused because they want to save money even though they know quality is safer and will usually wear better," he said.

"They also refuse superior products because someone in the chain of command is in another supplier's pocket."

Said one business owner: "I feel extremely bitter about the mining industry and I'd certainly stay far away from it if I had the chance to start all over again."

## Employees fired

Derek Bostock, commercial director of Rand Mines, said his company takes these allegations very seriously.

"We are aware that practices of the kind alleged exist from time to time and we act with severity whenever we have sufficient information to enable us to do so," he said.

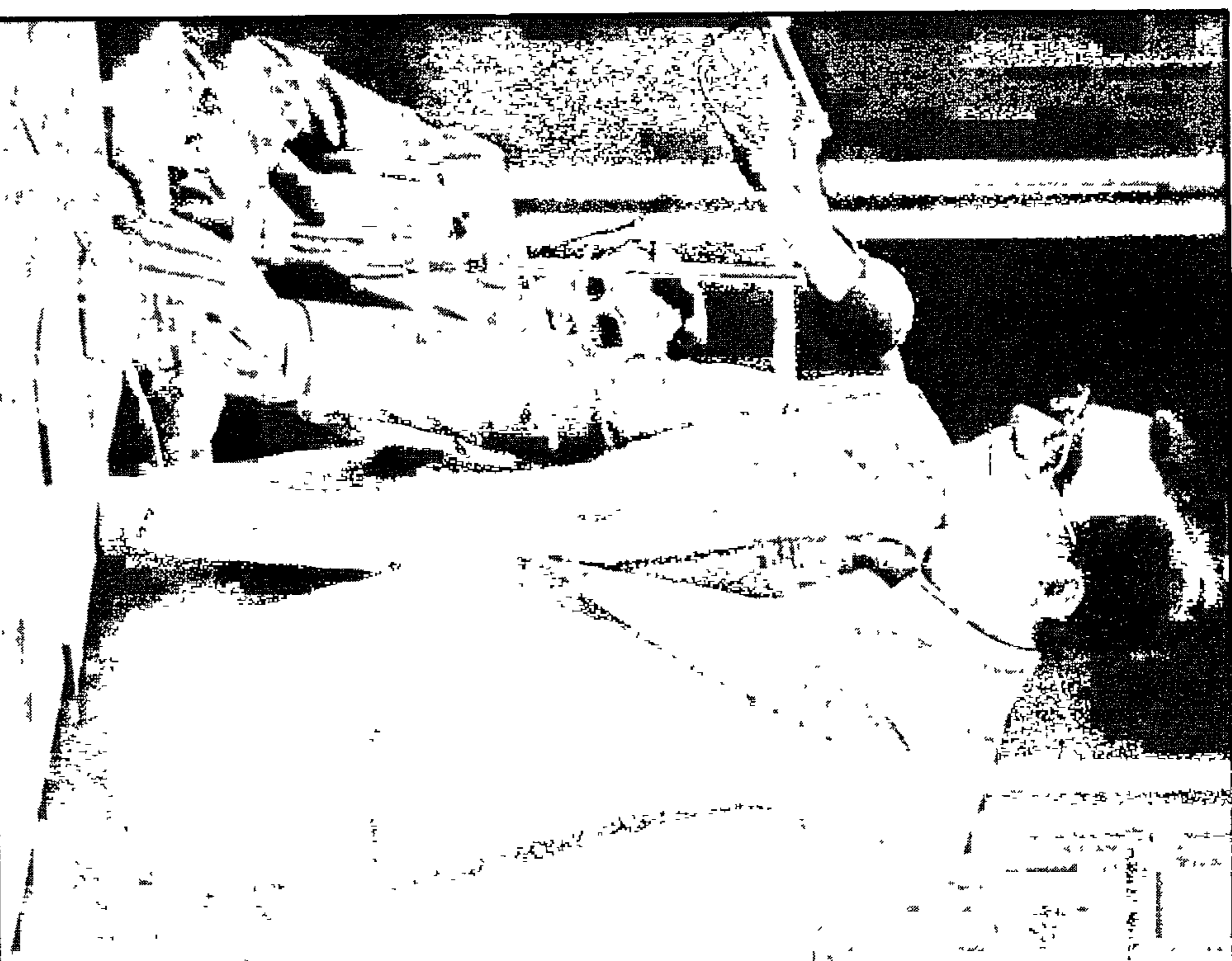
"As an indication, over the past five years, 16 employees have been dismissed, prosecuted or are subject to prosecution for improper commercial practices," Mr Bostock said.

In an official statement, Gold Fields said: "Gold Fields, on its own and in conjunction with other concerned companies, continues to work at eliminating unethical or corrupt practice between suppliers and employees."

"Every single allegation of unethical practice brought to the attention of Gold Fields' executive directors, its commercial and personnel divisional managements, is investigated by professional staff, with the unambiguous instruction to prosecute whenever sufficient evidence can be uncovered. The success rate is improving, but few companies are prepared to take the witness stand and this limits the number of successful prosecutions."

Gold Fields said the overwhelming majority of company employees were honest and "it is rare that individuals are inherently corrupt."

"The few who have become corrupt have usually been persuaded or enticed into it over a period of time," the Gold Fields statement said.



FLASHBACK: "What is abundantly clear is that something must be done," Mr Dennis Etheredge said about corruption.

said that while the company was aware that such malpractices take place within the mining industry, it certainly did not condone them.

The spokesman said it was part of Anglovaal's policy to carry out checks on an on-going basis to prevent such "insidemeasures".

"Where such cases are established, disciplinary action is taken against employees while

suppliers' names are removed from our potential contractor lists," the spokesman said.

A spokesman for Anglo American said the corporation observes strict procedures in respect of the purchasing of supplies and awarding of contracts.

"These checks and balances are specifically designed to prevent malpractice," the spokesman said.

and corruption occur these are promptly and thoroughly investigated and, if substantiated, disciplinary action is taken against those involved."

A spokesman for JCI was not prepared to comment on the allegations made to the Saturday Star, stating that the company believed the report to be based on a single interview.

When the newspaper pointed out that the allegations had been

made by four different suppliers and their employees, the JCI spokesman said the company would not comment without knowing who had made the allegations. The spokesman then said: "This type of situation is rife in any industry and because it is an ongoing issue, JCI are constantly monitoring the situation."

Gold Fields said any company, either approached in an unethical way by an employee or aware of unethical practices by other suppliers or competitors, is "strongly encouraged to come forward."

"The reluctance of companies to come forward, especially those who have ground for fear of being prosecuted themselves, is well understood," Gold Fields said, adding that it particularly appeals to past employees of such companies to contact either Gold Fields or the South African Police.

## Supplies policy

Rand Mines' Mr Bostock said his company has an "open door" policy with regard to its suppliers, and they should "come forward with specific allegations".

Responding to bitterness about mining houses removing names from lists of approved suppliers and allegations of a willingness to purchase inferior goods, Mr Bostock said Rand Mines reserved the right to do business with companies it chose.

Anglovaal's spokesman said suppliers must decide how finely they pitch prices for their goods and services in order to secure contracts.

"It is the company's duty to obtain goods at the most economic prices available," the spokesman said.

Gold Fields said no company is removed from its list of suppliers without "thorough consideration, precisely because people's livelihoods are at stake."

One supplier interviewed by the Saturday Star called the newspaper after the interview to advise that "strong rumors" were circulating about certain mining houses bugging the telephones of certain employees in a bid to stamp out bribery and corruption.

"I cannot supply you with firm evidence," the supplier said, "but so many people are talking about it that I tend to

WATERBURY

# De Beers deal with Soviets in jeopardy

13/8/90  
Finance Staff

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The De Beers board meets at its Kimberley head office tomorrow to discuss the future of De Beers Centenary's \$5 billion (R13 billion) deal with the Soviet Union's diamond industry.

The deal is in jeopardy after the cancellation by Russia, the largest Soviet republic, of all supply contracts relating to natural resources entered into by the central government on its behalf.

Initial fears are that the move could result in the cancellation of last month's historic tie-up between De Beers and the Soviet Union.

These fears are heightened by the fact that it seems the De Beers deal had precipitated the move by the Russians.

The deal involved the lending of \$1 billion (R2,6 billion) by De Beers Centenary to the Soviet Union in exchange for the granting to De Beers of the exclusive rights to sell all Soviet rough diamond exports — worth more than \$5 billion — for the next five years.

It had definite advantages for both sides. It would give De Beers even tighter control over the supply of diamonds to the world market. For the Soviet Union the \$1 billion loan would be a major help in meeting its import arrears.

A collapse of the deal would be a major setback for De Beers. Some analysts speculate that the establishment of De Beers Centenary (with a separate Swiss listing) earlier this year was chiefly designed

to implement the Soviet deal.

A spokesman for Centenary's marketing arm, the London-based Central Selling Organisation, said "We believe we have a valid and binding contract with the duly constituted Soviet authorities."

The Russian declaration, approved by its parliament on Friday, opens a critical battle between the national government and the resource-rich Russian republic over both the acquisition of badly needed foreign currency and the division of power.

Most republics have been talking about gaining control over their own resources from the national government, but Russia's attempt to halt the De Beers deal would be the first concrete step.

# Racial conflict is at root of mine unrest

By Helen Grange

Welkom's President Steyn mine, which suffered the closure of a shaft because of violent clashes last Wednesday, has long been a hotbed of racial conflict which has bedevilled the town.

Racial antagonism has simmered continually between white and black miners at President Steyn, occasionally erupting into heavy armed clashes in which several people have died. At the core of the conflict is the mine's discriminatory hoisting practices and the fact that whites in lower management at mines are racist in their dealings with black miners, according to the National Union of Mineworkers (NUM).

"Black miners, who get paid only for the time they work, have to arrive hours early to queue for the shaft cages. White miners do not queue and the hoisting schedule is regulated according to whether there are

whites to be hoisted. The situation is discriminatory and leads to conflict," says Jerry Madjadladi of the NUM.

Anglo American's public affairs manager, Adrian du Plessis, confirmed that hoisting was continually under discussion at No 4 shaft.

"This issue has been raised at all the gold mines in the Orange Free State," he said.

## Intimidation

Conversely, white miners have frequently accused black miners of intimidating whites and of provoking conflict by political sloganeering.

The spate of violence at President Steyn began in May, when two white miners were murdered at Shaft 1. Welkom's strong right-wing factions immediately declared there would be "bloody retribution". In June

there was an explosion at the NUM offices in Welkom, of which the right wing was suspected.

The fact that the right wing has immediately backed the cause of white miners has served to intensify the racial divide, both at President Steyn mine and among the black and white communities outside. In spite of five meetings between the NUM and mine management, violence has continued.

The clashes last Wednesday between toyi-toying mine-workers carrying the SA Community Party flag and mine security lasted over six hours and led to thousands of rands in damage to mine property.

The NUM has blamed mine security and police for attacking peaceful protesters, while Anglo American claims the mine-workers repeatedly attacked security and police with dangerous weapons.

RECEIVED  
CITY OF CAPE TOWN



# Competition Board investigates Anglo holding in GFSA

Stg 13/8/90 (210)

By Sven Linsche

The Competition Board on Friday launched an investigation into Anglo American's 25 percent shareholding in Gold Fields of South Africa (GFSA).

At the same time it emerged that Old Mutual had increased its stake in GFSA from 1,7 percent to about 9,5 percent since the beginning of the year.

At Friday's GFSA share price of R81, this values Old Mutual's holding at over R700 million.

GFSA is effectively controlled by GFSA Holdings, which holds over 40 percent of the shares.

Rembrandt and GFSA management each hold 40 percent of GFSA Holdings' shares, with Liberty Life controlling the remaining 20 percent.

Announcing the investigation, Competition Board chairman Dr Pierre Brooks said it would focus on whether Anglo American's interest in GFSA could place Anglo in a monopoly situation.

"We will also investigate whether acquisitions of GFSA

shares by Anglo American, De Beers and associated companies since June last year constitutes a restrictive practice," Dr Brooks said.

He said that a 25 percent holding theoretically granted shareholders restraining power, including the right to block special resolutions, as well as appoint directors to the board.

Anglo American's 1989 annual report disclosed that at the end of March its direct shareholding in GFSA of 8,5 million shares was valued at R850 million, compared with 7,3 million shares valued at R520 million in March last year.

Anglo's total stake, comprising its direct holding and those of De Beers and nominee companies, was 25 percent, according to the annual report.

At Friday's share price, Anglo's total holding is valued at just under R2 billion.

Dr Brooks said the board would also investigate whether Anglo's stake had been increased since the declaration in the annual report.

Latest figures available from McGregor's Online system show that in mid-May the holdings of Anglo, De Beers and nominee companies associated with the group amounted to about 24,71 percent.

A spokeswoman for Anglo said on Friday the situation was being investigated, but would not comment any further.

Anglo's holding in GFSA was subject to a previous agreement with the Competition Board, but this was lifted when Anglo's overseas investment arm, Minorco, failed to take over Consolidated Gold Fields, GFSA's former holding company.

The rise in Old Mutual's shareholding to 9,5 percent has taken many analysts by surprise.

The vehicle used to raise Old Mutual's stake is a nominee company, Ashtree Investments.

In May, Ashtree controlled 6,08 percent of GFSA's shareholding, with Old Mutual holding 3,15 percent directly and a second nominee company holding 0,24 percent.

By Neil Behrman

LONDON — De Beers Centenary's \$5 billion diamond sales contract with the Soviet Union is still valid, a De Beers spokesman says.

"We have a valid and binding contract with Glavalmazolto, the main administration for precious metals and diamonds of the Soviet Union's Central Committee," the spokesman said.

"No-one from the Soviet Union has instructed us that the contract is null and void."

De Beers said that only part of the stockpile of Soviet diamonds, which is being moved to London

## Soviet deal still valid

as collateral for a \$1 billion loan, had been shipped so far.

Consequently, only part of the loan, which attracts commercial interest rates, had been advanced, the Financial Times reports.

No Soviet rough diamonds had yet been marketed under the new contract, the official added.

Russia, one of the 15 republics, became a sovereign state in June and is jockeying for greater power over exports and imports.

of producers including diamonds, gold, platinum, manganese, copper, and other commodities.

According to De Beers, however, there was no firm statement that Russia intended annulling the Soviet's diamond deal.

Platinum dealers also say that they have not received notification about their contracts with various Soviet bodies.

"So far we have not heard of any platinum group metal con-

## De Beers

tract that has been altered," said Alan Austin, general manager of Johnson Matthey.

If indeed a law is enacted, the basis of concluding contracts with the Soviet Union would become difficult, say metals analysts. It would create bottlenecks because contractors would be unsure whether a committee in Russia would veto a contract made by the central authorities.

Without doubt it would impede the Soviet Union's foreign trade.

● Despite the temporary setback De Beers and De Beers Consolidated are expected to report encouraging, if complicated, interim results today.

For the first time financial results will disclose the breakdown between the group's South African and international operations, which will necessitate pro-forma results of recent years.

Following record first-half Central Selling Organisation sales of \$2,48 billion on the back of a 5.5 percent price increase, analysts generally expect improved attributable profits and a higher equivalent dividend payment.

# Scenario sees Anglo with 69% of SA's gold output

THE view that Anglo American and its associates control Gold Fields of SA (GFSA) — the subject of an investigation by the Competition Board — would imply they control 69% of SA gold production.

This figure is computed by annualising the latest quarterly production figures of Anglo American, GFSA and 39,8%-owned Johannesburg Consolidated Investments (JCI), and relating them to the total. This assumes Anglo could exert direct control over JCI, but especially over GFSA, by virtue of its 25% stake. However, analysts canvassed for opinion yesterday were divided on whether this was indeed the case. A Mathieson & Hollidge analyst said he did not think Anglo wanted, or needed, to exert control.

It was not the first time this view had been aired, he said, referring to the time when Anglo associate Minorco still had a 29,9% stake in GFSA's then UK parent, Consolidated Gold Fields (ConsGold). "ConsGold had 38% of GFSA then

ROBERT GENTLE

and nobody said ConsGold had control", he added, echoing a point made by other analysts.

An Irish & Co analyst said that even with the 25% stake, Anglo could not control GFSA unless there was disagreement between the parties making up GFSA Holdings, the major shareholder with a 43% stake.

But all agreed Anglo could use its 25% stake to block any special GFSA resolution that it did not like.

## Majority

A special resolution requires at least 75% of the votes of shareholders present at a meeting.

On the ease with which Anglo could appoint directors to the GFSA board — the Competition Board is also looking into this — a simple majority (50% or more) would theoretically suffice. However, the Irish & Co analyst said he could not see why Anglo would want to put its own men on the board because the present team under chairman Sir Robin Plumbridge

was "as good as anyone can get".

Another analyst did not rule out the likelihood of eventual control, but stressed that a sizeable strategic stake in GFSA was a good investment on straight fundamentals.

"GFSA has some of the richest and healthiest gold mines in the country, and the overall exposure to gold is higher than in any other mining house."

The stake should also be seen in the light of increased inter-conglomerate competition in the long term and eventual rationalisation within the gold mining industry as costs continued to rise, he said.

Analysts said other advantages Anglo could get from an eventual move on GFSA included the latter's Northam Platinum project, which would slot in nicely with JCI's Rustenburg Platinum — and would probably prompt another probe.

The investigation highlighted the need for takeover legislation to fix the maximum stake one company could have in another before a full bid became an obligation, they said.

Biday 14/8/90

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# Whites warn of violence at today's Welkom march

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THE potential for conflict during today's march through the centre of Welkom has been addressed by the South African Police in a stern warning issued soon after the Conservative Party threatened to resort to violence if one white person dies at the march.

Major Johan Beukes of the Welkom police has said the SAP will not tolerate any interference and are determined to ensure the maintenance of law and order during the march by about 5 000 black residents of Bronville township.

Permission for the march has been granted by the Welkom Town Council, but it will take place in a delicate climate of racial conflict which has the potential of turning bloody if the right-wing tries to intervene.

Koos van der Merwe, CP MP for

SUE OLSWANG

Overvaal, has warned that today's march is an invitation to bloodshed.

"If one white person dies it will be on the Government's conscience. We will mobilise our people and stop them with violence," Mr van der Merwe said during a stormy CP meeting held in the Free State mining town on Monday night.

At its annual Free State congress held in Bloemfontein earlier this week, the CP passed a unanimous resolution to demand an immediate end to protest marches through white areas. The party also stated the Government would be directly responsible for loss of lives or damage to property caused during black political protest.

● TO PAGE 2.

## March fears

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● FROM PAGE 1

Today's march, organised by the Bronville and Thabong civic associations, is a protest against high service charges and inadequate housing in Bronville.

March organiser Lionel Beukes has said the marchers will stick to the 5 000 limit on numbers imposed by the Welkom Town Council.

They will be unarmed and subject to the discipline of 800 marshals.

The CP's Mr van der Merwe has, however, said Welkom whites will "simply not allow these people to

march through the town carrying ANC banners, Communist flags and singing Nkosi Sikelele i'Africa"

The march will begin at Thabong Township and proceed to the Jan Hofmeyer Police Station, in Welkom, where a memorandum of grievances will be handed to police for forwarding to council authorities.

● Blanke Veiligheid (BV), a right-wing movement, has also threatened to disrupt today's march.

On July 30, the Citizen newspaper reported that BV spokesman Mr David Naude said "We won't allow the march to take place.

We have warned police there will be bloodshed and that they should get ambulances ready"

# Gencor tops according to analysts

THE investment analysts society has judged Gencor Limited to be the company which communicated best with the investment community during 1989

At an awards ceremony Gencor executive chairman Derek Keys accepted the society's trophy for the best overall communications from chairman Peter du Toit. *du Toit 20 (8/90)*

Du Toit explained that the nine IAS category awards were not simply awarded for a good set of financial statements. *(10) (210)*

"Our 700 members are asked to judge a company's general communications with one of its major interest groups, the investment community, and we weigh our marking system accordingly.

"Only 50 percent of the marks are for a company's reports. The other 50 percent comprise other criteria - availability to the investment community, and the recognition by a company's management that excellent reporting and communications go beyond a set of expert accounts based on the latest accounting conventions."

Du Toit added that the IAS was greatly encouraged by the steady improvement in the quality of corporate communications since the introduction of the awards. "I believe we have focussed companies' attention on the fact that investors have a right to information about the companies that they invest in."

This year's category winners are Gengold (Gold Mining); Samancor (non-Gold Mining); Gencor (Mining Finance); First National Bank of South Africa (financial services and property), Barlow Rand (Industrials); SA Bias Holdings (Small Companies); Tradegro (most improved reporting and communications); Anglo American Corporation (Best chairman's statement); Sappi (Best company presentation to the society).

Last year's overall winner was Barlow Rand Limited

# Hanson drops a golden hint

star 21/8/90

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The Hanson industrial conglomerate, with some timely window dressing, has reminded the world that it owns more gold in the ground than just about any company outside South Africa.

Hanson's recent uncharacteristic release of statistics about its Gold Fields Mining Corporation (GFMC) subsidiary is causing a stir

Analysts believe that, having failed to find a buyer from within the mining industry, Hanson is now preparing the way to float part of GCMC. The group obviously wishes to take advantage of renewed investor interest in the gold market, sparked off by the crisis in the Gulf

That has taken the gold price above \$400 an ounce again, back to where it was in July last year when Hanson acquired GFMC, along with the rest of Consolidated Gold Fields, the UK mining and industrial group, for just over £3 billion.

GFMC has two gold mines the Mesquite Mine in Imperial County, California, and Chimney Creek in Humboldt County, Nevada. Hanson said that between them, the mines produced about 420 000 ounces of gold in the year to June 30, up from 405 000 ounces in the previous year

## Reserves

While that did not surprise analysts, Hanson did startle them with the news that GFMC's proven and probable gold reserves in the ground had increased by almost a quarter in the past year, from 5,94 million to 7,41 million ounces.

Everyone assumed that when Hanson took over Gold Fields it would immediately axe the exploration team.

"It comes as something of a surprise that Hanson has been able to announce such a big increase in reserves at GFMC," says Graham Birch, analyst with the Ord Minnett financial services group's mining team in London

"Gold mining companies are

not particularly cash generative compared with what they can be sold for Hanson can't earn enough from GFMC to justify holding it"

According to his calculations based on the new Hanson statistics, GFMC is probably producing a net profit of about \$68 million. Looking at the market value of similar companies — Amax Gold which is smaller and Homestake which is larger — if GFMC was quoted it would be worth about \$1,2 billion.

That kind of money in a bank account today would produce annual interest of \$144 million. If Hanson could float a quarter of GFMC it could net about \$300 million

## Offers

Nearly every big mining company has had tentative talks with Hanson about the Gold Fields' assets. But the offers for GFMC have all been well below the \$1 billion price talked about at the time of the takeover

The problem for the gold mining groups — and to some extent for Hanson — is that North American mines are so highly-rated. Their shares typically sell at 40 to 60 times historic earnings. Minorco, which once seemed to be one of the most likely buyers of GFMC, paid 50 times historic earnings when it bought Greepport-McMoran Gold for \$705 million

Hanson would face considerable difficulties if it tried to float all of GFMC because gold is a relatively small stock-market sector. All the quoted gold companies in the world have a combined stock-market value of only between \$35 billion and \$40 billion, points out Philip Taylor, analyst with SG Warburg's mining team.

"Hanson could float perhaps 15 to 20 percent of GFMC but the market would find it almost impossible to absorb \$1 billion of new stock." — Financial Times.

## 2 miners killed, 2 hurt

Stw 22/8/90 (18) (210)  
Two miners died yesterday in a groundfall at Vaal Reef's East Mine, Anglo American has announced.

Another two employees were injured in the fall of ground following a seismic event, measuring 2 on the Richter

scale, at the mine's No 5 shaft, No 69 level, about 2 070 m beneath the surface.

The two injured workers were admitted to hospital, Anglo said in a press statement.

No further details were provided. — Sapa.

THE newly launched futures market has had its first major casualty. A broking firm, Davis, Ralph and Sadler Brokers (DRS) has had its clearing agreement terminated as it was unable to meeting its obligations.

A spokesman for the South African Futures Exchange (SAFEX), which operates the futures markets, said the amount involved is less than R1 million.

It appears that DRS was speculating on an increase in the gold price for its own account. However, the gold price fell and when DRS was called on to cover

## Futures market has first major casualty as <sup>Star 25/8/90</sup> gamble on gold fails

**DEREK TOMMEY**

the resultant loss it was unable to do so.

This led to DRS's clearing agreement being terminated by its clearing member, CIB Clearing (CIBC), which says it acted according to SAFEX rules. CIBC said last night that by complying with the strict inter-

pretation of the rules it had ensured that no member of SAFEX or any client or the industry itself has been prejudiced.

This has proved that the SAFEX system is effective and protects the interest of all parties. CIBC has taken over all open futures positions of DRS that have been cleared by CIBC and DRS's

clients at the close of trading on Thursday, August 23.

A SAFEX spokesman said that SAFEX's constitution specified that CIBC will assume responsibility for any money owed to DRS's clients. SAFEX specifies that clients' positions are protected against other than adverse market movements.

He added that were a clearing member be unable to meet its obligations, SAFEX would step in. It had a guarantee fund of R10 million, some R3.5 million in a guarantee loan fund and extremely extensive insurance facilities for this purpose.

According to the rules of SAFEX, all positions on open contracts have to be covered daily. If the market goes against a client, he has to pay in by the next day sufficient money to cover his position. However, should the market go for him, he can be paid out on a daily basis.



# Funding priorities

## are how and what



Education researcher and consultant Jane Hofmeyr.

Companies with a bit of money to spend on CSI invariably look at education, yet how informed are they and how effective will their contribution be?

Education researcher and consultant Jane Hofmeyr has studied educational options and practical strategies for businessmen.

Mrs Hofmeyr said 70 percent of most CSI budgets are for educational projects therefore making the need for informed action all the more urgent. To reinforce this she quotes what she calls the "Noah Principle" which is "No prizes for predicting rain, prizes only for building arks."

She said funders had to face two realities — fiscal constraint and demographic explosion. For these reasons it is important to prioritise, decide what is most important and to spend money wisely.

"The first thing to understand is that structural change to the educational system is dependent on constitutional change — something that won't be immediate," she said.

"We also can't kid ourselves that when apartheid goes we will have enough money for all educational needs. So for this reason we have got to decide what is important and to prioritise. Another problem that has to be faced is we will have to get children who are alienated from education to want to learn again. At present education is an area where there is a lot of uncertainty, conflict and debate."

Mrs Hofmeyr said the interest in an educational policy by the corporate sector had grown dramatically over the last two years. The days of handing a cheque over, with businessmen now wanting guidelines and inquiring about laws, policy and finance.

Their involvement has also increased and this can be seen in the recent move by JCI's Murray Hofmeyr in the Johannesburg JCI's High School's "Save our schools campaign".

of computers is not necessarily the best thing. The single most effective medium is the radio.)

Mrs Hofmeyr has also provided some guidelines for the million dollar questions of WHAT and HOW to fund.

The answers to the What to fund arise out of the process of consultation but research can also inform initiatives.

She said that apart from the obvious targeting of specific formal educational levels such as primary, secondary, tertiary and tertiary, there are other areas businessmen could look at.

These include non-formal education, and projects involving teacher development, early childhood development and curriculum development.

At the policy level there are various factors the funder has to take into account, such as the need to lobby, to co-operate on initiatives, the need to do policy research (no use wanting change without understanding policy options available) and to find the right brokers, and to ensure maximum benefit to the community.

The HOW questions are as, if not more, important than the WHAT questions.

The process will only be facilitated if homework is done, strategies planned, consultation and negotiations are undertaken and if there is co-operation. It is important too to focus on a few areas rather than to dabble all over the place and most important of all, to evaluate the effectiveness of a project to find out what works and what doesn't.

The Anglo American and De Beers Chairman's Fund spend about R44 million a year on CSI activities — and this excludes the substantial support given by the group to the Urban Foundation.

Its terms of reference are of the most general kind — to support any cause or project which is considered to be socially constructive.

But the fund cannot be used to promote the businesses of group companies. "Expenditure which has an advertising or promotional character may not be charged to the Chairman's Fund and neither may expenditure on staff training, staff welfare or on welfare projects which are limited to employees and their dependants," according to the fund brochure.

"Projects which benefit whole communities of which employees and their dependants form a part may be supported and such projects constitute a significant portion of the work undertaken by the fund."

Priorities areas of the fund are education, health and social development.

In the area of social development the fund is used for activities which ease the problems caused by rapid urbanisation and by the transition from a rural and traditional way of life to an urban and industrial one.

The fund is non-racial by nature and committed to supporting policies and developments aimed at deracialising South African society.

The fund tends to concentrate on projects with long-term developmental implications but is not averse to relief work.

"The undesirability of hand-outs as an approach to social development is well understood but there are circumstances in which hand-outs are necessary as, for example, where a rural community has been devastated by floods."

"Similarly in the field of aid for the disabled, while the preference is always for approaches aimed at rehabilitation and independence, it is fully understood that some people simply have to be provided for."

# Fund spends R44-m a year on CSI activities



Michael O'Dowd, chairman of the Anglo American and De Beers Chairman's Fund, and Jenny Kenyon, acting principal, at the official opening of St Anger's School.

housing because of the group's vast contributions to the Urban Foundation — it has contributed more than R11 million in the last 10 years.

In order to be proactive and to encompass a diverse approach as far as possible, the fund adopted two strategies in 1973 — the Number One fund keeps an open door to appeals while the Number Two fund undertakes special projects.

The Number Two fund requires input from representatives of the constituency which is to benefit from the service, experts and money.

"Even an organisation as large as the combined Anglo American Corporation and De Beers groups cannot do everything."

"There are limits to its resources and there are limits to its expertise. The Chairman's Fund tries, by recognising these limits, by acknowledging what it cannot do as well as what it can, to be as effective as possible."

"The fund has money but it has limited manpower and expertise, so it can achieve little alone but much in partnerships with others."

**Investing in People**  
A Star study into corporate social investment

southern Africa. It seeks to avoid unnecessary duplication and to co-operate with others wherever this will be effective."

In particular the Fund does not duplicate the work of the Urban Foundation in the fields of housing and urbanisation.

Because the fund's contribution must always be small compared with the totality of society's needs, it attempts to operate always at the forefront of constructive change. As priorities change with time, so do the fund's main areas of endeavour.

**Constrained**

The fund does not allow itself to be constrained by ideological considerations from addressing real needs.

"In attempting always to be innovative, the fund necessarily runs risks. Some of the projects which it has supported have failed or have been less successful than had been hoped."

"It is accepted that this must sometimes happen if the fund is to avoid becoming excessively cautious and conservative. Nevertheless, or perhaps because of this policy, the fund has had some spectacular successes and has played a major role in launching what have become leading institutions in South Africa such as the Mangosuthu Technikon and READ."

Mrs Hofmeyr said it was vitally important to address the following problems when trying to solve the education crisis: racial inequalities, the male/female imbalance in education (females tend to drop off especially at the post-graduate level) and the emphasis on urban rather than rural education.

- The need for text books
- The need for management skills
- Integration between black and white
- Encouraging institutions to share resources.
- The use of appropriate technology (research has shown that a

- The gross inequalities in educational provision
- The lack of quality education.
- The need for teacher development
- The need for better quality education.
- The need for management skills
- Integration between black and white
- Encouraging institutions to share resources.
- The use of appropriate technology (research has shown that a

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# Garditex gets control of Osprey

By Derek Tommey

Garditex International Finance (Pty) has acquired control of Osprey Gold Mine from controlling shareholder Golden Osprey.

Garditex says in the past Osprey was unable to develop its full potential because of limited financial resources.

Garditex is planning to recapitalise the company by way of a rights issue.

This will enable Osprey to repay all interest-bearing debt, sink a shaft to the lower levels to provide greater flexibility, and to proceed with the exploration of projects for which mineral rights, options rights and prospecting permission have been acquired.

The new board of Osprey is WC Janse van Rensburg, HJ Wessels, S Kearns, I Bowran, RW Hodgen and GH Nieman.

As Garditex has paid 10c a share for the 16,5 million shares that give it control, it is making a stand-by offer of 10c to minorities. Dealers say that as Osprey shares standing at three times this figure, minorities should ignore the offer.

# Plunge in shares likely after big sell-off of gold

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## Finance Staff

Gold shares on the Johannesburg Stock Exchange are expected to plunge heavily when the market opens today after the drastic sell-off of the metal in New York last night.

However, some analysts say that the weakening financial rand could soften the blow somewhat and that the drop in the gold price has already been discounted by yesterday's drops in selected gold shares.

Gold yesterday slumped by more than \$30 an ounce at one stage, down from Friday's close in New York of \$415 to an inter-day low of \$386 an ounce as investors shied away from the metal and clamoured for equities and bonds.

This morning gold was trading in Hong Kong at \$392,80 after closing at \$410 on Friday

There was no trade on Saturday and Monday in the East while London was also closed for a bank holiday yesterday.

The gold price came under heavy pressure in 15 minutes of frenzied trading as signs of peace in the Middle East calmed world markets.

Sapa-Reuter reports that prices fell sharply after US officials confirmed a report that Iraq has ordered its tankers and cargo ships not to defy a Western blockade.

## Boost output

The market was also affected by news that Iraqi troops, who surrounded the embassies of the United States and other Western countries in Kuwait last week, did not try to evict diplomats.

"It was a fear-of-peace sell-off," said Michael Rothman, vice-president at Merrill Lynch

## Capital Markets.

Last week there was near-panic buying in oil markets.

Oil prices were also bid down on the assumption that many members of the Organisation of Petroleum Exporting Countries would boost output to compensate for the gap left by supplies from Iraq and Kuwait.

The benchmark grade of US crude oil, fell \$4 to close at \$26,91 on the New York Mercantile Exchange.

On Wall Street, investors cheered the drop in oil

Stocks soared to their biggest gain in more than 10 months, shaking off, at least temporarily, the oil-induced freefall that had sent the market down more than 400 points in three weeks.

It was the best performance for the widely watched Dow Jones index since it rose 88,12 points on October 16 1989 the trading session after the 190-

## point mini-crash

Meanwhile, the US dollar dropped to a post-war low against the German mark, closing in New York at 1,5505 marks.

Dealers said worries about the flagging US economy, temporarily put aside during a dollar buying binge after that followed the Iraqi invasion, were given a higher priority in trading decisions.

Gulf peace hopes and the surge in Wall Street trading pushed Tokyo stocks up two per cent in morning trading today.

The closely watched Nikkei ended the morning session up 518,52 points at 25 660,28.

On the Tokyo foreign exchange market, the dollar fell below 143 yen in early trading for the first time since January, but later rallied slightly to 143,20.

See Page 18.

# Randex deals improve its prospects

RANDEX, SA's largest mineral rights participation company, had concluded a number of deals in the year to end June which had given shape to its portfolio, MD Mike Saner said yesterday

This had improved the company's prospects for future earnings

The most important was an agreement for participation in the Winkelhaak gold mine extension

Some 30% of pre-tax income from the Randex portion of the extension would flow through to Randex

Randex was at no risk as far as capital was concerned and would make significant gains in the next decade when the project went into

production *B/day 28/2/90*  
RIAAAN SMIT

Winkelhaak plans to mine about 21-million tons of ore averaging 5,7 g/t in the eastern portion of the mine. The estimated reserves in the Randex portion of the area are 7,2-million tons at an average yield of 6,9 g/t

A company spokesman said it also succeeded in increasing its short-term funds position by selling its Lydenburg Exploration (Lydex) holdings. Randex's accounts for the year showed a net income of R3,3m compared to last year's R7,2m deficit.

Net income comprised R1m from investments and R20,5m arising

largely from the Lydex share sale, against exploration and other expenditure of R18,3m

Saner said Randex had devoted considerable energy to consolidating and rationalising its mineral rights portfolio in the past year.

"We acquired further quality participation in mineral rights, for example our 5,4% stake in the recently announced Weltevreden Mines, and formed Randex Namibia to house our Tsongoari base metals venture and the Karibib gold venture."

Randex aimed to provide its shareholders with early stage access to investments in new major mining projects, he said.

# Rand hedge shares lose their appeal

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28/8/90

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LIZ ROUSE

RAND hedge shares have lost their sparkle in the past three months and appear to be even less attractive because of recent events.

The authorities' commitment to protecting the value of the domestic rand and its external value, plus tottering international equity markets and sagging economies, such as the mighty US, all put a question mark on investment in rand hedges.

Rand hedge stocks such as De Beers, Richemont and Barlows, have been in a downtrend over the past three months.

Amic proved last week that it is sensitive to disastrous results in the present climate, losing as much as 15% after the release of results.

Rand hedges are market leaders and as such are as vulnerable as international market leaders if, as some analysts expect, equity markets are in for a rough ride.

The US is now seen as being closer to a recession than previously thought.

This coincides with higher oil prices, which raises the spectre of inflation.

The price of oil is even more important to the Japanese economy and the Tokyo equity market's plunges partly reflect Japanese apprehension about the direction of their economy.

Europe appears to have better prospects of avoiding a recession if the Eastern Bloc is opened up economically.

But there are serious problems involved in integrating the highly industrialised West Europe with the tottering, out-dated industries of Eastern Europe.

Some analysts foresee continued turmoil in international equity markets.

This may add to gold's attraction as an investment, but a higher gold price is unlikely to flow through to gold shares.

Given general uncertainty and giant shifts in world economies, manoeuvrable

cash is preferred.

Analysts are unwilling to haul out their crystal balls to foretell the future of rand hedge stocks against such a complicated background.

The fact is that these stocks have plunged on the JSE over the past three months.

De Beers has come off 24,7% over three months, Anglos is down 18,7%, Barlows down 15,1% and Liberty down 12%. Richemont has fallen 17,5% over the past month and SA Breweries shed 8,5% in one month.

From a price earnings (PE) point of view, the JSE's average PE ratio is still healthier than that of other major bourses.

New York's PE ratio of 14 is well below the average levels reached before the 1987 crash, but it remains higher than at any time since December 1987.

With US corporate profits now expected to sag further, shares will soon look overvalued even when the Middle East panic subsides.

London's PE ratio has dipped to just over 11 and equity prices look reasonable.

Frankfurt's PE ratio soared after the Berlin Wall came down at the end of last year. The Middle Eastern fall leaves the PE ratio still high at 16,3.

The difficulties arising for attempted absorption of the Eastern German economy and fears of higher tax have caused nervousness in Frankfurt.

Tokyo's PE ratio is now down to about 40 from its 1987 peak of 68.

Although the Japanese accounting is different and Japanese investors pay less attention to PE ratios than elsewhere, the Tokyo stock market looked overvalued well before the Iraqi invasion of Kuwait because of a tighter monetary policy.

# Gold plunges as war threat eases

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The gold price slumped more than \$20 yesterday after world crude oil prices fell more than \$4 a barrel on market sentiment that the danger of war in the Gulf was receding, traders said.

After opening in Zurich at \$410 an ounce, the price slid to \$401, continuing to slide when New York markets opened. It closed in New York at \$388.30. The price recovered slightly to \$392.80 at the opening in Hong Kong today.

Although Johannesburg's stock market closed mostly firmer following last week's plunge, gold shares remained weak.

● Gold reels — Page 16.

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Journalists in Cape Town yesterday  
● Picture by Leon Mu

By Ann Crotty

# Genbel portfolio in beneficial balance

The weakness of the equity market appears to have prevented Genbel's share price from reflecting the benefits of this investment group's change in strategy to incorporate a balanced spread of resources and mining investments

At end-June Genbel was quoted on the JSE at 650c — a discount of 17 percent on the share's net asset value of 785c. (By last week the discount had increased to 22 percent)

In June 1987, the share was trading at 580c, which was a discount of just six percent to the NAV of 618c.

At that time, gold accounted for 61 percent of Genbel's portfolio (by market value). By end-June '90 this had been diluted to 22,7 percent.

The thinner discount in June '87 reflects a greater enchantment with gold at that time, as well as the much more bullish sentiment on equities generally.

Given the relatively sluggish performance of the gold index — an increase of only 10,7 percent in the 12 months to August 20 — and the dull outlook for gold generally, the shift away from gold shares must inevitably benefit Genbel's market rating in the longer term

It is likely that, given the current market sentiment, a 61 percent exposure to gold shares would result in much more than a 22 percent discount

Highlights of the Genbel performance for the 12 months to end-June are: distributable earnings of 28,8c (25,9c) a share, dividend of 27,5c (26c) a share and NAV up 18 percent to 785c (664c) a share

In addition, there was a R296 million rights issue and significant investments acquired in Engen, Transatlantic, Iscor and De Beers

Major changes in the sectoral spread of the portfolio include the reduction in gold from 29,5 percent to 22,7 percent of the market value of the portfolio (down from 61 percent in '87 and 49 percent in '88); mining finance down from 22,9 percent to 15,4 percent, offshore investments up from 1,5 percent to 9,5 percent; metals and minerals up from nothing to 4,4 percent

Commenting on the changes,

which also include an increase in exposure to platinum and diamonds, MD Anton Botha says: "These moves were prompted by management's decision to diversify out of low-growth gold shares into resource-based equities with better prospects and to reduce the number of stocks in the portfolio"

At end-June, Impala Platinum was Genbel's single largest investment at R521 million.

It was followed by Genbeher with 11,8 percent, Kinross/Winkelhaak 9,7 percent, Transatlantic 9,5 percent and Engen 7,2 percent

Genbel's 9,5 percent stake in Transatlantic includes the 6,3 percent bought in the second half of financial '90.

To finance this acquisition Genbel sold the investments held by Genbel Offshore Investments and, at year-end, had incurred net current liabilities of R182 million

By last week, Genbel's cash position had reverted to net current assets of R23 million

# Mining 'kick-back' row grows

## We've had offers of shady deals, say supply companies

MORE angry business owners have approached the Saturday Star with new claims of bribery and corruption in the mining industry

Two mining supply companies have approached the newspaper following its disclosures on August 11 about highly placed officials in the mining industry accepting and even demanding "kick-backs" in exchange for business

The owners of a Johannesburg supply company contacted the Saturday Star soon after it published the article claiming that a senior employee attached to one leading mining house approached them with a guarantee of business provided he received a percentage cut on every order given to their company

The Saturday Star has agreed not to reveal the identities of the businessmen who fear reprisals and possibly legal action "He asked, outright, for a bit off the top," they claimed. "We refused because we are honest

businessmen — we would never put our company into jeopardy with fraudulent dealings," they said

They stressed that it was a senior decision-maker, not a buyer, who had approached them for the "kick-back"

### Trickle

The businessmen said that their orders from the particular mining house had since slowed to "a trickle" and they believe that the senior employee in question is "blocking business" They pointed out, however, that theirs was not simply a case of sour grapes because "we never received much of their business in the first place"

They claim that mining houses indulging in this kind of practice usually end up paying more for the goods they purchase because suppliers who pay bribes merely add the cost of the bribe into their prices They suggested that mining

houses initiate a "hot line" which suppliers could contact "without risk of losing their livelihood" to report "funny goings-on"

"We would, personally, not hesitate to contact such a hot-line with the information we have"

They believe mining houses which operate centralised buying systems from their head offices are more open to bribery and corruption Centralised head office buying, they said, also places senior head office personnel in powerful positions.

"Buying was ostensibly centralised to head offices to help keep control, but in any bureau cracy corruption often follows centralisation," they said.

"The solution, in our opinion, would be to decentralise as much buying decision-making as possible to as close to the rock face (mine level) as possible. The mines would then be totally responsible for their own budget

### SUE OLSWANG

control. They would be forced to keep within the costs of their budgets, or face the consequences if they don't"

They said with the present centralised system mines often buy unnecessary equipment at exorbitant prices because the "rock face" has lost so much control

### Forced

"Head office makes decisions about the purchase, for example, of capital equipment. Their decisions are forced down the throats of mine engineers even though the engineers often have more practical experience working with equipment."

Another business owner, who agreed to speak to the newspaper after receiving a guarantee of anonymity, claimed corruption and bribery "goes into millions of rands"

He said he had approached JCI, Anglo American, Gold Fields — "most of them" — to provide the names of individuals who he suspected were accepting bribes and to pass on other information about possible fraudulent activities, but "nothing happened"

"In my view, bribery and corruption are rife — I have personally seen mine-personnel lavishly entertained and being taken to casinos by suppliers," he claimed.

"I also know about one supplier who became a millionaire within four years by scratching the right backs. This is a shocking business and it must be stopped."

Anglo American spokesman Michael Spicer said his corporation knows bribery and corruption are a problem, but finds it extremely difficult to get sufficient evidence and credible witnesses in order to prosecute those responsible.

"Anonymity and bland allegations are no good," he said "We need people who are prepared to identify themselves and provide substantive evidence"

Mr Spicer said Anglo American sent a mailshot to about 1 300 of its suppliers in June last year to advise them about the formation of a "hot line" which they could approach with specific evidence

### Malpractice

"We've received about 50 calls so far, but only 10 or so were worth pursuing," he said

Mr Spicer said Anglo American periodically warns its employees about the dire consequences of malpractice or hidden business interests with suppliers.

Derek Boslock, commercial director at Rand Mines, said: "We already have an 'open door' for suppliers. Any supplier may approach me, the manager (purchasing) or the managing direc-

tor of any Rand Mines company at any time with allegations, provided these are specific

"We undertake that we will promptly and thoroughly follow these up. This is what we have always done"

He said Rand Mines did not agree with the views expressed about centralised buying "Certainly the way it works at Rand Mines is not by forcing any decisions down the throats of mining engineers. On the contrary, it is they who make the initial recommendations," he said

Mr Boslock said it was essential and "in the interests of all parties" that anonymous suppliers and any others who feel "aggrieved" come forward with their specific allegations

"That is the way to resolve the problem," he said A spokesman for JCI said their corporation was not willing to comment on the allegations

of SA said "We have nothing to add to our comments previously furnished to you"

That statement said: "Every single allegation of unethical practice brought to the attention of Gold Fields' executive directors and its commercial and personnel divisional managements is investigated by professional staff with the unambiguous instructions to prosecute whenever sufficient evidence can be uncovered

"The success rate is improving, but few companies are prepared to take the witness stand and thus limits the number of successful prosecutions."

Adding to the comments previously furnished, a Gold Fields spokesman said "You might care to refer your informants to the Prevention of Corruption Act No. 6/1958"

Specific evidence can be passed on to the Anglo American "hot line" telephone number (011) 638-3153 An additional "hot line", answerable to the chairman and chief executive of Anglo American's gold division, can be contacted on (0261) 5788 or 5775.





# New OFS gold mine on cards

By Derek Tommey 210

The OFS might have a new gold mine in the not too distant future

KW Maxwell, chairman of Barnato Exploration (Barnex), in which JCI has a 36-percent stake, says exploration at the Doornrivier Prospect (adjacent to Oryx gold mine) indicates the possibility of establishing a viable mining operation

A preliminary feasibility study is under way

Some 18 boreholes have been drilled at Doornrivier, with a further four scheduled for completion in 1990-91. Exploration costs to date amount to R24 million

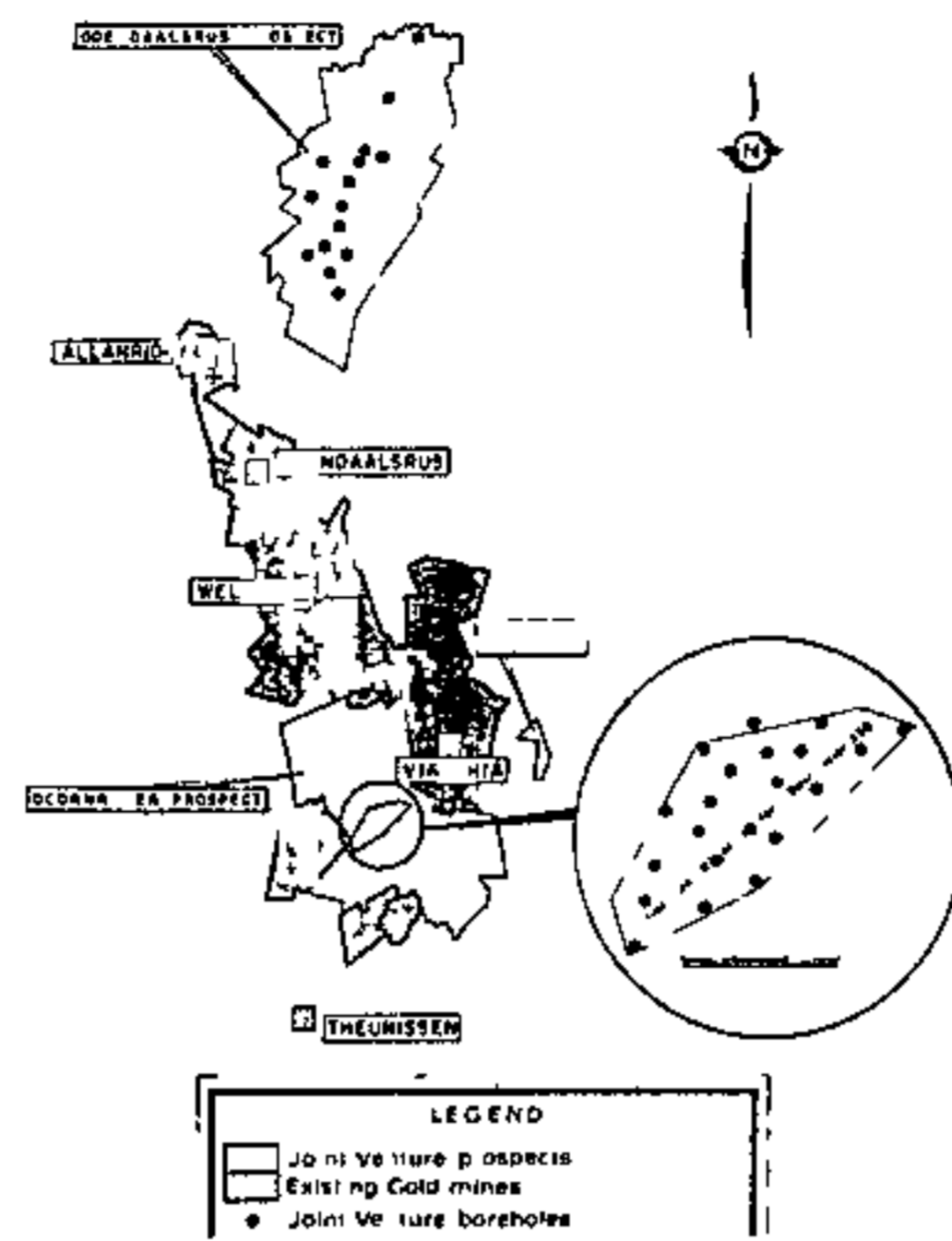
The exploration at Doornrivier is part of the effort being made by mining houses, despite the depressed gold price, to find major new deposits.

However, costs are high. Barnex reports that it and its partners spent R50,8 million in the year to June (Barnex's share was R16,8 million).

Altogether R176 million has been spent on exploring the 10 prospects in which Barnex and its partners have an interest.

Barnex is not directly involved in the exploration, but is entitled to 80 percent of the benefits arising from Randfontein's participation in off-lease gold exploration prospects in the Transvaal and OFS.

One to show promise is the Foch-



Doornrivier prospect circled in white

ville Prospect, south of Western Deep Levels.

Drilling results in the Cardoville block, the eastern-most of the three blocks comprising the prospect, and lying south of Western Areas, confirmed the development of both Venterdorp Contact Reef (VCR) and Upper Elsburg Reefs to depths of at least 5 000m, says Mr Maxwell

Gold grades are comparable with those at JCI's South Deep Prospect, which is close by

Grades at South Deep average 9,8 g/t, say mining analysts

Mr Maxwell says further exploration is taking place, including the

sinking of another borehole. So far R66,3 million has been spent on exploring the prospect

The Fochville Prospect is a joint venture with JCI, Randex and Anglo American Prospecting Services

Not all the money spent on exploration pays off. Mr Maxwell says the South Rand prospect, near Greylingstad, has been abandoned after spending R4,9 million

The Hekpoort Prospect, north of Rustenburg, on which R900 000 was spent, has also been abandoned because of the excessive depth of the geological sequences.

But several other exploration programmes are continuing

Exploration is continuing on the Koster Project, which has already absorbed R19,3 million, the Klerksdorp Prospect (cost to date R4,1 million), the Leeudoringstad Prospect (R35,2 million), the Bothaville Prospect (R8,5 million) and the Oendaalsrus Prospect (R12,7 million)

These programmes will continue to be a financial burden. Randfontein's exploration expenses are estimated at R17,5 million in 1991, R19,5 million in 1992 and R22,5 million in 1993

Should the joint venture exercise all the mineral rights options, which are due to expire in the years ending June 1991 and June 1992, Randfontein's contributions towards the funding of these purchases will be R39,5 million in 1992

# Randex agreement with Winkelhaak its 'single most important transaction'

RANDEX, SA's largest mineral rights participation company, disclosed in its annual report that during the past 12 months it had concluded a number of agreements (210)

Chairman Tom de Beer said Randex had reached an agreement with Winkelhaak mines which was the "single most important transaction" since the company became active as an investor and participant in

6/19/90  
PETER GALLI

minerals exploration. It allows Winkelhaak to exploit a portion of the Randex-owned mineral rights in the Evander goldfield. Randex will not be required to contribute finance to this project, and will receive 30% of pre-tax operating profits.

Randex MD Mike Saner said yesterday a positive cash flow from this project

was expected to arise in 10 to 12 years' time, and would last at least 15 years more.

Randex acquired a 5,4% stake in Weltevreden Mines, a 49% contributory participation interest in the Erfdeel North prospect of Genmin (in addition to the 45% beneficial interest it already holds), and 100% of Sevplats Mining.

Randex had sold its 14,5% shareholding in Lydex for R21,5m.

## Reserves increase

GOLD and foreign exchange reserves rose in August by 11,7 percent to R6 billion — their highest level for 27 months — from R5,433 billion in July, writes Duma Gqubule. (210) 8/21 7/9/90

More improvements are expected for the rest of the year as the bulk of debt repayments were made in the first half.

About \$1,2 billion in loans, including a final instalment of the Second Interim Debt Arrangements, had to be repaid between April and June. Over \$300 million was paid from reserves.

# Amgold cuts back on its dividend

Star. 7/9/90

(210)

## Finance Staff

Amgold has declared a lower interim dividend of 400c per share for the six months to August (1989: 660c).

Earnings were 38 percent lower at R100,9 million (R163,6 million), largely as a result of a 26 percent reduction in dividends received from gold mining investments.

Interest earned and other income were R7,4 million lower at R2 million.

There was an interest charge of R8,9 million (R0,3 million) because Amgold was in a borrowing position for much of the six-month period.

Prospecting costs rose by six percent to R18,2 million (R17,2 million), while administration and other expenses were marginally lower at R4,0 million (R4,2 million).

The market and directors' valuations of listed and unlisted investments increased over the corresponding period last year to R7,426 billion (R6,880 billion) and resulted in the net asset value per share, after providing for the dividend, increasing from 31 506c to 33 379c.

The reduced dividend distributions from the gold mining companies reflect the continued fall in mine profit margins, mainly as a result of inflation-driven increases in working costs and a continuing low gold price, the directors say.

Steps being taken by the mines to respond to these adverse circumstances include the curtailment of capital expenditure, retrenchment programmes, the elimination of non-essential costs, increased hedging operations, the raising of pay limits and a reduction in the mining of lower grade areas.

The results for the second half of the financial year will depend largely on the prevailing rand gold price and the extent to which costs can be contained, the directors say.

# SA reserves at 27-month high

Duma Gqubule

Gold and foreign exchange reserves in August rose 11,7 percent to R6,037 billion — the highest level for 27 months — from R5,433 billion in July

Economists expect further improvements over the rest of the year as the bulk of debt repayments were made in the first half

About \$1,2 billion in loans, including a final instalment of the Second Interim Debt Arrangement, had to be repaid between April and June

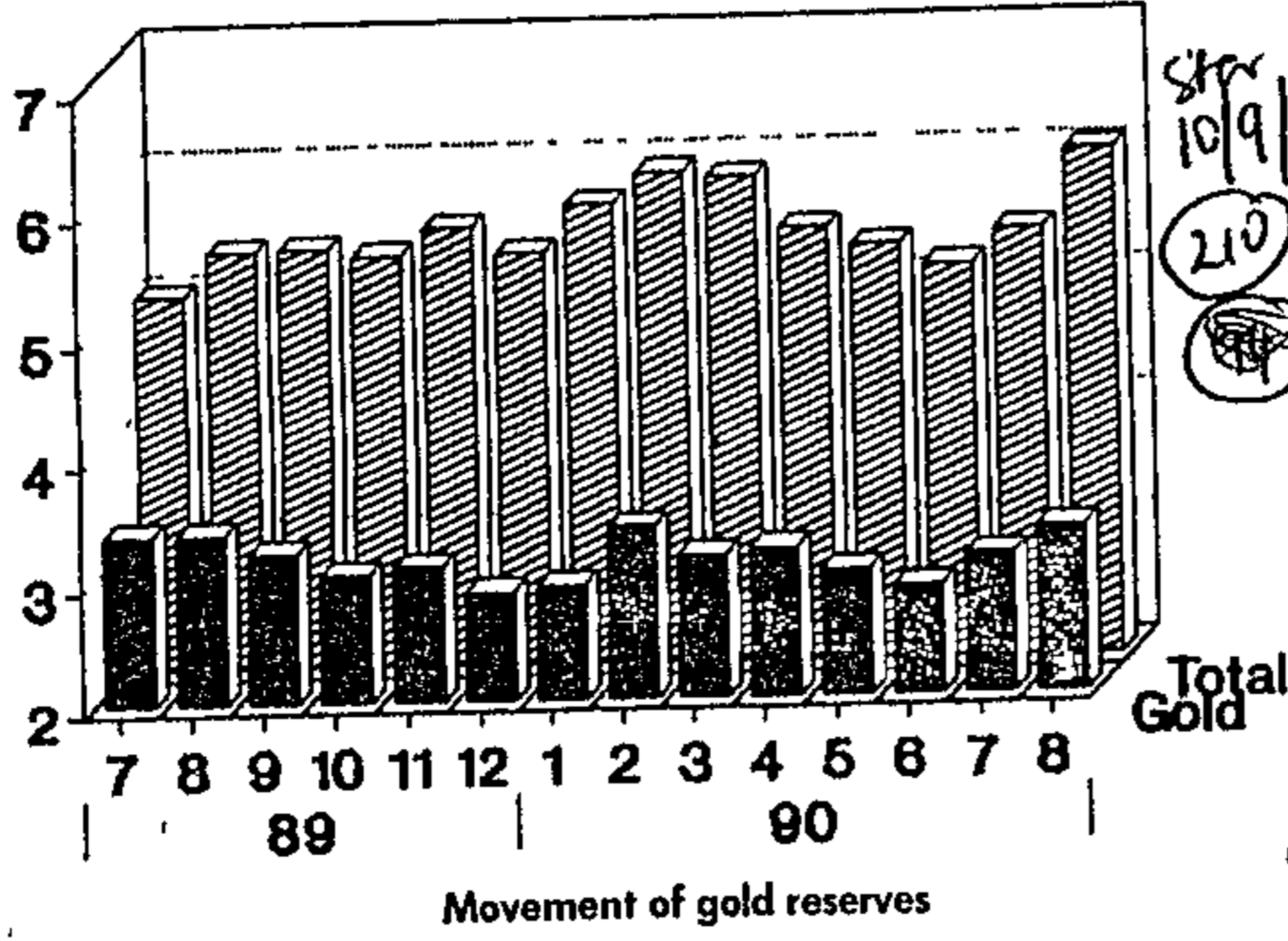
Over \$300 million was paid from reserves.

The figures released by the Reserve Bank at the weekend show that gold holdings in August rose 6,72 percent to R3,318 billion from R3,108 billion in July

Foreign exchange holdings jumped 18,5 percent to R2,755 billion from R2,325 billion in July

The physical volume of gold holdings rose to 3,664 million ounces in August from 3,598 million ounces in July

Gold was valued at an average R905,52 an ounce in the month, compared with R863,72 in July.



Star 11/9/90

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#### Finance Staff

Middle Witwatersrand (Mid Wits) has targeted the Northern Orange Free State for the bulk of its search for gold, platinum and base minerals, says chairman Clive Menell.

He says in the annual report that expenditure on exploration and buying mineral rights rose to R32 million in the year to June (R27 million previously)

"It is estimated that during the current year exploration expenditure will be of the order of R36 million and, as in the recent past, will be expended mainly in the Northern Orange Free State on gold exploration (R13,5 million) and the purchase of mineral rights (R13,2 million)," he says.

Referring to the ongoing exploration programme in the southern region of the Sun prospecting area that is aimed at defining ore body boundaries and reef/grade continuity, Mr Menell says once the programme has been completed and the results evaluated — expected to be by mid-1991

## Mid Wits fixes sights on OFS

— shareholders will be informed.

Drilling is continuing in the northern part of the Sun area, where selected mineral rights have been bought.

Drilling to the north — in the Oribi area — has led to a closer definition of targeted areas.

More exploration is being undertaken on portions of the Townlands, Klerksdorp, and for platinum and base minerals in other areas.

On De Beers' decision to establish a diamond mine at Venetia — the minerals rights are held by Saturn Mining, in which Mid Wits has a 65,6 percent interest — Mr Menell says limited diamond production is expected in the second half of 1990, once the existing recovery plant has been upgraded and extended.

Completion of a new plant is expected by mid-1992.

Pending the recovery of the estimated R1,1 billion capital, Saturn will be entitled to a minimum 12,5 percent of the mine's profits before capex

Once capex has been recouped, the mine's taxed earnings will be divided equally between Saturn and De Beers.

Mid Wits' consolidated taxed profit for the year was R26,3 million (1989: R30,8 million), equivalent to 10,8c (12,7c) a share

Dividends totalled an unchanged 6c a share, covered 1,8 times (2,1 times) by earnings

The book value of the investment portfolio at year-end was R146,9 million (R148,6 million), while the market value of the quoted investments was R659 million (R617 million).

However, by August 24 — the date of the report — the market value had risen to R789,6 million.

...coup against the Government."

...government was conducting a war against his followers and

...doing violence or of failing to control supporters. — Sapa

## NUM-De Beers agreement averts strike

By Shareen Singh

A strike was averted yesterday after the National Union of Mineworkers (NUM) and De Beers reached a settlement on wages and working conditions

Workers will receive increases ranging from 16 percent for skilled members to 17 percent at the lowest levels.

The agreement raised the minimum wage from R653 to R765 a month.

Improvements to shift, field and other allowances formed part of the agreement

● At Duvha Opencast Services in Witbank, about 300 workers have been on strike for more than two weeks.

● About 15 000 miners at Rustenburg platinum mine will start balloting this week after pay talks reached deadlock

● The NUM is preparing a strike ballot for its 7 000 members at Goldfields' Libanon mine over a dispute arising from the disappearance of a mineworker

# Mining show set to pull in 500 000

By Frank Jeans

As the international community warms to the new South Africa, this year's Electra Mining exhibition is expected to be the biggest crowd-puller since it was first held 26 years ago.

Opening at the National Exhibition Centre (Nasrec), south of Johannesburg, on September 19, the show, which is claimed now to be the second-largest of its kind in the world, will have nearly 500 exhibitors and mining and industrial equipment valued at more than R400 million.

Specialised Exhibitions (SE), organisers of Electra Mining, reports a last-minute rush by people wanting to take part.

## RESPONSE

Howard Pell, managing director of SE, says "The great response to this year's Electra Mining indicates the changing world perceptions about South Africa

"Significant interest has come from countries that previously regarded South Africa as a closed book"

● Specialised Exhibitions' other major industrial show, Interbou, which was also held at Nasrec recently, was a success, with an attendance figure of more than 25 000



# Amgold seeks R500-m with rights issue

Star 13/9/90. (210)

By Derek Tommey

Anglo American has reaffirmed its faith in the future of gold as a profitable commodity by announcing two major developments.

Amgold, its gold-mining holding company, is to raise R500 million by way of a rights issue, and Vaal Reefs, one of its leading operations, is to start mining in the Moab area.

Amgold will use the R500 million raised (of which just under half will come from Anglo) "to take advantage of attractive investment opportunities under consideration".

Analysts suggest a substantial part of these funds could be used to finance expansion at Vaal Reefs.

Amgold directors say the rights offer proposal confirms their confidence in and long-term commitment to the gold mining industry.

Part of the capital raised will be used to repay short-term borrowings.

Vaal Reefs' decision follows the approval by the Government of its applications for mining leases over the Moab area, which is 2 149ha in extent and contiguous to Vaal Reefs itself.

Vaal Reefs chairman Juhan Ogilvie Thompson says a new shaft will be sunk in the Vaal Reefs South lease area to exploit a portion of the South area.

He says in view of economic uncertainties facing the gold mining industry, prudence requires that projects of this magnitude be continually evaluated in the light of changing circumstances.

"The rate of expenditure on the project would therefore be governed by economic circumstances, particularly perceptions of the future direction of the gold price in rand terms and the industry's ability to control its costs."

The mining leases would be ceded firstly to a company to be formed and thereafter to Vaal Reefs.

## Jobs at risk Genmin chief

By Duma Gqubule

High wage increases not governed by the laws of supply and demand for labour have led to large cut-backs in the gold mining industry, says Genmin chairman Brian Gilbertson.

He told the Association of Business Management that 15 000 men employed by Genmin two years ago

were without those jobs today.

"Each of those men was a breadwinner for perhaps five dependants, and this is a tragedy for a country that so desperately needs to create employment opportunities."

He said almost 18 per cent of SA's gold production was unprofitable, and 80 000 jobs were at risk.

THE ANC has spoken of using anti-monopoly measures similar to those in operation in the UK or US to deal with the concentration of economic power. If British law and practice was retrospectively applied in SA, might Anglo American find itself being hauled through an inquiry by the Monopolies and Mergers Commission? Or would Anglo be forced to take one of two actions in respect of its biggest investments — sell down to under 30% control or bid for 100%?

The answer to both questions is probably yes.

Retrospective, however, is the operative word. Under the London Takeover Panel Code, since 1974, a 30% holding in a company is deemed to be control and at that threshold the acquirer must make a full bid or divest.

Were they made in the market today, Anglo's interests such as 39.8% of JCI, 44.9% of Amic, 48.6% of Amgold and 51% of Amcoal would clearly attract interest.

And any further purchases would almost certainly be looked at by the director-general of the Office of Fair Trading, Sir Gordon Borrie, to see whether there should be a recommendation to the Department of Trade and Industry that they be referred to the Monopolies and Mergers Commission, headed by former SA advocate Sydney Lipworth.

The Fair Trading Act (1973), one of four laws which embody British policy on competition, defines a monopoly as a situation where a company supplies or purchases 25% or more of the needs or a product in the UK. It also provides for complex monopolies where a group of companies together have 25% of a market and all operate in a way which affects competition, even if there is no formal agreement between them. In addition, monopolies can be regional, such as bus services in Inverness or South Yorkshire and newspapers in Northern Ireland.

If companies escape the 25% market share net in a takeover or merg-

# New takeover rules <sup>(210)</sup> could stop another Anglo being formed

The Securities Regulation Panel has published a draft code on takeovers and mergers based on the London equivalent. JOHN CAVILL in London examines what this could mean.

er, there is a catch-all test that total gross assets of the firms being bid for exceed £30m.

But there is no automaticity at the Office of Fair Trading (OFT). Explaining the rationale of government policy, the OFT says "Competition is an essential element in the efficient working of markets. It encourages enterprise, productivity and choice". That said, the OFT goes on "Competition is not regarded as an end in itself. There is no assumption that monopolies are wrong in themselves". Everything hinges on whether the public interest is, or may be, harmed by the eradication of competition or the creation of a monopoly.

Protected by patent, the inventor of a better mousetrap will inevitably become a monopolist in that segment of the market but still benefit the public. And after looking into claims by Consolidated Gold Fields — during the bid battle with Minorco — that De Beers' Central Selling Organisation (CSO) was a monopoly, Borrie dropped the matter.

He found there were "aspects of the CSO which function like a monopoly" but also that any ill-effects of the operation were "negligible" as

far as the UK was concerned. Most diamonds bought at CSO sights, at which there were only three UK-based buyers, were sold to cutters and polishers in Israel, Belgium and elsewhere.

By that token Anglo, which exerts a form of control over mines which account for 41% of SA gold production, would probably escape too — even if the monopoly buyer, the Reserve Bank, did not exist. In coal too, the monopolist is Eskom, not the producers.

The positions of AECI or the paper maker, Mondi, might require investigation to see whether they could "be expected" to act against the wider interests of the public.

Borrie, for example, did refer the proposed sale of the Belfast News-Letter (circulation 38 000) and the Sunday News (27 000) to Thomson Regional Newspapers to the Monopolies and Mergers Commission (MMC).

Its finding was that the sale "may be expected to operate against the public interest" because it would in-

crease Thomson's share of the Northern Ireland newspaper market from 63% to 81%. Not only would this reduce competition for readers and advertising but it would "adversely affect the present balance of expression of political opinion in Northern Ireland by reducing the diversity of opinion in the Press".

The MMC's writ runs wide when it comes to "what may be expected to operate against the public interest". The takeover of the Royal Bank of Scotland would not have created any monopoly — as the potential bidders were both overseas operations, Hong Kong and Shanghai Bank and Standard Chartered. But the MMC found against it because it would reduce the Scottishness of the bank if management was located in London or Hong Kong.

Of course there are blatant monopolies about which the OFT can do little the grant industries privatised by the Thatcher government, British Telecom and British Gas. And while water companies were carved up to give an impression of competing entities, they remain regional monopolies.

Consumers can drop Telecom and opt for its burgeoning rival, Mer-

cury, or swap their piped gas for cylinders of propane or butane — as farmers do. But there is little choice in the water market. Nor will there be in electricity, short of communities clubbing together to install diesel or wind generators at some expense, when the 12 regionalised power distribution and two generating companies are sold off.

Telecom and Gas, however, have their watchdogs — OFTEL and OFGAS respectively — which monitor pricing, performance and consumer complaints and have statutory powers to stop any exploitation. Their prices increases are formula-governed so that they rise slower than the retail price index.

In this sense the UK government controls without owning. What still has to be seen in Britain is how the competing demands of shareholders for rising profits and consumers for low price increases are reconciled. Cutting costs and improving productivity is the stated answer.

But there are suspicions that the quality of service will suffer and that it already has in the cases of Telecom and British Gas. An equally thorny issue faces the government (and the OFT) when electricity is privatised and should be free to buy coal — where it is the monopolist purchaser from a monopoly supplier — at world prices on the open market.

Will the "public interest" be enhanced through cheaper coal, at least for the coastal power stations, or damaged by the loss of a large part of the British coal industry?

The draft rules published by Mr Justice Cecil Margo's Securities Regulation panel on Tuesday are similar in many respects to those applying in the UK, including the key 30% rule. The SA draft is more detailed in some respects in that the definition of a pyramid company has no counterpart in the UK.

Whether these proposals will have any impact on the "conglomerate" nature (as the ANC describes it) of SA's largest corporations is uncertain. In the UK, in terms of size, there is certainly no equivalent of Anglo American.

# Dalsig poised for minerals venture

13/9/90

MERVYN HARRIS

STELLENBOSCH mining exploration company Dalsig is poised on the threshold of big new developments

Market speculation has been fuelled by the flurry of heavy trading in the shares

More than 1-million shares were traded in two days earlier this week and yesterday the shares were among the most actively traded in volume terms on the market with 354 000 shares changing hands in eight deals

After languishing at its March low of 5c, the share shot up to touch a peak of 24c towards the end of August before settling at 19c.

## Discovery

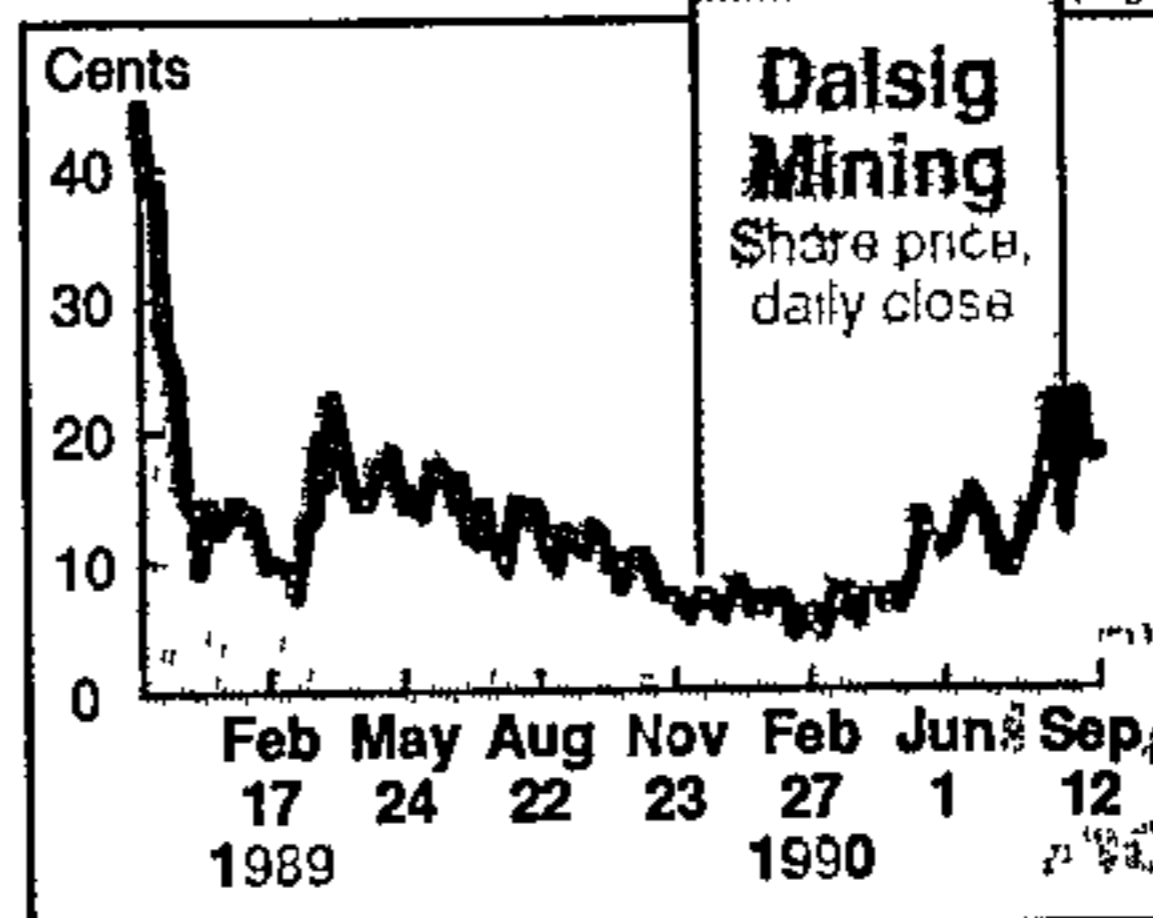
Talk is that Dalsig has found viable deposits of kaolin, decomposed granite used for making pottery in the high tech industry at Klipheuvel between Stellenbosch and Malmesbury — and that Shell is putting \$15m into the venture

Dalsig chairman and MD William Smith confirmed that between 30-million and 40-million tons of kaolin had been found in the area

This was the first discovery of minerals proven to be viable in the current exploration programme

"We have had discussions with all the major players in industrial minerals, including Shell, about developing the kaolin deposits on a joint venture basis"

He said he could not comment further as an announcement would be made in the annual report to be released before the end of the month



Graphic FIONA KRISCH Source JSE

Approached by Business Day, a Shell SA spokesman said: "In the nature of our business we are continually in touch with a wide variety of people and organisations which, like Shell SA, have an interest in minerals exploration and development"

"However, for sound commercial and ethical reasons, it is company policy not to join in any speculation about what contacts may or may not have been made, or indeed, about any which might be made in the future"

Smith said Dalsig shares had been oversold for a long time.

"We have a large number of interests, especially in Namibia, and have spent about R4m on explorations," he added

Dalsig has gold and diamond interest near Anglo's Navachab gold mine in Namibia

Listed in August 1988 through the CCTV cash shell, the company also has extensive interests in Namaqualand

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~~210~~

GENBEL FIM 14/9/90

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# MORE EMPHASIS ON INCOME

**Activities:** Investment holding company with a portfolio predominantly in the SA mining and resource industries

**Control:** Gencor 49,98%

**Chairman:** T L de Beer, MD A D Botha.

**Capital structure:** 432,23m ords Market capitalisation R2,7bn

**Share market:** Price 630c Yields 2,8% on dividend; 4,6% on earnings; p e ratio, 12,9; cover, 1 12-month high, 800c; low, 450c Trading volume last quarter, 2,22m shares

**Year to June 30**

	'87	'88	'89	'90
Portfolio market value (Rm)	2 118	1 645	2 527	3 642
Investment & other income	100,7	92,3	97,6	127,5
Distributable income	137,4	128,5	96,8	119,9
Earnings (c)	28,2	25,1	25,9	28,8
Dividends (c)	28,0	25,0	26,0	27,5
Net worth (c)	618	458	664	785

**Changes in Genbel's portfolio** during financial 1990 reduced its holdings in the underperforming gold mining sector and increased its exposure to sectors offering good income and capital growth prospects

In the year to end-June, Genbel's NAV rose 36% to R3,4bn, partly as a result of a R296m rights issue in October and the changes in the portfolio. Distributable income rose 24% to R124m.

Chairman Tom de Beer says management in the past concentrated on adding capital value to the portfolio and earnings and dividends have lagged — last year earnings growth was only 11% — but the portfolio has now been repositioned for both income and NAV growth

During the year a number of beneficial investment opportunities arose because of Genbel's association with Gencor. The entire holding of Gencor was sold and the cash was used to buy a large stake in Engen and take up Genbeheer rights. Gencor also facilitated the purchase of a holding in the offshore property and insurance group, TransAtlantic. Other significant investments were made in Iscor, De Beers, Samancor, Rustenburg Platinum and Mid Wits.

As a result of these changes, exposure to gold mining was reduced to 22,7% (29,5%)



Genbel's De Beer real earnings growth this year

of the portfolio's market value, mining finance fell to 15,4% (22,9%), investments in the energy sector rose to 11,1% (5,7%) and offshore investments to 9,5% (1,5%). Impala and Genbeheer remain the major investments

MD Anton Botha says investors' perceptions that Genbel holds strategic investments to protect Gencor interests is incorrect. Holdings in Gencor companies, including Genbeheer, can be sold but Gencor will be given first right of refusal. Randex, the 63%-held mineral rights participation company, is considered a strategic holding because it ensures preferential access to new mining ventures — an outright sale will not be considered but a reduced holding, at the right price, is possible

Unisen, the short-term investment arm, traded successfully and was the fastest growing part of the company — thanks partly to very profitable futures trading in an unsophisticated market. The profit performance is not expected to be sustained this year but management is considering expanding the size and time horizon of the operation.

De Beer expects real growth in earnings this year, with the portfolio better placed to generate income. Dividend flow from acquisitions, TransAtlantic, Engen and Iscor, should be R25m-R30m, more than compensating for the loss of income from shares sold to finance their purchase. But holdings in Oryx, Randex, Mid Wits, Northam and Barnex still make no contribution and interest receipts will fall because the fund is now fully invested

In a number of major moves, Genbel has succeeded in repositioning its portfolio to take advantage of growth opportunities

throughout the domestic economy and overseas. Its ability to compete with other listed investment holding companies has been enhanced and a gradual narrowing of the share price's discount to NAV should occur

Pam Baskind

VALARD

FIM 14/9/90

## TAX BENEFITS

**Activities:** Manufactures and sells industrial products

**Control:** Directors 60,6%

**Chairman:** D R Makins, MD S J Connelly

**Capital structure:** 53,6m ords Market capitalisation R41,3m

**Share market:** Price 77c Yields 7,2% on dividend, 18,2% on earnings, p e ratio, 5,5, cover, 2,5 12-month high, 95c, low, 65c Trading volume last quarter, 55 000 shares

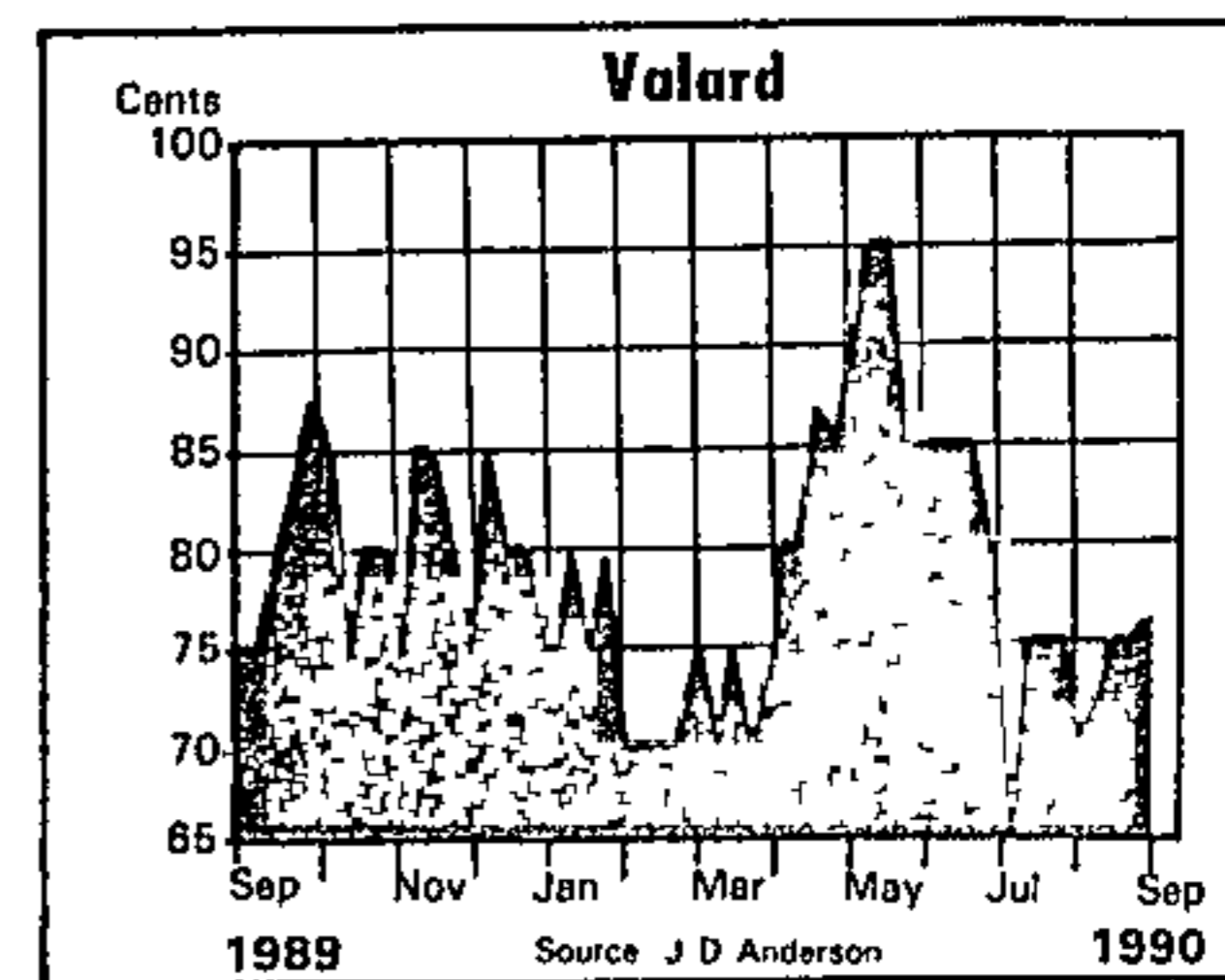
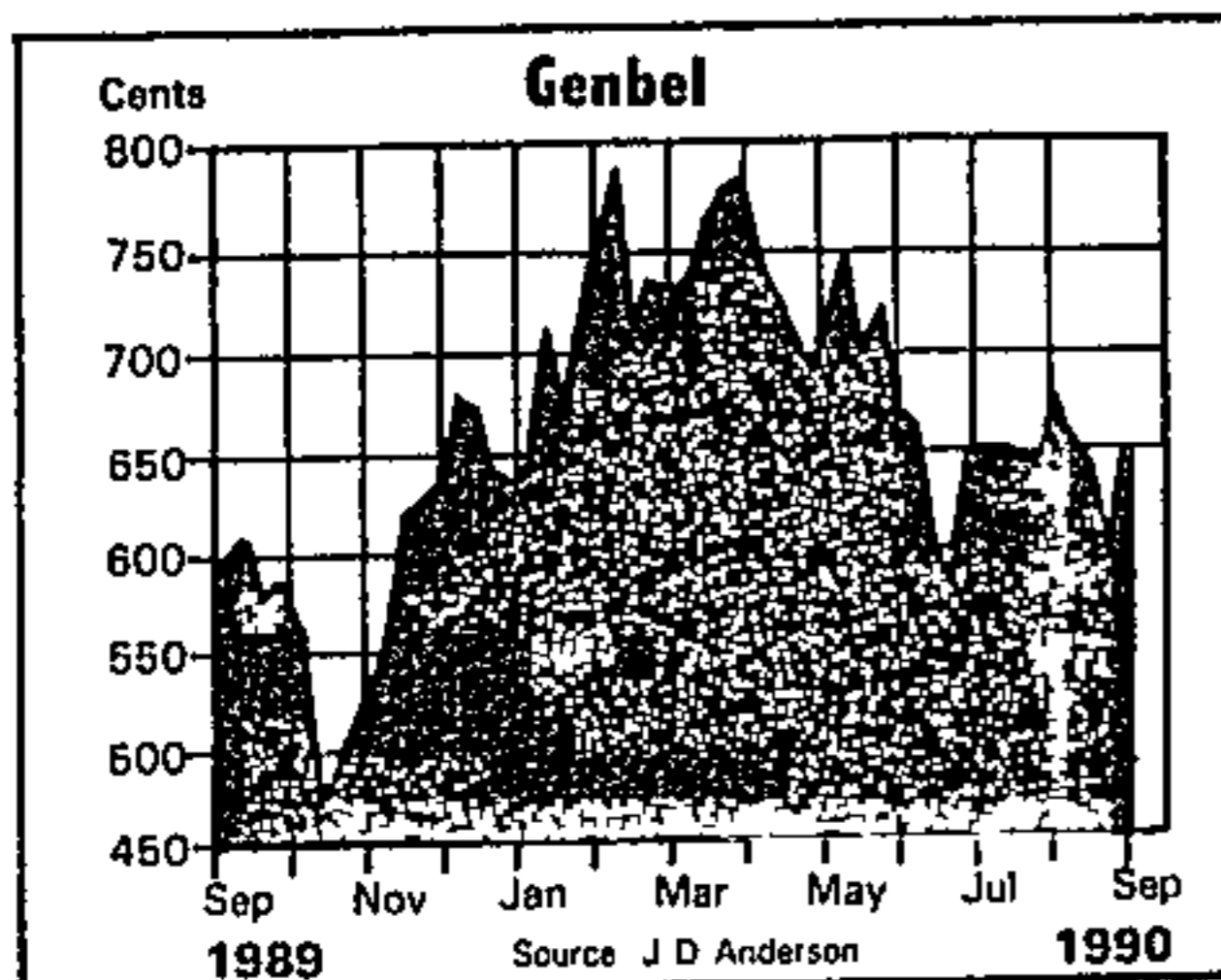
**Year to March 31**

	'87	'88	'89	'90
ST debt (Rm)	1,76	5,62	7,39	9,33
LT debt (Rm)	1,30	1,89	3,77	3,50
Debt equity ratio	0,32	0,60	0,56	0,52
Shareholders' interest	0,50	0,41	0,45	0,50
Int & leasing cover	1,68	7,4	7,0	5,1
Return on cap (%)	17,1	21,9	23,4	24,3
Turnover (Rm)	41,3	51,2	78,8	106,5
Pre-int profit (Rm)	3,3	6,6	10,3	12,5
Pre-int margin (%)	5,3	13,0	13,0	11,7
Earnings (c)	3,0	8,6	11,3	14,0
Dividends (c)	2,0	3,5	4,48	5,60
Net worth (c)	15,0	20,0	40,6	42,6

**Valard's record** of consistent improvement in operating profit and earnings remained intact in financial 1990, as did management's reputation for restoring non-performing companies to enduring profitability. The acquisition of loss-maker Landlock's assets this year is expected to boost profit at the operating and attributable levels

During the 1990 year, Valard made only one small acquisition — Global Mining Equipment — but increased its operating profit 21% on turnover growth of 35%. The acquisition was made for cash and did not affect the debt equity ratio

The group's engineering division account-



# 50 000 retrenched union

By Shareen Singh

An average of 8 000 miners were retrenched every month and 50 000 had already lost their jobs since the beginning of the year, the National Union of Mineworkers (NUM) said yesterday.

Another 78 000 faced retrenchment with the threatened closure of 18 marginal mines

Anglo American's Freegold mine near Welkom planned to retrench 7 800 miners soon, the union alleged. An Anglo American spokesman said discussions were still in progress with the union and no decision on retrenchments had been made.

The union claimed that at Genmin mines alone 25 000 had lost their jobs this year. A company spokesman said only 12 500 jobs had been lost.

Paulus Nhlenlomo (31) told The Star he had worked at Grootfontein mine for 10 years

and received his retrenchment papers last week. He had been paid one week's salary for every year of service, which amounted to R1 540,08. Several miners who spoke to The Star said they had been employed for more than nine years.

The retrenchments have prompted a joining of forces by mine unions.

The NUM and white unions — the Council for Mining Unions and the Mine Surface Officials' Association — have held several meetings and reached agreement on retrenchments. This was the first major alliance since the unions got together earlier this year to discuss racial issues, the National Union of Mineworkers said.

About 10 000 miners plan to join an NUM-organised march to the Chamber of Mines head office in Johannesburg tomorrow.

# Sasol starts to dismiss strikers

Sasol had begun dismissing about 2 000 striking workers at the Sigma colliery after a wage negotiations deadlock with the SA Chemical Workers' Union, a company statement said yesterday.

Tracing the 14-day dispute, Sasol charged that the union had initially demanded an "outrageous" increase of 300 per cent.

After negotiations, the union dropped its demand to 258 per cent.

Sasol also said its wage offer of 20 to 23 per cent was on a par with that between the union and management at its Secunda mines.

Despite this, the union had refused to end the strike.

The union has not yet commented on the dismissals — Sapa

# Excess of resources is a blessing which has become a curse

11/04/1990

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WAS South Africa blessed or cursed with an abundance of mineral resources?

"It was blessed because it promoted the early industrialisation of our country and cursed because it allowed us to experiment ideologically rather than focus on the development of our most important resource — our people"

"Strong words, but Dr Brian Clark, the man who takes over the reins at the CSIR on October 1, has an impressive array of information to back up his criticism

"All we did early on was mine our resources and sell them in unprocessed form. The Koreans of the world faced different problems —

no resources, energy or industrial infrastructure

"In developing themselves they took a global view and built a world class export-orientated manufacturing sector which depended on highly-skilled people and advanced technology"

Now, says Clark, when SA has to move away from exporting raw materials to exporting manufactured goods and processed minerals, we have fundamental conflicts in competing as a nation with our previous customers for our unprocessed minerals. It is a problem Australia also faces

Clark, along with most of the local research and development (R&D) world, is

concerned by government cutbacks in R&D expenditure

He says government must be careful about cutting back on major potential contributors to the future development of our economy

"When the dust settles and we have a new constitution, any government in power will face the same challenges — a population growing too fast, a skills shortage and limited resources"

## Competition

He says not only will SA have greater access to world markets, but some big league world players will re-enter the local market in active competition

He and other research bodies agree that the private sector does not contribute enough to R&D. Thus, in developed countries, the average private contribution to R&D is 65% compared with 35% from government. For SA the corresponding figures are 72% for government and 28% for the private sector (see accompanying table)

Nonetheless, the CSIR has seen a massive leap from R10m worth of private sector contracts three years ago to R60m today

"No matter what a future government looks like, economic growth will be the key issue. We won't benefit from foreign aid as the world has learnt that this is the wrong way to go. We will have to become export driven and compete. We

have to sell uniqueness in world markets"

Clark says sanctions and embargoes were, ironically, a boost for R&D and have helped SA create niches it can fill in world markets

For example, unique products have been developed in the defence area.

SA's knowledge of water recycling is very advanced and will be vital to ongoing industrial development

"We also have major world class strengths in our mining industry. Currently there is much hoop-la about the Channel Tunnel linking England and France. Yet every year in SA the mining industry digs tunnels far longer and deeper

"Our transportation networks are a special factor in our role in southern Africa. The CSIR is working in several African countries, rehabilitating the Malawian road network for example"

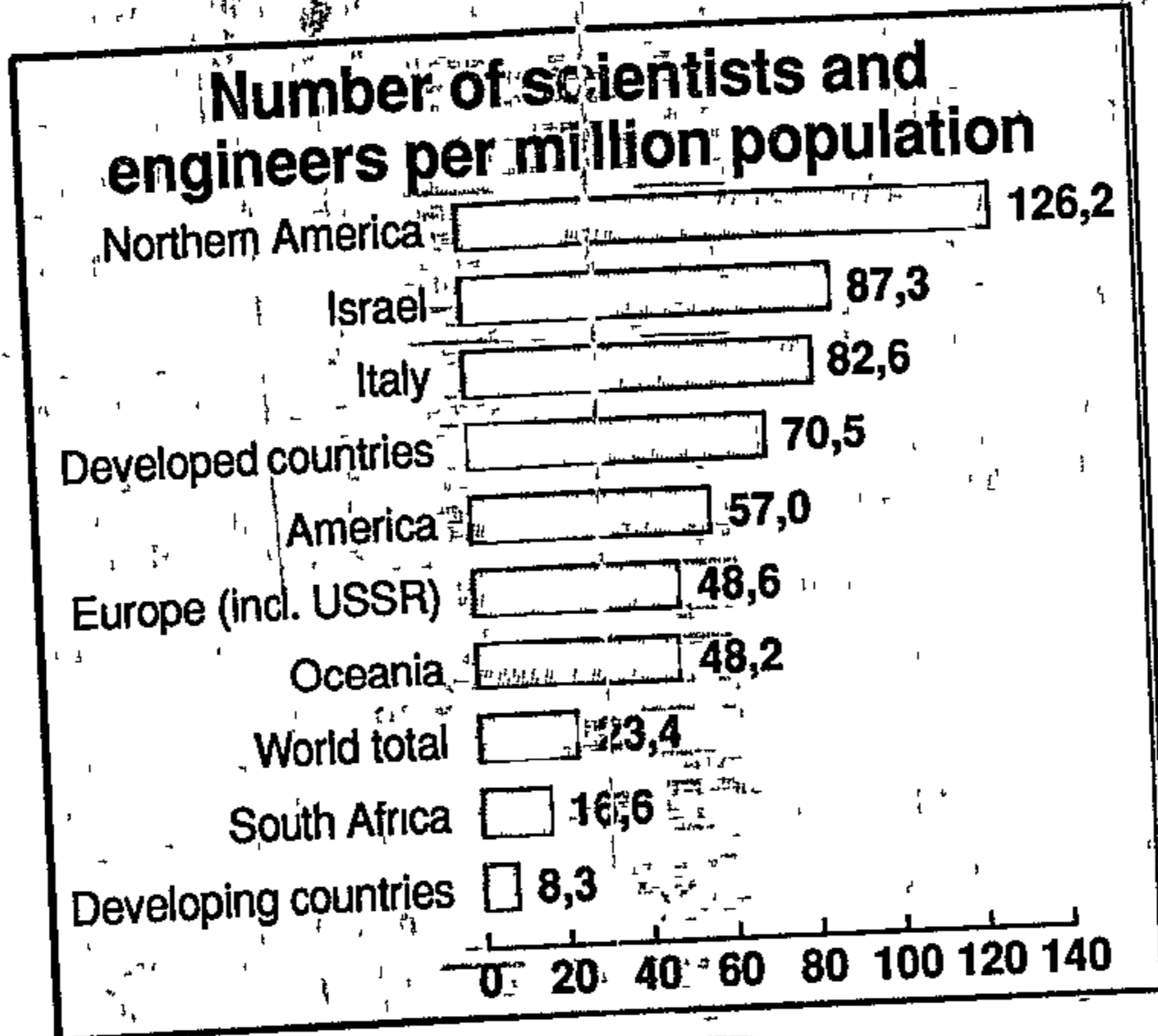
## Penetrate

Clark says it is vital the CSIR, with its spread of multidisciplinary skills, keeps pushing hard along the path as the technology partner of SA industry to help it penetrate new areas

The CSIR handles 8 000 external contracts a year compared with 2 500 three years ago

"We are committed to making science and technology work for all South Africans. It is unacceptable that people in rural communities have none of the benefits of science and technology"

14/9/90 (210)



### Relative contributions to R & D

COUNTRY	Year	GS	PS
Japan	1984	20	80
UK	1981	26	74
USA	1984	29	71
W Germany	1983	40	60
France	1984	46	54
Netherlands	1982	48	52
<b>AVERAGE</b>		<b>35</b>	<b>65</b>

GS = Government sector  
PS = Private sector

COUNTRY	Year	GS	PS
S. Korea	1982	41	59
Rep of China	1986	60	40
South Africa	1985	72	28
C African Rep	1984	74	26
Brazil	1982	77	23
India	1982	86	14
<b>AVERAGE</b>		<b>68</b>	<b>32</b>



# Let mines and farms use land, says study

EDYTH BULBRING

PRETORIA — A report on the long-term effects of high-recovery coal mining on agriculture in the Transvaal's eastern Highveld has concluded that the resources cannot be reserved for the exclusive use of either agriculture or mining.

The report, by a committee under the chairmanship of Agricultural Development Minister Kraai van Niekerk, has been accepted in principle by the Cabinet. It recommended that resources in the area be jointly utilised, administered and protected for the benefit of the country as a whole.

It was understandable that mining activities taking place in the region were regarded by the established farming community as a growing threat, the committee found.

## Problems

But given the right management and good understanding, the greatest economic benefits for the country could be obtained from co-existence, said the report.

The mining industry, the generation of electricity and the petrochemical industry played an important role in the economic upliftment of the area, the creation of jobs and the application of decentralisation.

In general, the mining industry displayed great responsibility regarding the environment, especially as far as the rehabilitation of mined areas was concerned, the committee found.

Problems that had to receive immediate attention were the effects of mining on the production potential of land.

The production capacity of agricultural land that was disturbed because of mining activities was affected because important characteristics, such as effective depth, water-holding capacity, fertility and stability, were involved.

Under certain conditions conventional farming was no longer possible and alternative methods had to be considered.

Other problems were the salination and water-logging of agricultural land, control of water run-off and soil erosion.

An important reason for the confrontation between landowners and mining companies was the lack of proper communication between the two parties.

Another problem was the rehabilitation of land disturbed by open-cast mining. But it was found that the direct detrimental effect of coal mining on agriculture in the eastern Highveld was not as extensive and destructive as expected.

Various proposals on the rehabilitation and further utilisation of mined agricultural land were made in the report. The committee felt conflict between miners and farmers would have been reduced by an information programme.

The committee recommended establishing an agricultural development centre at Ermelo to deal with agricultural problems in the area.

## Uncertainty dogs price <sup>(216)</sup> outlook in <sup>Steel</sup> short term <sup>21/9/90</sup>

The outlook for the gold price remains uncertain in the short term as worldwide production continues to rise, says Gold Fields of SA chairman Robin Plumbridge.

In his chairman's review yesterday, Mr Plumbridge said the rate of increase was levelling off and production would probably start declining within the next two years.

The slowdown in the world economy was likely to impact on non-ferrous metal prices in due course and it could be expected that the current buoyancy would soon evaporate.

"In the short term, these factors are likely to affect the group's earnings adversely," he said.

Mr Plumbridge said a major uncertainty at this stage revolved around the behaviour of group employees.

Although annual wage negotiations had been concluded on all the SA properties without incident, political uncertainties were being mirrored in the industry's workforce. Several serious incidents had occurred, leading to heightened tension.

"Thus far the group's employees have avoided outright confrontation, despite the exhortation of small groups of activists on certain mines," he said.

Commenting on Aids in the mining industry, Mr Plumbridge said a study conducted by Gold Fields showed a tenfold increase in its incidence since the industry's 1986 study.

Referring to the international situation, he said the world economy was drawing to the end of the longest expansion phase in modern history.

Forecasts of a soft landing now seemed less likely to be realised and skilful economic management was going to be required to prevent a major recession. Sapa.

# Increase in gold supplies expected to level off

The recent higher levels of inflation in the Organisation for Economic Co-operation and Development countries and a weaker US dollar augur well for gold, says Dr P.J. Welgemoed, Deputy Minister of Mineral and Energy Affairs, Public Enterprises and Transport.

Dr Welgemoed told the seminar the increase in gold supply of recent years was also expected to level off.

This was due mainly to the stagnating price, the peaking of Canadian and Australian production before the 1991 gold tax

was implemented and to the fact that the trend towards official central bank sales in 1989 was not expected to continue.

On the other hand, high real interest rates in many countries, high oil prices and sales of gold to earn foreign exchange, were negative factors.

Strong demand from jewellery fabrication was expected to continue and investor interest was also expected to improve.

"It may, however, take some time for the build-up of a positive investment climate, which could be realised only in 1991."

Of other minerals, Dr Welgemoed said lower world economic growth rates were expected to dampen demand and bring down prices, as had been happening since mid-1989.

"The world economy is, however, set to achieve a soft landing. Together with the fact that near full mineral production capacities were reached in the previous upswing and relatively little new capacity has been added in recent years, the present downswing is not expected to be as pronounced as in the Eighties."

Another factor was the growing world-wide public awareness of environmental issues. However, a balanced and unemotional approach should be fostered towards these issues.

"Mining and the prosperity it creates will have to be weighed up against acceptable norms of environmental conservation and an equilibrium between the two will have to be found."

The government was committed, and had already started, to bring the tax rate for mines in line with those of other industries.

# Lonrho under selling pressure

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21/9/90

Lonrho has come under heavy selling pressure from overseas investors who fear weaker year-end results following the strengthening of the pound sterling against the dollar and lower platinum prices.

A London analyst has forecast that with sterling 20 percent firmer against the dollar, coupled with slack platinum prices, Lonrho's profits should be lower.

Lonrho is an international mining and industrial conglomerate, with over 1 000 companies operating mainly in the UK, sub-Saharan Africa, Europe and America.

Over 50 percent of its revenue is denominated in dollar, while platinum interests contribute more than 20 percent to group profits. Forecasts are that from 1991, 45 percent of Lonrho earnings will be from mining, with over 80 percent of these coming from platinum.

## Platinum interests

This forecast of a pedestrian performance from Lonrho precipitated heavy selling of Lonrho shares by London investors. Last week over 3 million Lonrho shares changed hands on the JSE, while from Monday to yesterday over 1.8 million shares were traded. Most of the selling orders have been coming from London. Yesterday, Lonrho dropped 8.9 percent (155c) to close at R15.85.

George Huysamer analyst, John Clemmow has revised down his forecast of Lonrho earnings from 26 pence to 25 pence per share. He says Lonrho's car distribution network should benefit from the strength of sterling against the German mark, but the recession in the UK, coupled with high interest rates and the higher petrol price, should see demand for cars slowing down.

## Negative impact

Euan Worthington of S.G. Warburg Securities in London notes in a recent report on Lonrho that the recent decline in gold and platinum prices will have a negative impact on group profits.

But higher output of both metals (gold and platinum) and benefits of the Karee merger should see profits rising significantly.

The UK manufacturing,

Diagonal Street

Jabulani Sikhakhane



building contracting and car distribution industries have been depressed by high UK interest rates and the downturn in the UK economy.

However, Lonrho's trading, freight forwarding and warehousing associates, Kuhne & Nagel (50 percent) and Krupp Lonrho (50 percent) are expected to continue to increase profits in line with economic growth on the Continent. In future, most of Lonrho's growth is expected to come from Europe.

Despite lower spending by conference delegates, the refurbishment and expansion of the Metropole group of Hotels in the UK is starting to increase profits from this source. Also investment in new printing equipment has had a beneficial effect on its Scottish newspaper interests.

## Net asset value

Overall, analysts argue that Lonrho offers exceptional value, particularly, for local investors. At yesterday's closing price of R15.85, Lonrho is trading at a discount of 46 percent to its net asset value.

Mr Clemmow argues that for local investors the strength of the sterling is good news. At the current rand/sterling rate, Lonrho offers a very attractive dividend yield and is a good rand-hedge stock. About two-thirds of Lonrho profits come from outside South Africa.

Analysts also point out that the higher rhodium price should offset the lower revenue from platinum. The rhodium-rich UG2 reef forms about 50 percent of Lonrho's mining activity.

Says Mr Worthington: "The share is a good stock to hold. We forecast earnings per share of 25 pence for this year and 28 pence for financial 1991. But a lot depends on what happens in the Middle East and the effects of the world recession."

In the medium term, economists forecast that sterling should fall by about 10 percent against the dollar. At current levels the sterling is off its peak of \$1.95.

# Tax relief needed to encourage exploration

The long-term challenge to the SA gold mining industry is to replace some 430 annual tons of gold which is more than the current combined annual production of the West Wits Lane and the OFS Goldfield, says Southern Prospecting managing director Cl von Christerson.

"This is an enormous challenge which could only partially be met from extensions in areas such as the Potchefstroom and Bothaville Gaps, and would require the discovery of major new goldfields.

"It is a challenge that can be met if exploration is given tax relief of the proportions Canadian exploration was given in the 1980's when flow-through funding was introduced."

Mr Christerson said at the seminar that the present state of the gold mining industry could be described as one of sharp decline.

South African gold production had fallen 40 percent in the past two decades and its share of Western world production had more than halved over the period.

"To put this decline of some 400 tons of annual production in perspective, it is equivalent to closing down the West Wits Lane and the Free State Goldfield, or 2 medium sized gold mines each year, over the 20 year period."

## Challenge

He said the immediate production challenge must be to replace short life and marginal

production within 10 years.

"It is evident that there exist 13 potential new mines of varying sizes with more than sufficient proven reserves in the ground (700 million tons) to replace in the 1990s existing short term and marginal production of some 110 tons of gold per annum."

The leading issue was whether in fact this potential new production would become a reality.

"Mining taxation was one of the most important controllable factors currently influencing the viability of new mines, and in particular the policy of ring fencing."

Mr Christerson said the State had much to gain in the long term by lifting ring fencing and promoting new production and thereby securing a long term source of additional revenue.

"By abolishing ring fencing, some 8 new gold mines would be potential new mines would become viable at a gold price of R1100/oz" — Sapa

# Randfontein gold mine runs into adversity

By Derek Tommey <sup>510-259/10</sup>  
The year to June was not a good one for Randfontein, the large tonnage, low-grade gold mine.

The lack of buoyancy in the gold price, continually rising costs (though limited to an extremely modest 10 percent) and reef-faulting in the Doornkop shaft area all had an adverse effect on operations.

The result was a 24 percent drop in taxed profit to R153,2 million, despite a 4,6 per-

cent increase in gold production. Chairman KW Maxwell says that gold production rose by 1 233kg to 27 875kg, mainly because of an improvement in the grade of ore milled.

Continuing faulting on the Kimberley Reef horizon at the new Doornkop shaft restricted the availability of payable areas.

This led to a reduction in stopping operations and development directed towards predicted higher grade areas to the north

and the east.

Mr Maxwell says the planned production of 150 000 tons a month will not be implemented until operations move into the higher-grade areas.

The unchanged gold price appears to be delaying the start of the new Doornkop No 2 shaft.

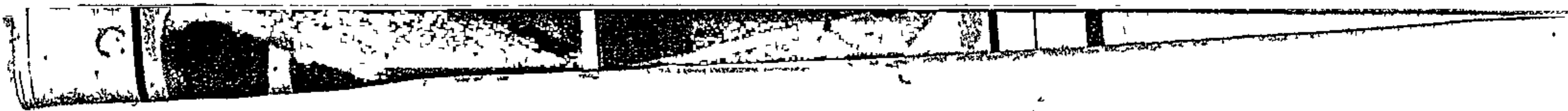
Ideally, production from this shaft, which would provide access to the South Reef, should start in 1997, says Mr Maxwell in order to maintain production

from underground at between 600 000 tons and 650 000 tons a month

But the decision to start shaft-sinking has been postponed for the time being.

He says that Randfontein is an efficient low-grade mine with many years of life in its reserves

However, its future profitability will be closely geared to the rand gold price.



## New GFSA company will be worth R475-m

By Derek Tommey <sup>210</sup>  
~~25/9/90~~  
The merger of the three Gold Fields companies, New Wits, Selected Mining Holdings and Witwatersrand Deep, will create a company with assets amounting to about R475 million

MR Fuller-Good, a director of the com-

panies, told shareholders yesterday the enlarged New Wits would benefit from its strengthened asset base and the combined mineral rights portfolio

New Wits is offering 120 of its shares for every 100 Selected Mining Holdings and 90 of its shares for every 100 Wit

Deep  
With New Wits shares standing at 1125c, this puts a value of 1350c on each Selected Mining share and 1012c on each Wit Deep share

Selected Mining shares were trading before the weekend at 1200c, and Wit Deep shares at 1000c

# Gold's performance not to be sneezed at

The performance of gold in the Gulf crisis has in the public's mind been abysmal.

"Gold has failed in its role of being a hedge in times of uncertainty," is a comment frequently heard in financial circles.

For those who expected gold to soar to \$500 or \$600, perhaps its performance has been a little disappointing.

But an analysis of what has happened to gold and other money instruments since the Iraqi invasion of Kuwait shows that an investment in gold has been rewarding for those foreign investors who have had faith in it - and who are able to buy and sell in a free bullion market.

This qualification is necessary because South African investors in Krugerrands have shown hardly any profit at all because of the high premium charged for them.

Since July 31 - two days before the invasion of Kuwait - the gold price in dollar terms has risen nine percent and 8,1 percent in rand terms.

In stark contrast, investors in shares have suffered losses, some of which have been heavy.

The JSE overall index has fallen 12,5 percent, the platinum index 23,5 percent, the diamond index 25,5 percent and the metals and minerals index 25,7 percent.

A smaller loss of 12,3 percent has been recorded by the industrial index. Interestingly, though, the coal index has risen 4,5 percent in this period.

By the close of trading yesterday the gold index was showing a gain of only 0,7 percent in this crisis period.

Investors overseas with money in shares have also suffered fairly severe losses.

The FTSE index, which reflects the performance of British industrial shares, has fallen 14,9 percent since the end of July, the Wall Street Dow Jones industrial average has dropped 15,6 percent, the Japanese Nikkei index 22,2 percent, and, somewhat surprisingly, the German Dax index has fallen 29,5 percent since the beginning of August.

The Middle East crisis has

Diagonal Street

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DEREK TOMMEY



left its mark on exchange rates.

The rand has gained 0,8 percent against the dollar, but has slipped 0,2 percent against sterling.

This represents a considerable degree of stability in the rand's exchange rate.

It shows that the Reserve Bank's aim of protecting the rand from further depreciation is having considerable success.

However, the financial rand is 0,5 percent easier than at the beginning of August.

But this is a significant achievement when one considers the turmoil SA has experienced recently and the effect this must have had on the perceptions of foreign investors about South Africa.

The dollar has been one of the currencies affected by the Middle East crisis, dropping 5,7 percent against the yen, but only 1,7 percent against the German mark.

It is true that the increase in the gold price has not matched the 100-percent rise in the oil price and not performed in the way it did in 1979. But their market positions are vastly different today.

Then the oil price had been more than doubled by Opec, and seemed with the resultant steep increase in inflation to be permanent.

It made a great deal of sense then for investors to switch to gold as an inflation hedge.

Today the oil shortage and high price could just be temporary.

The inflation fear is nowhere near as great as it was in 1979.

At the same time the bullion market is far larger than it was in 1979 and a far greater buying effort is needed to start the gold price running.

However, the longer the current crisis continues, the greater seems to be the likelihood of this happening.



# Knobbs tells of threats to mining

8 Day 26/9/90

ROBERT GENTLE

POLITICAL conflict and unrest, coupled with disquiet fanned by the stubborn adherence by influential leaders to the tenets of socialism and Marxism, were major threats to the mining industry and SA (210)

That was the message delivered by Chamber of Mines president Clive Knobbs to the American Mining Congress in New Orleans yesterday

Knobbs said euphoria in the wake of President F W de Klerk's February 2 parliamentary speech had been transformed into uncertainty and apprehension

"The threat of the imposition of a command economy in SA is without doubt the most serious single impediment to the prospect of economic growth and in-



● KNOBBS

creased prosperity of all its people," he said.

Knobbs thought there was sufficient goodwill and good sense to ensure that the "socialist option" would not be pursued.

Another problem facing the mining industry was "unrealistically high wage demands and other exorbi-

tant requests for improved employee benefits" from trade union leaders

In just five years — from 1984 to 1989 — SA had moved from being the lowest-cost producer of gold in the world to the highest

Compounding these financial problems was the sanctions-induced capital flight.

"Even if the industry is successful in cutting its working costs to more acceptable levels, there can be no sizeable expansion without substantial renewed investment from both local and foreign sources," he said

The Witwatersrand basin was still the world's biggest known potential source of new gold, and SA gold mining could continue well into the 21st century if these technical, political and financial problems were solved.

## Gold mines on wane - Zach

The gold mining industry was in all likelihood on the wane, and South Africa would have to turn to manufacture for export markets for a growing economy, said Democratic Party leader Dr Zach de Beer.

Addressing the Islamic Business Chamber on Tuesday night, he also made a plea for a minimum of Government interference in future.

"Hugely expensive apartheid structures, like 14 departments of health, must go soon."

The Government's role had to be that of a coach who refrained from taking part in the game.

Staff Reporter

# Two mines hope to maintain dividends

27/9/90

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**By Derek Tommey**  
Although gold mining profits are under severe pressure, both Kloof and Driefontein Consolidated, two mines in the GFSA, expect to maintain dividends in 1990-91, providing there is a small increase in the gold price.

CT Fenton, chairman of Driefontein, says in his annual statement the milling rate should remain unchanged in the coming year, but the yield of ore mined should improve.

The loss on uranium sales should be significantly reduced and an increased profit is expected from the reclamation plant.

Kloof should maintain the milling rate of 180 000 tons a month in the coming year, with an improved gold yield.

This should more than compensate for working-cost increases, says chairman AH Munro.

The new Leeudoorn sector should contribute to Kloof's working prof-

its. Capital expenditure in the Kloof division will again be severely limited to R114 million.

Less happy are the reports from three other GFSA mines.

The chairman of Doornfontein, MJ Tagg, says the 1989-90 taxed profits were insufficient to finance capital expenditure and the company had to draw on its cash resources.

These are now all but exhausted and the company might have to resort to short-term borrowings.

Libanon also faces a difficult year ahead, says Mr Tagg, the chairman.

Production might be cut if the mine makes persistent losses.

Venterspost's old mine had a working loss in 1989-90 and unless conditions improve significantly it will again make a working loss this year, says the chairman, Mr Tagg. However, he reports considerable progress at Venterspost's new mine.

# Anglo seen as microcosm of SA society

Own Correspondent

18/10/90 27/9/90  
LONDON — Anglo American Corporation is seen by overseas investors as a microcosm of SA itself, researcher John Taylor of the James Capel international mining team says in a report on investment in the SA mining industry.

Taylor was speculating on which mining companies might be included in a World 100 Index, once global 24-hour trading becomes a reality. He said while there were not many candidates, possibilities included RTZ, De Beers, Alcoa, Broken Hill Proprietary (BHP) "and, of course, Anglo American".

"In many ways all the hopes and fears that overseas investors have towards SA are embodied by their attitude towards Anglo American Corporation. They view

it as a microcosm of SA itself.

"The staggering performance of Anglo's share price at the beginning of this year (up by more than 100%) was symptomatic of the very strong desire on the part of overseas investors for a successful transition to a post-apartheid society."

Taylor also noted that "in European eyes, the creation of Centenary has now made De Beers a European company".

De Beers had been included in the Euro 100 Index on the business pages of the new weekly newspaper, The European. The index lists the top 100 companies based on market capitalisation.



FM 28/9/90

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# Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa) Registration No 01/00429/06

The Johnnies Group achieved satisfactory results for the year to 30 June 1990, in an environment that was markedly less favourable than that of the previous several years. Weakness pervaded most of the international markets in which the Group sells its metals and minerals; and on the domestic front the Government's resolutely tight monetary policies had a perceptible impact on the earnings growth of our major industrial interests

Nonetheless, earnings attributable to shareholders - from which dividends are paid - increased by 18,2% from R363,4 million (246 cents per share) to R429,6 million (291 cents per share). Johnnies' equity-accounted earnings, at R601,6 million, were 5,6% higher than the previous year's R569,7 million.

Total dividends for the year were raised from 110 cents to 132 cents per share, an improvement of 20%.

The earnings of Rustenburg Platinum Holdings, the principal contributor to the earnings of the Group, declined by 7,5% to R556 million; costs, though well contained, rose faster than sales revenue, which showed only a marginal increase. The automobile industry, particularly in Europe, will require substantially increased quantities of platinum group metals for use in autocatalysts. In anticipation of this new demand, Rustenburg Platinum Mines has announced a significant expansion of production. Rustenburg Platinum Mines and Lebowa Platinum Mines are also jointly investigating the establishment of a major mine on the Platreef near Potgietersrus. The final decision on this project will be announced in the near future. It is the Group's intention to at least maintain its share of the growing platinum market. The Group platinum producers' financial strength, strong marketing position, extensive reserves and low-cost expansion opportunities equip it well to maintain its industry leadership.

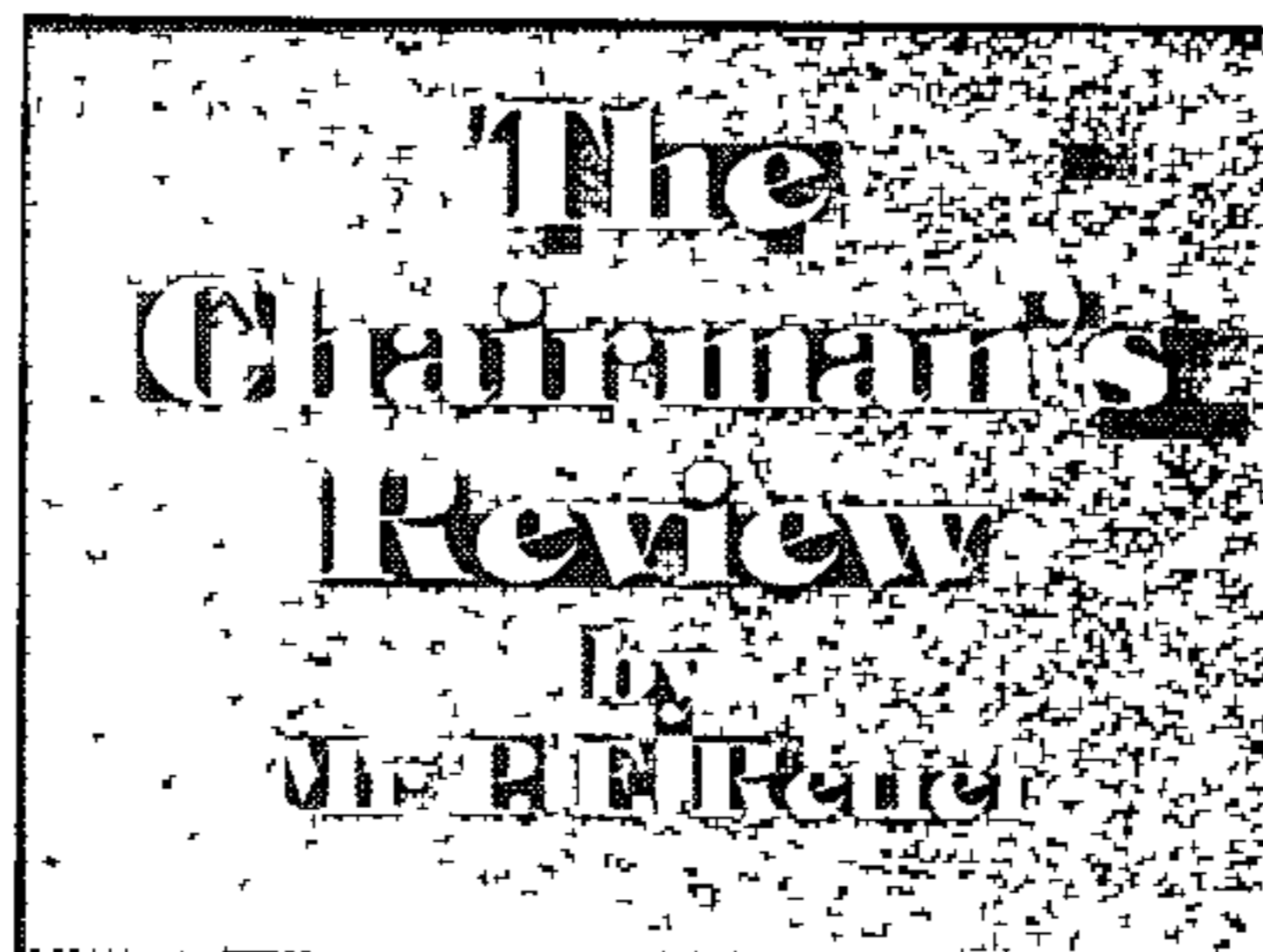
The Group's income from its gold mining investments declined sharply to R18,9 million (1989: R24,5 million) owing to the combined effects of a persistently weak gold price, in both dollar and rand terms, and rapidly escalating costs. As was recently announced, Western Areas has been compelled to discontinue unprofitable operations at its North Shaft and to restore its

liquidity by the proposed sale of its interest in the South Deep prospect to South Deep Exploration Company Limited. It is envisaged that South Deep Exploration will then hold a rights issue to raise sufficient funds to support its continued exploration and development programme and to reimburse its members' loan accounts. It is intended that Western Areas' rights in this issue should be waived in favour of

its shareholders, who would also be entitled to subscribe for Western Areas' original allocation of shares in South Deep Exploration. Thereafter, it is proposed that South Deep Exploration should seek listings for its entire equity on the Johannesburg and London Stock Exchanges. The curtailment of loss-making operations, involving the regrettable but unavoidable retrenchment of numbers of workers, and the disposal of its interests in South Deep, are designed to return Western Areas to profitability and to secure its future.

Johnnies' long-standing diamond interests are a major contributor to earnings. Income from this source grew by 8,5%, following upon a rise of 59% in the previous year. The dollar value of sales by the Central Selling Organisation declined by 1%, but a favourable variation of 6% in the dollar-rand exchange rate improved the rand value of those sales by nearly 5%.

Ferrochrome producer Consolidated Metallurgical Industries suffered a 29% decline in earnings from R101 million to R71 million, but was able to maintain its dividend.



An overproduction of stainless steel during the first half of calendar year 1989 led to severe production cuts during the second half of that year. This had a negative impact on ferrochrome demand, and both sales volumes and US dollar selling prices were badly affected. Ferrochrome is currently in oversupply, and prices are unlikely to show any major improvement in the short term. However, the long-term growth prospects for stainless steel – and therefore ferrochrome demand – are excellent. The South African ferrochrome industry enjoys comparative cost advantages and will benefit from the expansion of stainless steel demand. The recently-announced acquisition of Purity Ferrochrome by Consolidated Metallurgical Industries will significantly increase the Group's participation in this growing market.

Johnnies' two principal subsidiaries, Lennings and Tavistock, experienced contrasting fortunes: Lennings' attributable earnings declined by 2% to R20,1 million, while those of Tavistock rose by 71% to R34,5 million.

Tavistock's results include the contribution from its 40% interest in the Middelburg Mine export joint venture, which it acquired from Douglas Colliery Limited in December 1989 for a total consideration of some R235 million. Also contributing to Tavistock's performance were improved prices received by the Arthur Taylor export joint venture in a strengthening world market for South African coal during the past year. Changing attitudes towards this country, together with renewed uncertainty about Gulf oil supplies, may further strengthen this trend, notwithstanding the temporary accumulation of stocks in Australia and the entry into the market of new competitive producers. Tavistock is well placed to take advantage of any market growth, a position that will be further consolidated once the recently-announced R531 million opencast extension of Arthur Taylor Colliery is commissioned early in 1992.

Lennings' results for the past year reflect the impact on the mining industry – a major customer – of the lower gold price, and of labour unrest. With the expected decline in interest rates and further penetration of export markets, the group is looking to a modest real growth in profits for the current year.

The Group's non-managed industrial interests continued to perform well during the year under review, increasing their share of Group equity-accounted income by 40% from R134,6 million to R188,3 million. However, the outlook for the coming year is more subdued as private consumption expenditure comes under pressure from the monetary squeeze. Income from industrial interests is accordingly not expected to show the growth seen over the past three years.

The South African Breweries and The Premier Group achieved very satisfactory increases in earnings and dividends during the year. In September last year Premier raised R281 million by means of a rights issue and, as a result, Johnnies' investment in Premier increased by R92 million. At approximately the same time

Premier transferred its 33,8% shareholding in South African Breweries to a separate company, Beverage and Consumer Industry Holdings, which was then listed via the issue of its shares to Premier shareholders.

The Group's newspaper interests in Argus Holdings and Times Media again performed well and it is gratifying to note their good results in a difficult market. It is also gratifying to report that Toyota maintains its position as South Africa's pre-eminent motor vehicle manufacturer, and is currently performing creditably.

For the Group as whole, it has been a difficult year. But I wish to emphasise Johnnies' continuing commitment to our core areas of business. The most tangible token of this commitment is the heavy investment programme currently under way. This programme includes major expansions in Rustenburg, Lebowa, CMI and Tavistock, as well as substantial expenditure on the exploration for new mineral deposits.

### **Political and economic developments**

South Africa's real gross national product declined by 0,3% last year. This latest evidence of the unsatisfactory performance of the economy continues the depressing trend of stagnation that has characterised the past decade, during which real gross domestic product per capita has fallen significantly. The growth of the South African economy persists in falling far short of the rate that is necessary for the achievement of acceptable levels of employment and decent standards of living for the country's rapidly increasing population.

South Africa's economic malaise, though aggravated from time to time by specific factors such as the current weakness in the gold price, is largely attributable to the apartheid system. Over the years, successive governments have sought to regulate all aspects of political life and have interfered excessively in the workings of the economy. The progress of the economy has been particularly hampered since the politically-motivated imposition of financial sanctions by foreign banks in 1985. Because of its internal policies, South Africa – a developing, capital-scarce country – has been forced to curtail its development and to become an exporter rather than an importer of capital.

There have, of course, been many attempts by past governments to reform apartheid but such efforts have failed because they were focused on symptoms rather than causes. In sharp contrast, the bold and welcome initiatives taken by State President F.W. de Klerk during the past year strike at the root of the problem and hold out the possibility that South Africa may finally be able to rid itself of the policies that for so long have retarded its progress.

On the economic front, the 1990 budget afforded evidence of a new and pragmatic approach aimed at stimulating the productive capacity of the economy. The Government has committed itself to a long overdue limitation

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of state expenditure, which should reduce inflationary pressures and free resources for more productive use, and, by lowering tax rates and raising interest rates to more realistic levels, it has taken steps to revive savings. The measures designed to rationalise taxation of the mining industry are especially appropriate in view of the crucial role that the industry has to play in promoting the expansion of exports and so contributing to the foreign exchange earnings necessary for general economic growth.

Although the reforms introduced in the budget are among the necessary economic conditions for the eventual restoration for the country's well-being, the overriding requirement is the development of a stable, fully democratic political system in South Africa. The outcome of the second meeting between the Government and the ANC coalition in Pretoria on 6 August in which the coalition suspended the armed struggle and both parties reaffirmed their commitment to peaceful negotiations, is significant and encouraging. It is now of the utmost importance that negotiations between the Government, the ANC coalition and other significant political groups, including Inkatha, should commence as soon as possible. The restoration of law and order in our society and the prospects for national regeneration depend critically on the success of these negotiations.

### **Learning from the past**

South Africa will not enjoy political stability and international acceptability until it has managed to evolve fully democratic political institutions, whatever form these may eventually take. Nor will it be able to satisfy the needs of its people unless its economy is capable of efficient, internationally competitive and rapid growth. How all this is to be brought about is now a matter for unprecedented debate, the results of which will depend ultimately on how well the participants have understood the lessons of the past.

Among those who appear unable to learn from history are the extremes of South Africa's political spectrum. Obsessed with the past, the right wing wishes to impose on the future the very policies that have brought the country to its present impasse. No less blinded by the past, the left wing of the spectrum seeks solutions in ultra-socialist policies whose bankruptcy, after decades of trial and effort, has been demonstrated wherever they have been enforced.

The Government and the ANC are among those who are now moving towards the middle ground of the political spectrum and have committed themselves to a process of negotiation. If the Government has shown wisdom and courage in breaking away from apartheid, it is no less important that the ANC should now show similar wisdom and courage in distancing itself from the prescriptions of the extreme left. The reasons are not far to seek. The doctrines of economic centralism with which it flirts uneasily have been a manifest failure in the Soviet Union and in Eastern

Europe. They have failed no less comprehensively in post-colonial Africa, where years of experimentation with nationalised industries and the manipulation of the pricing mechanism and exchange rates have produced nothing but abject poverty despite massive economic aid from the Western democracies.

The pendulum is now swinging away from economic centralism and towards economic liberalisation in Soviet Russia and Eastern Europe. The same tendency is now evident in post-colonial Africa, impelled by the disciplines demanded by the International Monetary Fund and the World Bank and by the hardening attitudes of the Western democracies, which now may well prefer to devote scarce development funds chiefly to the former Eastern Bloc and to reduce the amount of aid they are prepared to allocate to areas of peripheral geopolitical interest.

It is vital for South Africa, if it is to attract essential inflows of capital and technology, that these lessons should be learned by observation rather than by painful experience.

### **The way ahead**

South Africa now has the opportunity to create a democratic society that will provide enough jobs and decent living standards for its expanding population.

Rapid economic growth is essential if this challenge is to be met. It has been estimated that the economy is capable of a growth rate of some 5% per annum on a sustained basis, given moderately favourable global economic circumstances. Whether or not the South African economy achieves a 5% growth rate will depend crucially on its political and economic climate, the nature of which will turn essentially on the relative importance of the roles of the state and the private sector in economic activity. The vital lesson of international economic experience during the past four decades is that the achievement of balanced, sustainable growth is not possible unless the mix of these roles approximates in kind and degree those that have proved so effective in the Western democracies.

This means that the creation of income and the enhancement of wealth should be left largely in the hands of the private sector; and that the role of the state should be chiefly concerned with maintaining law and order, with the management of the economy as a whole through fiscal and monetary policy, with the provision of essential services and, within pragmatic limits, with transfers of income and subsidies to the more disadvantaged sections of the population. As regards essential services, the highest priority must clearly be given to the provision of housing and to a complete overhaul of the education system in order to enhance the quality of life and the productivity of the population.

If in the future South Africa is able to follow this path, then the goal of greater prosperity for all will eventually be achieved. Equally, however, there can be no doubt that this path will be long

and arduous. A maximum sustainable economic growth rate of 5% per annum means, allowing for population growth, that a doubling of real income per capita, would take some 20 years to accomplish.

The ANC and its associates appear to have a radically different view of the roles of the state and the private sector in shaping the country's economic future. They seem to reject economic centralism, but they also reject the notion that free market mechanisms should be the main motive force of economic growth. They consider that the economy is dominated by low-productivity, low-wage activities that are incapable of promoting a rise in living standards rapidly enough to satisfy the expectations of the poor. The ANC and its associates argue that the solution of this problem lies in the adoption of a massive programme of industrial expansion in which emphasis is placed on high productivity, leading to high wages. They argue further that the implementation of such a programme must entail an active role for the state in reconstituting the framework within which the private sector operates because, in the absence of state interference, the major organisations in the private sector cannot be relied upon to follow the high-productivity, high-wage growth path.

No one would disagree that South Africa needs to raise the living standards of the poor as rapidly as possible. It is essential, therefore, that the contribution of industry to gross national product should be increased in order to offset the gradual decline in the importance of key mining industries as their reserves become depleted. In fact, there has been significant progress over the years in this direction and the mining houses have played a leading part in bringing about this progress. If it is to remain viable, however, industrialisation must continue to be based firmly on the realities of local and overseas market conditions and proceed at a pace consistent with the size and quality of our national resources. This is where the ANC's economic strategy lacks credibility when viewed from a business standpoint. South Africa does not have the funds to finance a programme of accelerated industrialisation or the reservoir of human skills and technology that such a programme would require for the creation of efficient businesses capable of competing in export markets. State interference to achieve this desirable but unattainable objective would certainly give rise to crippling economic distortions and severe inflationary pressures.

In their essential and continuing dialogue, therefore, the business community must endeavour to persuade the ANC to recognise the unfortunate but inescapable fact that the achievement of substantial and sustainable progress in the raising of general living standards will take time. It is no less evident that the urgent task of raising living standards will require the closest co-operation of the state, the business community and organised labour.

### **Outlook for the current year**

There were indications, before the advent of the Gulf crisis, that the rate of growth of the world economy would decline slightly during the current financial year and that this factor, coupled with the severe difficulties being faced by the Eastern Bloc, might well have adverse effects on the dollar prices of the metals and minerals that chiefly affect the Group's fortunes. The potential consequences of the Gulf crisis are, of course, impossible to foresee. Moreover, the recession South Africa is now experiencing must have a negative impact on the performance of our major industrial investments. A further, and indeed crucial, factor is South Africa's unsettled political climate: much depends on the course taken by the process of negotiations now under way.

In the face of such external and internal uncertainties, it is not possible at this early stage to make a meaningful forecast of the Group's performance for the current financial year.

### **Directorate and Staff**

Mr. D.C. Kovarsky was appointed as a director of Johnnies and a member of its Executive Committee on 10 May 1990. Mr M.B. Hofmeyr retired from the service of the Company on 30 June 1990 and as a consequence resigned as director and chairman on that date. On 1 July 1990 I succeeded Mr. Hofmeyr as chairman and Mr J.A. Holmes was appointed to the board, Mr. A.B. McKerron being his alternate.

It gives me great pleasure to pay tribute to my predecessor, Murray Hofmeyr, who made a valuable contribution to the Group's affairs during his three-year period as chairman. We wish him a very happy retirement.

Finally, I should like to express my deep appreciation to all who work in the Johnnies Group for their contribution to its continuing progress in a difficult year.

### **P. F. Retief**

Chairman

Johannesburg  
7 September 1990

*Copies of the 1990 annual report are available from the transfer secretaries,  
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28 Harrison Street,  
Johannesburg 2001  
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# Gold exploration project

By Derek Tommey

Potchefstroom Gold Areas is participating in a gold exploration project in the Evander area, in partnership with Lydenburg Exploration and Southern Prospecting, says chairman Ken Whyte

The group has already bought 398 hectares of strategically located mineral rights in the area and secured

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a further 5 000 under option

Mr Whyte says the acquisition from ERPM by a consortium of certain slimes dams and dumps for R29 million will provide the company with a long-term source of cash and substantially enhance its value

The sands and slimes dumps have an estimated in-situ value of 0,6 grams a ton

# ASA lifts holdings in platinum shares

By Derek Tommey

ASA, the undoubted king of the gold share investment trusts, has plumped for platinum

Its quarterly report for the three months to August 31 shows that it has sharply increased its holdings of Rustenburg Platinum from 652 500 shares to 1 014 800, and has raised its holdings of Impala shares from 170 000 to 262 700

ASA is something of a special case.

Established with a special dispensation from the South Africa government and listed only on the New York Stock Exchange, the trust's R1.5 billion portfolio is regarded as representing the cream of South African mining and mining financial shares

Changes in its portfolio, therefore, attract considerable attention in the investment world, here and overseas

It is also the share that many Americans buy whenever they believe an increase in the gold price is in the offing.

Since the Iraqi occupation of Kuwait, ASA's share price has risen about six percent to \$50.

This compares with a net asset value on August 21 of \$62.42.

In the three months to August, it added to its holdings of

Beatrix, De Beers and Gencor.

It reduced its holdings in Western Deep and VZal Reefs and sold all its shares in Rand Mines

The other shares in its South Africa portfolio at the end of August were Driefontein, Kloof, Hartebeestfontein, Southvaal, Zandpan, Kinross, Winkelhaak, Amcoal, Anglo American, GFSA, Minorco, Samancor and Sasol

## Holdings sold

ASA also has a small portfolio of Canadian golds.

During the quarter it sold its holdings in American Barrick, worth R11.95 million at May 31, for Teck Corporation shares, which had a portfolio value of R12 million at August 31

Teck is a diversified group producing zinc, lead, silver, copper, fertiliser and gold

ASA's other Canadian shares are Hemlo and Placer Dome

The market value of ASA's portfolio at August 31 was R1.53 billion, up from R1.49 billion at the end of May

Net investment income for the nine months to August was R45 million — down from R63.8 million a year ago

Dividends equal to R5.82 (R5.86) were paid for the nine-month period

# More than a small pile of waste from the gold mines

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The South African gold mining industry mills about 100 million tons of gold bearing rock each year to extract an average of about 4,5 grams of gold per ton — leaving a massive amount of waste rock which must be disposed

As the rock comes out of the mine it is sorted and the non-reef bearing rock is conveyed to rock dumps. From there it is usually conveyed to a rock crusher and used as concrete aggregate.

Chamber of Mines manager safety and technical service Johan Greeff says there are some dumps on the East Rand which are not suitable, as they contain shale.

The reef bearing rock is processed and the gold extracted.

"The bulk of the processed rock is deposited in a slimes dam. However, in some mines about 10 percent of the rock is used as a backfill, providing additional support and making the mine workings more stable."

"I see the main objective with the slimes dam being to ensure there is no pollution from the dam."

"Vegetation is used to prevent wind and water erosion. Toe-dams and storm water trenches are established to prevent run-off into neighbouring streams and land."

"Some dams are very acidic and more treatment is required before vegetation will grow on the site."

"It is an expensive process. The top of the dam is flat so mechanical cultivation can be

used and the cost is about R4 000 per hectare. However, the sides of the dams tend to slope between 20 and 25 degrees, making mechanical cultivation impossible. Everything must be done by hand and this pushes the cost up to about R30 000 per hectare," says Mr Greeff.

Old slimes dams are dotted all over the East Rand, but now the areas are being reclaimed, as the old dumps and dams are reprocessed to extract uranium, sulfuric acid and gold.

Says Anglo Gold Division's consulting engineer Karel van Gessel: "We are removing all the old slimes dams in the Germiston, Brakpan and Benoni area and depositing the material, after processing, at a single slimes dam called Ergo."

"As each old dam is reclaimed, the land will either be used for farming or residential housing. Depending on the end use, the land will be treated."

"Special grasses have been developed by the Chamber of Mines and Potchefstroom University. The grasses have been developed from local species and survive well without additional water," he says.

Water is all kept in a closed circuit in the mines to prevent pollution, and to make full use of a scarce resource.

After being pumped to the slimes dam with the processed rock, the water is decanted and recirculated.

"In South Africa you cannot waste water and we recirculate 100 percent of our water," says Mr Gessel.

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# Lorraine has promising gold strike

By Derek Tommey

The Free State marginal mine, Lorraine, regarded by several mining analysts as almost valueless except as a way of investing in a possible new mine, seems about to have a new life

The mine, in a statement warning its shareholders "to exercise caution" when dealing in its shares (in other words don't sell now as you'll get a better price later on), reports to the effect that it has found more gold

Six boreholes sunk immediately to the north of its lease area and within its mineral rights area show that at least portions are underlain by well-developed conglomerate reef horizons at mineable depths of between about 2000 and 3000 metres

The results have been sufficiently encouraging to warrant the sinking of a further 17 boreholes at a cost of R36,5 million over the next two years, the directors say

They add that they will not let losses from current operations curtail the drilling programme