OWNERSHIP & CONTROL
1983

SEPT. — DEC.

Gencor is mystery suitor for Tedelex

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Mercury 1/9/83

Financial Editor

GENCOR is the mystery suitor for Tedelex and announced yesterday that it would acquire a controlling interest at 1 100 cents a share The shares were suspended at 900 cents on Tuesday and should be reinstated today

The Slome family hold 45,77 percent of the company

Gencor said briefly that it would make a further announcement soon and advised Tedelex shareholders to exercise caution in trading their shares

The 1 100 cent valuation puts Tedelex shares on a PE ratio of 8,4 yielding about 4,9 percent and values the company at about R145,6m

The last annual report, issued in August, put net asset value at 487 cents a share

Report

Meanwhile, a Sapa report on Tedelex published on Monday gave incorrect year-end figures and implied the group suffered a loss

Tedelex's turnover for the year ended June 30 was R394 772 000 (not R394 772), an increase of 11,5 percent over the previous year

Profit before tax was R37 947 000 (not R37 947), which was R10 332 000 (not R10 332) less than the for previous year — 21,4 percent down

Profit after taxation totalled R24 108 000 (1982 R28 669 000)

The board said that the group's performance in difficult trading conditions in containing the decline in earnings per share to just over 20 percent was satisfactory

A final dividend of 31 cents a share has been declared, making a total dividend for the year of 54 cents, the same as for the previous year

If the present economic recession does not worsen, group profits for the ensuing year should be maintained, while long-term prospects remain very encouraging, it added.

Total buys Paulstra

TOTAL South Africa's diversification programme has resulted in the purchase of an 80% interest in Paulstra, a metal bonding company specialising in the supply of parts to the transport industry.

Total has not disclosed the exact amount paid for its interest but managing director Mr Bernard Lafitte said it involved an investment of "a few million rand"

He indicated that the amount included a significant quantity of funds allocated to modernise the existing plant and to acquire some sophisticated testing equipment.

"We hope the motor industry will recover in the near future and we expect our turnover to increase by 30% over the next two to three years," said Mr Lafitte

Inquiry into the control of economic power

Govt to probe big company conglomerates

By JOHN MULCAHY

THE Competition Board has been ordered to conduct an urgent investigation into conglomerates and the concentration of economic power in South Africa.

The directive came from Dr Dawie de Villiers, Minister of Industries, Commerce and Tourism.

Speaking in Port Elizabeth yesterday, the Minister said the Competition Board would investigate the desirability of additional legal and other measures for control over interlocking undertakings.

Dr De Villiers said with a view to preventing further concentrations of power without hampering economic growth and progress, the Competition Board was continuously giving attention to related matters

He said it appeared the question of interlocking business undertakings and directorships represented a field that could promote economic concentration

"Consequently, I wish to announce that an urgent instruction was given by me to the board to inquire into and advise me as soon as possible in regard to the occurrence of interlocking business undertakings, directorships, and employees at undertakings in the South African economy and the effect thereof on economic concentration and competition"

Dr De Villiers' move follows the recent disclosure by the publisher of Who Owns Whom, Mr Robin McGregor, that the "big seven" South African organisations controlled almost 73% of the Johannesburg Stock Exchange market capitalisation

Mr McGregor said yesterday he was delighted with the decision, and called on the Minister to "put his money where his mouth is" and employ top people to conduct the investigation

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Commerce welcomes move

By GERALD REILLY and GEOFFREY ALLEN

THE Competition Board is expected to start probing conglomerate activity within days of the Minister's announcement being published in the Government Gazette

The chairman of the Competition Board, Mr Dawid Mouton, said the investigation would begin as soon as the authorisation appeared in the Gazette

Organised commerce and industry last night welcomed the Government's directive to the Board

● Mr Robin McGregor, author of the book "Who owns Whom", which highlighted the massive complex of interlocking companies operating in South Africa, said he was delighted with the Minister's decision

"The country needs this type of inquiry very badly, but the Minister must put his money where his mouth is and hire top people and provide the money so that this sort of investigation can be thoroughly conducted

"The top people in business are obviously going to resist it with everything they've got It could do the country a tremendous amount of good if it were done properly," said Mr McGregor

"It's my belief that big business has made the Government look a bit stupid by allowing this sort of activity in its own backyard"

● Mr Brian Goodall, the Progressive Federal Party's deputy finance spokesman, said he doubted whether the Government would have the political courage to implement the resultant recommendations, but said that the increasing concentration of economic power in the hands of fewer and fewer organisations was cause for concern

Concentration of power was contrary to the concept of a free market system, which the Government professed to follow, he remarked

● A spokesman for the Johannesburg Stock Exchange said that the JSE had frequently said that there was a shortage of scrip on the market, in which up to 80% of the shares are owned by a handful of institutions such as Sanlam

"Sanlam could control anything up to 200 pension funds all investing on the Exchange But the real decision is whether big companies are necessarily bad or whether you can in fact have benign monopolies," he said

● An executive of the Free Market Foundation, speaking in his private capacity, said that benign monopolies could effect price decreases by operating on a massive scale and becoming more efficient

● Mr Rod Ironside, president of the Federated Chamber of Industries, welcomed the Minister's directive to the Monopolies Board to be more vigorous in the exercise of its powers to review mergers and acquisitions, and to ensure the safeguarding of the national interest

Historically, he said, South African companies had tended to consolidate in times of economic downturns

● Mr Raymond Parsons, chief executive of the Association of Chambers of Commerce, said in view of the magnitude of recent takeovers and mergers, it was understandable that the Competition Board should be asked to investigate interlocking directorships and related issues

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Other reaction from the private sector was favourable, while the Progressive Federal Party deputy finance spokesman, Mr Brian Goodall, said he doubted whether the Government would have the courage to implement the board's recommendations, although the concentration of power was a cause for concern

Dr Fred du Plessis, chairman of Sanlam, South Africa's second biggest life assurance company, said yesterday he had a serious difficulty with the concept of economic power

"Power has unpleasant connotations I have no power to do anything out of line with business principles

"One has to abide by the rules applicable to business, or market forces impose a negative reaction"

Dr Du Plessis said he would gladly co-operate in the investigation "I don't care about any investigation"

The whole question of interlocking did not necessarily have any bearing on competition, said Dr Du Plessis

Citing Sanlam's Bank Holding Corporation as an example, he said there were five banks in the group, of which four were in continuous and intense competition

"I am a strong believer in competition, and the mere fact that we have interlocking directorships does not mean there is no competition"

Mr Frans Davin, managing director of the Old Mutual, the country's biggest life insurance group, said last night "If the Minister so decides he must have good reasons for doing so

"As far as the Monopolies Board is concerned I think it is a useful body I have no problem with that"

On the question of too much power being concentrated in too few hands, Mr Davin said the critical question was whether such power was being abused.

Dr De Villiers said the Government had on various occasions expressed its concern about the tendency towards power concentration and the lack of sufficient competition.

The Government was adamant competitiveness in the South African economy should improve and he believed such improvement would in the long term reduce the inflationary propensity of the economy

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TAKEOVERS

Who's next?

The recent spate of corporate takeover activity on the JSE has revived the favourite old pastime of spotting the next target. Although there has again been much fuss about SA industry falling into fewer hands — there are still a great number of listed "independents."

In fact, there are almost 100 quoted companies where control is either in the hands of the directors or family interests. There are another 20 or so with control firmly held overseas. While these represent a relatively small percentage of total market capitalisation, some of these companies offer significant opportunities for larger SA corporations and institutions to expand their power bases.

The recent strength of the market, and more particularly the industrial counters, has been almost solely due to the weight of institutional buying. While some expect this phenomenon to provide less of an underpin in the coming months, it is unlikely to be completely diluted until there is a major revision of existing foreign exchange control regulations.

From the investor's point of view, therefore, the trick is to anticipate which will be the next company to come under the hammer. Recently, Tedelex was snapped up at premium by Gencor; Toncoro minorities were made an offer by controlling shareholder Tongaat, B & S Steel was bought out by unlisted Gundle; Xactics moved into the Kohler/Gencor stable; and SA Druggists was fully integrated into the Fed Volks group

Going back further, control of Rennies was bought at a surprising premium by Old Mutual, Metal Box was merged with Nampak, control of Premier was returned to SA and a virtual flat glass monopoly was established by the merger of Pilkington and parts of Plate Glass

Although many analysts are expecting the pace to slacken, it is unlikely there will be any immediate end to the current hunting season for bargain-basement acquisitions. Already there have been warning notices posted regarding Alderson & Flitton — which may affect the share price — and Tucker's Land — which could conceivably result in an offer for the company

So what are the criteria for the discerning/speculative investor seeking a quick profit through an offer to minorities? In trying to analyse this, many paradoxes quickly emerge It could be a successful company with an apparently firmly entrenched foreign parent It could be an ailing local concern that has a wide spread of shareholders but no obvious control It could even be a family company with no apparent heir, or a chief executive who wants out.

Nevertheless, at the top of many analysts' lists is engineering company Abercom Sanlam already has over 23% of the equity and may be considering increasing its investment. And, at current prices, it would cost the insurance company only R17m to raise its stake to over 50% Apart from Sanlam, the shares are fairly widely held and Sanlam would have no real difficulty in increasing its stake — should it so wish — at a relatively small premium

Another possibility, in the same sector, is NEI Seemingly oblivious to a recession which has left pock-marks on many of its competitors, NEI is going from strength to strength A 62,5% stake held by the company's UK parent is obviously not easily up for grabs. But circumstances can change quickly if the price is right — Jardine, Matheson, which sold Rennies in a rush, will certainly vouch for that

However, NEI is currently priced at over 2 000c, which is hardly in the bracket of the small investor looking for a bargain. Down the scale a little, National Veneer has caused more than passing comment in recent months. Though tightly held by the Pearlman family — over 70% — the shares are only 55c each Returns are not spectacular at the current 2,7% dividend yield, but a link-up with one of the building companies, which are seemingly impervious to the current economic downturn, should not be ruled out.

The packaging sector is an area where virtually all independents have already moved closer to the giants. But there is an exception Metal Closures sticks out like a sore thumb Currently priced at 950c and on an historic 5,8% dividend yield, it is placed on the fence of investors opinion. Its products — bottletops, crudely speaking — are hardly likely to suffer a heavy demand knock and the concentration of influence in this field means it should never be short of suitors. A reasonable premium should be sufficient to persuade the UK parent to part with its 77% holding in the SA subsidiary

For a real flyer, investors might be tempted to have a bite at the Messina cherry. Pitched in the middle of the range at 630c on a 6% yield, it is not unattractive. African Finance holds the balance of power through a 26% stake — but there also is a significant Anglo American shareholding. The group's profile has changed markedly in recent years, with the contribution from the Datsun/Nissan franchise far outstripping the flagging copper income. Anglo's major motor investment — Sigma — has hardly lived up to expectations and there would be potentially enormous cost-saving and marketing benefits to be gained from a

The JSE's shrinking boards

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merger between the two operations

The market is in the balance — few will deny it Those who base their judgment on fundamentals alone are surprised the indices are not at least 20% below their current level But since the institutions have been the prime movers in pushing prices to their recent highs, it is in their interests that the industrial market remains firm

The "weight of funds" theory has become hackneyed, and is plainly not the only reason behind the market's strength But it is an important impetus and one that could carry the value of scrip even higher in the near future

The companies cited above are examples of many in the same category, though they may not experience a change of control in the very near future The fact they are named, however, is symptomatic of the disease which is currently infecting sound investment judgment And that may spread to claim many more victims before an effective cure is discovered *Peter Farley*

GENCOR/TUCKER'S LAND

Questionable actions

What is the rationale behind Gencor's option to buy Tucker's Land at 750c a share? The answer must be left dangling But a number of facts suggest that the option price bandied about by Tucker's chairman Hymie Tucker is so high it is probably bumping against the boundaries of Cloud Cuckoo Land

Of course, no one has any idea of the true value of Tucker's The company's financial statements have been heavily qualified by its auditors for several years And last year, the auditors reported a "material irregularity" in the accounts — something which was taken up by the Public Accountants & Auditors Board and subsequently by the Attorney General A police investigation into the company's affairs has since been ordered.

Tucker, who is no stranger to police probes into his companies' affairs, has gone blithely ahead with his plans to do a deal with Gencor Both Rand Mines Properties and building company Bester recently walked away from Tucker's options at half the Gencor price (Bester was scared off by an alarmingly high deferred tax situation) So Gencor's option at 750c, which values Tucker's at roughly R50m, is very hard to understand

And it is particularly curious in light of the fact that Gencor has twice rejected previous approaches by Tucker's at prices well below the current option Stranger, perhaps, is the fact that scarcely 16 months ago Tucker's was embroiled in litigation with a group of township creditors, some of whom threatened to liquidate the company if their legitimate claims were not settled Tucker's was rescued by the intervention of Mercabank, which guaranteed the company's repayment to its township creditors to the tune of R7m

Further clouding the issue is the fact that both Mercabank and Gencor are ultimately controlled by Sanlam This gives rise to the odd situation where one Sanlam-controlled company is considering a R50m option to buy a firm of dubious worth which was bailed out only 16 months earlier by a sister company (Mercabank) in the Sanlam stable

Despite Mercabank's long association with Tucker's — its MD Charles Ferreira has been on Tucker's board for several years — the bank has not been called upon by Gencor to help evaluate Tucker's land and property portfolio Ferreira says he valued the company "at the crisis time" in April 1982 "at an approximate takeover value of 300c per Tucker's share"

Says Ferreira "I also thought that anyone who bought at the time had better have another R30m to develop the properties" This suggests that Gencor could be committed to heavy development expenditure if it decides to buy Tucker's And, any future profits to be turned after the takeover would obviously be a long way down the line

Meanwhile, Gencor is paying R5 000 a day to Tucker's (in terms of the option) while it attempts to value the properties contained in the portfolio The option has been extended from the original expiry date of September 2 to September 30 So Tucker's will end up with a tidy sum at the end of the period, even if there is no offer by Gencor The mining house's shareholders may well question that arrangement, particularly since the decision to take up the option was not approved in advance by Gencor's board Gencor's directors were instead simply told that the option had been taken out

Then there is the role of the JSE Despite the auditors' repeated qualification of Tucker's accounts (and the current police investigation), the JSE has stubbornly declined to suspend the share Furthermore, when Tucker's posted a cautionary notice on June 2 announcing it had granted a purchase option at 750c a share, there was still no talk of suspension The result was predictable the share price, which was languishing at 240c at end-May, climbed steadily to a high of 450c in heavy volumes as speculators piled in It is currently trading at 400c

It was hardly a desirable reaction, but JSE listings manager Doug Gair argues that suspending the share "would have locked in shareholders who did not necessarily want to be there" Similar logic has long been used to justify the continued listing of Tucker's, even though it is probably the country's most disreputable quoted company

Gencor is under no obligation to exercise its expensive option over Tucker's If it does not, the price of the share will undoubtedly plunge One hopes, however, that by the end of September there will be some coherent explanation of why Gencor chose to act as it did, and that a true value for Tucker's will finally emerge

Chris Wilson

SAGE HOLDINGS

Can it continue?

Shareholders can be satisfied with Sage's first-half results and the much higher dividend payout However, directors seem to imply that second-half earnings growth

Tucker ... banking on Gencor

NATIONAL/INTERNATIONAL

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Argus 9/9/83

SA monopolies probe welcomed

Financial Reporter

THE directive to the Competition Board by Minister of Industries, Commerce and Tourism Dr Dawie de Villiers to examine the effect of interlocking companies and directorships on economic concentration and competition has been widely welcomed.

Mr Robin McGregor, author of Who Owns Whom, said such an investigation was long overdue.

"It would not be possible to bring the inflation rate down to one figure without doing something about the country's cartels.

"With two or three people having such enormous control over the Stock Exchange, there is a lot for the Competition Board to look at

Money

"But if the board is going to do this investigation properly, Dr de Villiers will have to give it more money and men"

Mr McGregor recently claimed that three organisations, Anglo American, Sanlam and Barlow Rand, controlled almost 73 percent of the Johannesburg Stock Exchange

A spokesman for Anglo American said today that it had noted Dr de Villiers's remarks Should the Competition Board call upon Anglo American for assistance in their inquiries it would co-operate in every way

Federated Chambers of Industry president Mr Rod Ironside said in Port Elizabeth the examination was a constructive step, reports Sapa

Recently several major transactions had involved mergers and acquisitions

"The pattern of events in South Africa is that companies tend to consolidate their positions when economic-activity levels fall Nonetheless, this trend toward consolidation warrants some careful attention"

Mr Rod Ironside

Mr Ironside said that in 1977 the policy of the Competition Board on mergers and acquisitions was developed in co-operation with the private sector

Sufficient checks and balances ensured that economic expansion would not be retarded and that national interest, where applicable, was given full consideration

Mr Raymond Parsons, Assocom's chief executive, said it was understandable that the Competition Board should be asked to mount an investigation in view of recent developments in the economy regarding takeovers and mergers

Policy

"Competition policy until now has been based on the principle that it is the behaviour, not the size, of a firm which is the test of whether its actions may contravene the present anti-monopoly legislation

"If there is to be any change in this policy, it is essential that a full study be undertaken by the Competition Board before any decisions are made"

Hansard 9/9/83
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Competition Board

*3 Mr A SAVAGE asked the Minister of Industries, Commerce and Tourism

(1) Whether the Competition Board has instituted an investigation into al-

leged monopolistic conditions in the (a) biscuit and (b) glass industry, if not, why not; if so,

(2) whether the investigation has been completed, if not, when is it anticipated that it will be completed, if so, what were the recommendations of the Competition Board in this regard?

Monopoly probe gets business welcome

Star 9/9/83

By Michael Chester and David Braun

Government moves to consider tighter control over the operations of the giant industrial and commercial conglomerates were welcomed by economists and business movements today

Action has been triggered by Dr Dawie de Villiers, the Minister of Industries, Commerce and Tourism, in an urgent instruction to the Competition Board to investigate interlocking companies, directorships and labour forces.

The probe into the concentration of more economic power in fewer hands is likely to result in the Competition Board being given sharper teeth as watchdog over mergers and takeovers.

It comes in the wake of disclosures by Mr Robin McGregor, author of "Who Owns Whom", that only seven corporate giants now hold control over companies that between them account for a staggering 80 percent of the hundreds of firms quoted on the Johannesburg Stock Exchange.

The Anglo American Corporation was shown to be at the top of the pyramid The others were Barlow Rand, Sanlam, Anglovaal, Rembrandt, Liberty Holdings and the Old Mutual

Dr D J Mouton, chairman of the board, today welcomed the assignment

Mr Marius de Jager, the Johannesburg Chamber of Commerce's chief executive, remarked "We eagerly welcome the investigation"

Big business need not equal 'bad'

232 ROM 10/9/83

THE Government's commitment to investigating the concentration of power in the economy is to be welcomed ... but the issue is complex and needs to be examined dispassionately and without some of the hysteria that has chacterised much of the recent comment on the issue.

It would be simplistic and sensational to state as fact that "big is bad" . and, in fact, in a South African context in many respects there is good reason for encouraging "bigness".

Dr Dawie Mouton and his team at the Competition Board have been presented with a task whose value cannot be minimised, and whose influence on the future direction of South African business can be immense provided it is handled professionally, objectively and, above all, quickly

The reaction to Mr Robin McGregor's disclosures on the concentration of economic power in this country by community leaders and by big business itself has shown that, in principle, they recognise the need for a monitoring body acting in the interests of the general consumer body

But the channels of communication must be efficient, and confidentiality must be a priority.

Individuals or businesses who feel victimised by any business must have recourse to authority by means of a system with which they are confident

As in most public sector bodies, the Competition Board does have a problem with a shortage of qualified staff, and if the investigation is to do any good, it is imperative that it be carried out by people who are not only highly qualified, but whose opinions will be respected by those at whom the recommendations might be aimed

Dr Mouton is a highly capable individual, and there is no reason to question the ability of his staff But in this issue he should not hesitate in calling on outside, and professional assistance, from parties who have an established expertise and credibility

The first, and most important priority in approaching the investigation, must be the terms of reference and the ground rules

A broad, esoteric and generalised attack on big business is not going to solve any problems, or be effective in any way in helping the authorities to control monopolies, or to ensure competitiveness in South African markets

Speed of reporting is essential In too many previous commissions of enquiry, the delays have been so long that, by the time the reports are tabled, they have little relevance to the changed situation

If the Competition Board is concerned about the additional burden placed on existing personnel, the project should be "subcontracted" perhaps to a spread of merchant banks

It is imperative that the objectives of the investigation be clearly stated at the outset

As Dr Dawie de Villiers noted in his address this week, the issue has been approached with more emotion than objectivity, and the paramaters must be established from the start

It would be neither rational nor practical to recommend that the existing big business concentrations be broken up

It would be a good idea to look at the American experience of big business and monopolies before contemplating any drastic anti-trust action here

The order to disband the giant AT&T telecommunications group had disastrous results, and led to such a dramatic hike in the cost of services that the United States Government has now been asked to subsidise the industry to the tune of R1 000-million

By contrast, South African Breweries — which is often accused of having a beer monopoly, but which itself insists is a "sole supplier" — has over the past 10 years at least held the increase in the beer price to an annual rate of less than the ruling inflation rate

In effect, this has meant that the beer price has in real terms been significantly reduced over this period

Using the beer example again, the Oxford Dictionary describes a monopoly as "An exclusive privilege, conferred by the sovereign or the State, of selling some commodity or trading with a particular place or country"

There is firstly no exclusive privilege in existence in the beer industry and, in theory, anyone can establish an enterprise in competition with SAB

In practice, as the experience of Mr Louis Luyt and later Dr Anton Rupert has shown, the beer consumer in South Africa favours the existing products on the market

Dr Rupert and his giant Rembrandt organisation fought the beer battle with SAB from 1975 to 1979 before conceding defeat and the battle was lost in the marketplace

Mr Robin McGregor, whose research into the Johannesburg Stock Exchange and the intertwining and cross-holding of the major groups has been largely responsible for spotlighting the issue, is a firm opponent of SAB's position in the South African market

"The Breweries say that they welcome competition, but who can compete with a monolith like that?

"The problem is that you have two or three companies in each industry which control the whole of that industry

"For example, in food the front runners and pace-setters are Premier Milling and Tiger Oats, with Fedfood picking up what's left over.

"It depends how you define big.

"If big means a monopoly then it is bad If it just means a large company operating in competitive markets then it isn't bad," Mr McGregor said

He, plus various economists, pointed out that up to a point the economies of large businesses meant cheaper prices for the consumer, but that if they became too large those economies could fall away, leaving an inefficient operation with escalating prices

To impose legal constraints on any business in the performance to the best of its ability in the markets it serves is not only contrary to the principles of free enterprise, but is totally counter-productive

Recently Mr William Boxton, Chief of the United States Justice Department's anti-trust division, said that he was totally opposed to the concept that big was necessarily bad

"Companies get big because they get successful at pleasing customers, not because they were good at ripping off the customers," he said

Mr Boxton said that the American experience was that, by breaking up big conglomerates, and encouraging smaller and less cost effective operations, the way was left open for Japanese products to swamp the American markets

The South African Government sector itself must act to put its own house in order The recent Samancor, in which Iscor passed control of a public, listed company to mining house Gencor, should never have been allowed

The Competition Board's recommendations on the structure of the liquor industry in South Africa were rejected by Government, and raised many eyebrows as a result

There is no point in spending valuable time, money and energy on a commission if its recommendations are going to have no weight

The issue of sorghum beer, where municipalities have a guaranteed monopoly, is one obvious example of a monopolistic activity that is contrary to the best interests of consumers

The Industrial Development Corporation is an anachronism, which in today's sophisticated economy should be investigated

The point is, if the Competition Board's investigation is to have any credibility, all of these issues, as well as those noted by Dr De Villiers, must be considered.

As Sanlam chief Dr Fred du Plessis said this week, the incidence of activities that are contrary to established competitive objectives should be acted on, but in an ad hoc way

Power, and all that it entails, is not necessarily a bad thing, but any abuse of that privilege should be acted on ruthlessly and without hesitation

By all means, says Dr Du Plessis, examine and investigate the big groups, but the important issues are specific cases of companies abusing their positions

On the question of size, there are two important issues to consider in South Africa

Largely, the "Big Seven" are either insurance companies or mining houses

Insurance companies must, and do have, restricted paramaters within which they are allowed to invest

Firstly, they are committed to placing 52% of their total assets in "prescribed assets" which are broadly fixed-interest Government or semi-Government stocks

They are necessarily competitive, and because they must show growth rates better than their opposition in order to attract and maintain new pensions and other related business, they devote a major proportion of the remaining "discriminatory" 48% of their assets to high-growth ventures

In the nature of their business (they are responsible for the future livelihoods of millions of people who will later depend on life assurance policies and pensions) they cannot consider speculative high-risk ventures

And this is really the big dilemma in big business in South Africa. The country needs new investment in greenfields development which will provide employment and enhance overall economic growth

Mining houses, again by the very nature of their activities, need to be big to operate in the sectors they do

A new gold mine complex, of the size of Vaal Reefs, would probably cost at least R4 500-million to replace today, while the new two-shaft development at Western Deep Levels will cost R715-million at today's costs, and well over R1 000-million at escalated costs by the time it is completed

So there is no question that mining houses need to have huge capital bases to cope with such development.

This does not, of course, justify their diversification into other sectors, which in itself is not inherently incorrect or unacceptable.

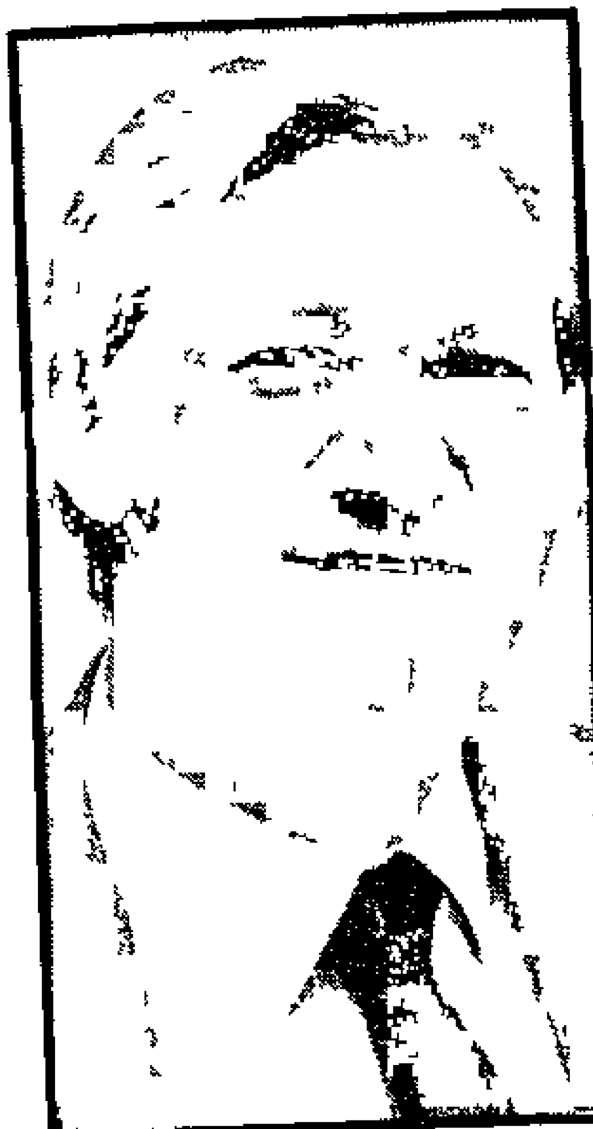
But there seems little justification for the determination by any one company to be dominant in any sector for the sake of dominance, and to achieve this at any cost

It is here that the Competition Board can and should act effectively but again the ground rules need to be clarified

By establishing a definitive rule — say, arbitrarily, 40% of a market — companies wishing to expand market share should be obliged to do so by organic growth, and instead of acquisition

In this way resources could be directed at areas that could supply critical employment

Growth by acquisition, while not inherently a bad thing, is not in itself productive, and business should be encouraged to direct its resources at new development to achieve its objectives



Dr FRED du PLESSIS

Growth by acquisition, while not inherently a bad thing, is not in itself productive, and business should be encouraged to direct its resources at new development to achieve its objectives

ROBIN McGREGOR

By JOHN MULCAHY and GEOFFREY ALLEN

232

S-Times 18/9/83

Move to beef up monopoly board's muscle

By BRIAN POTTINGER

THE Competition Board — responsible for unravelling the strands of the country's complex business conglomerates — is faced with crippling staff shortages and a budget reduction.

The board has the distinction of being one of the few government institutions which actually had its working budget reduced this year — from R305 000 to R283 000.

But Dr Dawie de Villiers, Minister of Industries, Trade and Tourism, this week assured the Government was giving urgent attention to boosting the staff and effectiveness of the board.

Dr de Villiers announced on Thursday that he had given urgent instructions for the board to inquire into and advise on interlocking business undertakings and directorships and their effect on economic concentration and competition.

And last night — in what is regarded as the first step in the new campaign — he revealed an inquiry has been launched into the takeover of two steel companies by a third.

The monopolies board has three months to report to Dr de Villiers about the acquisition by Scaw Metals of Abkin's Steel Corporation and the Rand Scrap Iron and Metal Company.

Tough

The Government's tough new anti-monopoly stand comes amid mounting public concern about the concentration of economic power in fewer and fewer hands.

A recent seminal speech by economist Mr Robin McGregor, author of the publication "Who Owns Whom", revealed that the seven top companies in the country control nearly 80 percent of the shares on the Johannesburg Stock Exchange.

But economists point out that despite the Government's commitment to free enterprise — Parliament this week passed the preamble to the proposed new constitution which sets as a national goal the furtherance of effective competition — the budget of the Competitions Board was cut.

And in the latest report of the Competitions Board, chairman Dr D J Mouton warns that unless staffing improves, the board "will clearly be unable to meet the public and the private sector's high expectations".

This week Dr de Villiers said the cut in the board's budget did not imply any reduction in its effectiveness — it had been reduced simply because it was employing fewer staff as a result of difficulties in attracting the right people

fore

Anglo created 26% of the JSE says Relly

232

RDM 14/9/83

By SIMON WILLSON
Industrial Editor

THE ANGLO American Corporation was responsible for creating entrepreneur businesses which now accounted for 26% of the value of the Johannesburg Stock Exchange, the corporation's chairman, Mr Gavin Relly, said yesterday.

Speaking at a meeting of the South Africa-German Chamber of Trade and Industry in Johannesburg, Mr Relly said recent well-publicised computations of the proportion of the JSE under Anglo's control included too much "double counting" to be accurate

"Let us ask instead Of what proportion of the stock exchange's value today could it be said that Anglo American was responsible for creating as entrepeneurs and risk-takers?

"It is 26% This figure accounts for things we have done, not things we have taken over

"It represents mines we have started and industries we have put together, and it is a figure to be extremely pround of"

Risk and private enterprise were inseparable and South Africa was fortunate that its tradition was of entrepreneurs who were not afraid of taking risks

"... As a result of their success we have companies which have the size and resources to stand the inevitable strains and stresses concomitant with an emerging economic society"

Very great risks in mining had brought very great rewards, and people tended to forget that there had been very great losses too

"I have argued before and do so again that we cannot afford, in a frontier economic society, all those nice rules and regulations which so tortuously determine, for instance, American business behaviour"

Mr Relly aligned himself with the school of thought calling for protection of South African domestic industries from overseas competitors

He said the main thrust of Government policy should be to encourage, in every way, private initiative to expand South Africa's industrial and commercial base

"Encouragement of the expansion of the industrial base includes the prudent regulation and protection of the industrial base from impossible foreign competition"

He expressed concern at the inflationary consequences of modern economic ethics

"When we recall that the economic ethic of Victorian times was 'Save and Prosper' — and there is no doubt that it helped to make Britain industrially powerful — I think we must all have a sense of concern that the equivalent modern ethic is something like 'Fly Now and Pay Later'.

"The tendency today may be to try to have our cake and eat it — to leave the money in the bank and spend it That sounds like inflation"

Mr Relly warned of the possible consequences of continued high interest rates

"... A prolonged period of high real interest rates will woo investors away from entrepreneurial risk-taking They may lose the habit and prefer to leave the money in the bank"

There might be a case for arguing that modern wealthy societies embraced a security psychology and ploughed their savings surpluses into future security rather than immediate risk

14/9/83 C. Times

Anglo chairman defends large corporations

JOHANNESBURG — Anglo American Corporation Ltd's chairman Mr Gavin Relly defended large corporations like his own against criticism that they have too strong a grip on South Africa, saying that firms had to be big to compete internationally

In a speech to the South African-West German Chamber of Trade and Industry Mr Relly argued against excessive regulation of business

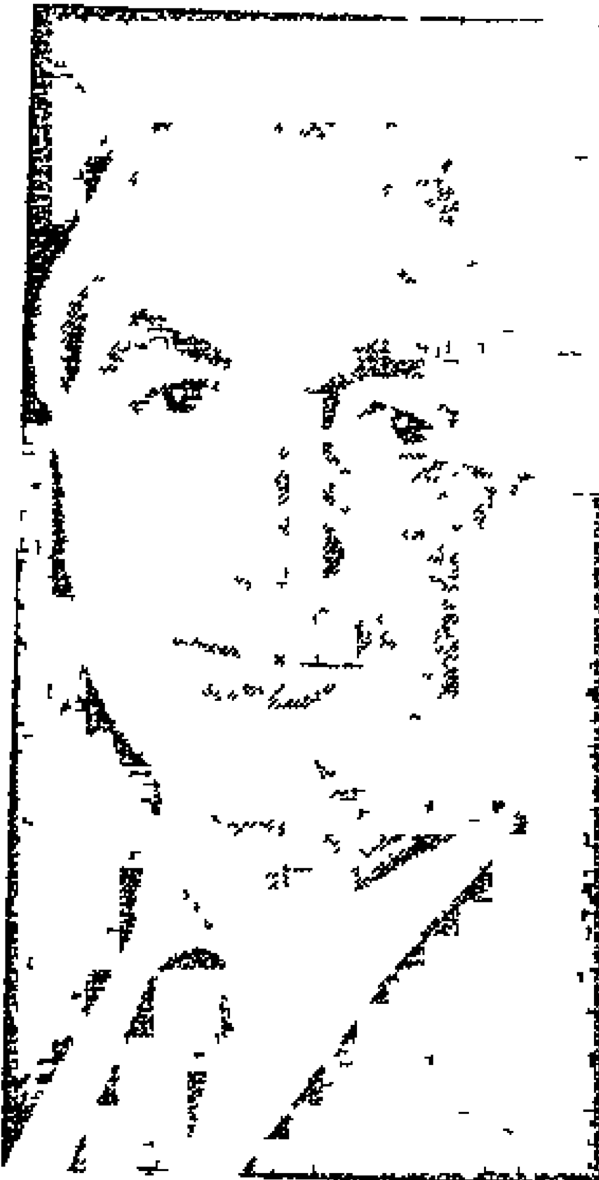
Investigation

Last week the Trade and Industry Minister, Dr Dawie de Villiers, said he had ordered the Competitions Board to make an urgent investigation into the country's conglomerates and their effect on competition

Dr De Villiers mentioned the possibility of new legal restrictions

After referring to the findings of share analyst Mr Robin McGregor, who has calculated that the Anglo-American Corp controls over half the Johannesburg Stock Exchange s share capitalization, Mr Relly said

"We cannot afford, in a frontier economic society all those nice rules and regulations which so tortuously determine, for instance, American business behaviour



Mr Gavin Relly

"The main thrust of government policy should be to encourage in every way private initiative to expand our industrial and commercial base'

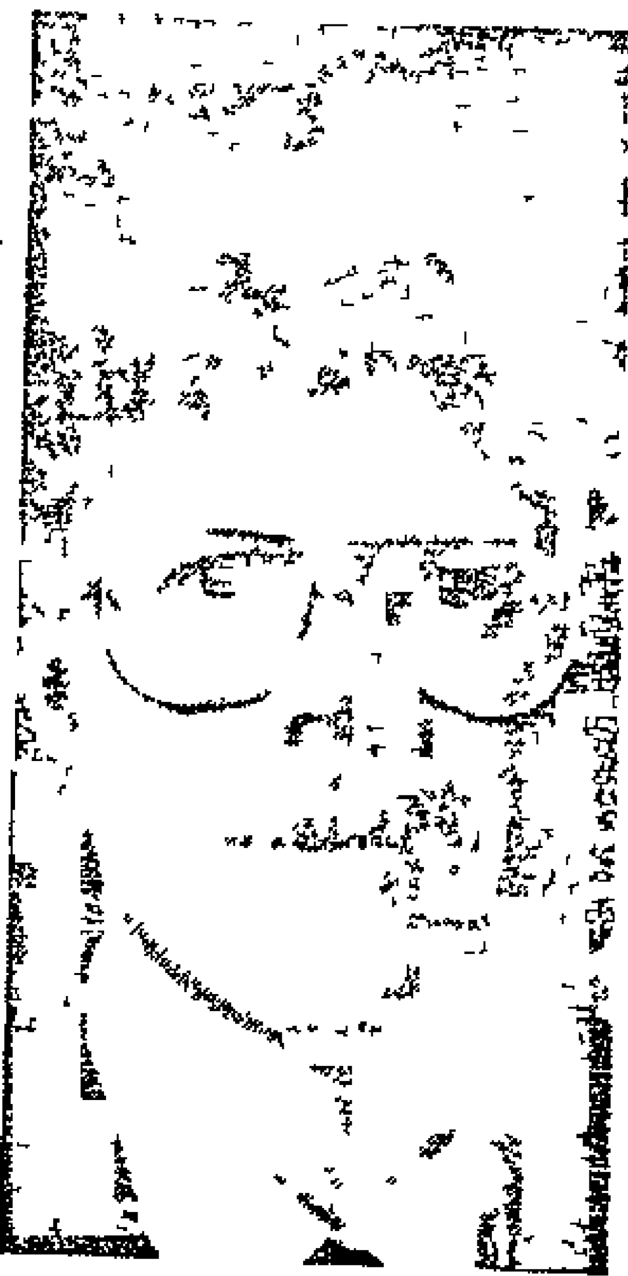
A martian looking at the world s economies would see many contradictions both in capitalist and in socialist systems and would see the importance of size, Mr Relly said

Economic growth

He said economic growth depended on the initiative of black, coloured and Indian citizens and on protection of South Africa s industrial base from what he called impossible foreign competition

Asked after his speech about the need for protection, Mr Relly said protective barriers against competition from countries like Japan should not be removed hastily

"The problem at the moment is that we have very small industrial production units here and they are simply not competitive overseas," he said — Reuter



Dr Ivor van Heerden has joined Special Offshore Surveys (Pty) Ltd as marine geologist

Golds easier

JOHANNESBURG — Golds dropped across the board on the stock exchange yesterday after the sharp drop in the bullion price which was fixed at $406,75 an ounce yesterday afternoon compared with $415,75 on Monday afternoon

Quick report

Stockmarket active

Golds dropped across the board on the stock exchange yesterday after the sharp drop in the bullion price

London

The stockmarket closed lower in slack trading and The FT index closed at 695 8 down 12 1 its first drop below 700 since July 19

Dollar stronger

The dollar ended stronger, propelled higher by the likely impact on interest rates of the United States Treasury's quarter-end funding needs and expected pace of money supply growth

Wall Street

NEW YORK — Stocks opened broadly lower and then stabilized through late trading yesterday in an extension of the market's slide Monday

Motor, oil, retail, chemical and forest-products issued paced declines in trading volume that slowed considerably from Monday's pace

Govt inquiry doesn't worry OM

232

RDM 15/9/83

By HAROLD FRIDJHON

OLD MUTUAL, one of South Africa's financial giants which is adding about R1 178-million to its resources every year, is not concerned about the proposed inquiry into conglomerates and the concentration of economic power in South Africa

Mr Frans Davin, Old Mutual's managing director, told a Johannesburg Press conference yesterday he saw no reason for concern He did not believe a concentration of power necessarily caused monopolistic conditions

"I do not believe that we can tolerate monopolies in this country It is not in the best interests of the people But if groups were operating under monopolistic conditions to the disadvantage of the public, then action should be taken to stop it But I do not believe that it is happening"

Reacting to the suggestion that the concentration of power led to "tied" business, Mr Davin denied that the Nedbank Group did a large part of Old Mutual's banking business because the assurance group held a large share in the banking group

There was no question of this being "tied" business Some years back, Standard Bank was the Old Mutual's main banker

At that time, Nedbank had a small percentage of the total It was then decided to spread the banking business around and it was split almost equally between Standard, Barclays and Nedbank, with Volkskas getting a small share

Nedbank had only about 35% of Old Mutual's banking, which was a fair proportion

Questioned about the large holding in Rennies, Mr Davin said this represented no change in management policy, in spite of the fact that Old Mutual held 75% of the equity He emphasised that although 75% was control, a holding of 30% was *de facto* control

Giants' feud rekindled

232

18/9/83 S. Times

By Alec Hogg

THE fierce big-business feud between the Old Mutual and Liberty Life reared its head again this week.

It caused the shock suspension of trading in the shares of the Standard Bank group (Stanbic), which is the first time such an action has been taken by one of the big four South African banks.

It could lead to the scotching of a deal which drew no criticism at all from the financial authorities until nearly three weeks after the initial announcement.

OM, Liberty wrangle over Stanbic deal

Standard Chartered Bank sources in London confirmed this week that the reason behind the Stanbic suspension was "a technicality in the deal with the Liberty group"

In terms of the deal, Stanbic is to increase its stake in Liberty Controlling Corporation — which, through a series of pyramids, controls Liberty Life — from 25% to 50%

The technicality which may block the deal concerns proposed amendments to the Insurance Act

Insurers are at present being asked to comment on draft legislation which recommends that, once the amendments are promulgated, in future no financial institution such as a bank may hold more than 25% of an insurance company

It is being argued that the Liberty/Stanbic deal is a deliberate attempt to achieve this before the draft legislation becomes effective

Business Times understands that top-level discussions were held between the Registrar, Stanbic chief Henri de Villiers and Liberty chairman Donny Gordon at the Standard Bank Centre in Johannesburg this week

According to market sources, the Registrar's involvement was prompted by protests on the deal from the Old Mutual, which is still smarting from the treatment it received when Liberty, together with an Anglo American/JCI consortium, took control of Premier and with it 34% of SA Breweries

At the time of the initial deal Stanbic and Liberty did not approach the Registrar for approval

It was not deemed necessary Not only is the proposed amendment to the Insurance Act still in the draft stage, but the bank is acquiring a joint controlling position — not in Liberty itself but in its ultimate controlling company

Stanbic's effective stake in Liberty is only 22%, and as such is below the 25% limit which will be prescribed if the draft legislation is approved

According to informed sources, the Registrar is now arguing that, although the effective stake will be below the limit, the deal was not undertaken in the spirit of the proposed legislation

Shrewd market analysts have noted, however, that it took 18 days for the Registrar to make this view known to both Stanbic and Liberty

As an amazing coincidence, on the day that trading in Stanbic shares was suspended the Old Mutual released excellent results for the year to end-June, giving the market value of assets (a stunning R9 300-million) for the first time

Traditionally, the Old Mutual's results are released at least two weeks later, and often only in early October.

Analysts also note that the Old Mutual has a stake of 21% in Stanbic, which will be watered down to 19% if the deal with Liberty is concluded

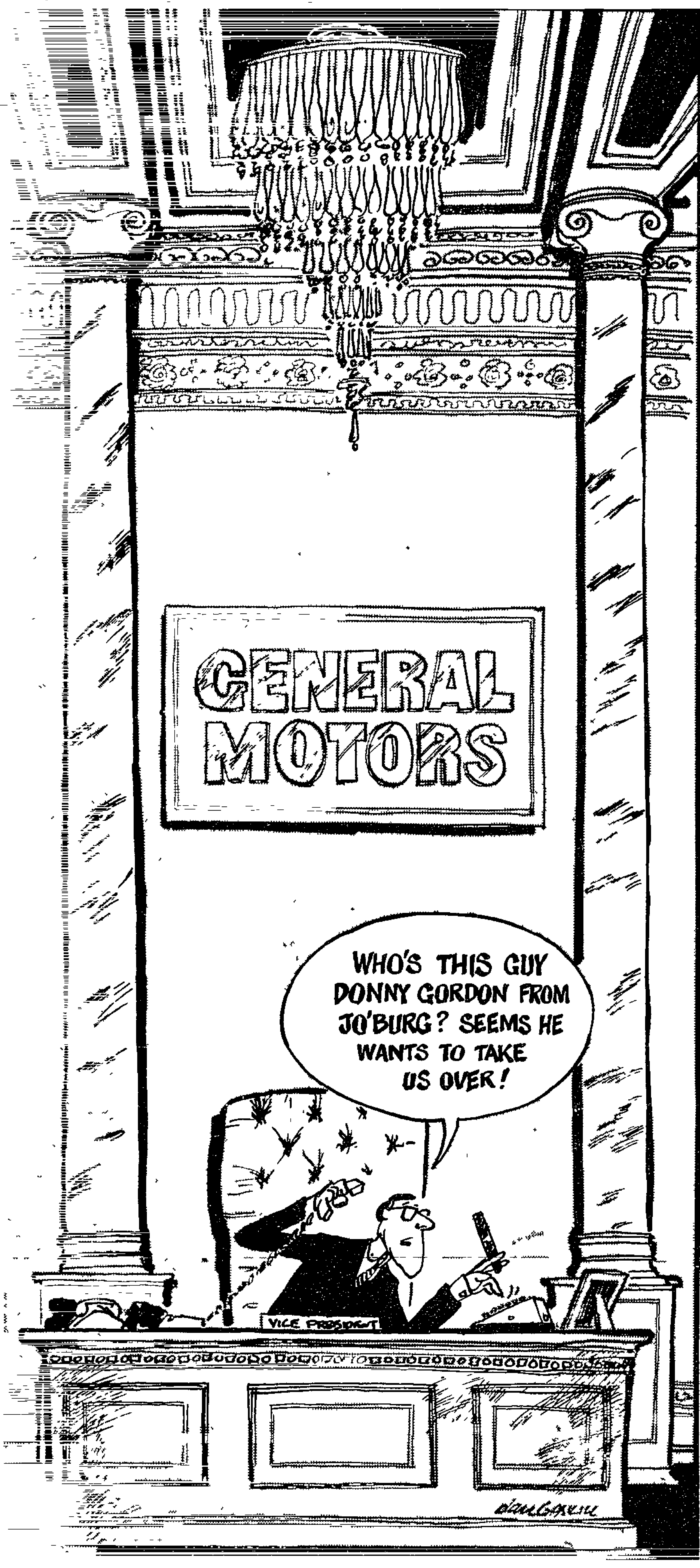
On the other hand, if the deal is scotched it will be a severe slap in the face for Mr Gordon, who personally stands to gain substantially if the deal is concluded

He and Liberty managing director Michael Rapp will receive 6,7-million Stanbic shares in addition to R24,2-million in cash from the deal

That the shares were issued at R9 compared with the pre-suspension market price of R11,50 is an added bonus (of R16,8-million) provided the deal still goes through

Locally, Standard Bank executives were reluctant to comment on the suspension They confirmed, however, that the shares would be relisted tomorrow

When big ca



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(232)

i be beautiful

... especially in business

Anglo American chairman

GAVIN RELLY

takes up the cudgels for the giants in the takeover controversy

end of the last century — not least communism and socialism, but as its effectiveness depends more on what it is not than on what it is, capitalism is not the easiest thing to define in sonorously numbered logical phrases

We all know, as did our man from Mars, that any economic system is dynamic, even in the USSR, and will not stand still

It is not surprising, therefore, that the usages, customs and practices within our own society should change also

We see in South Africa, as much as in the world at large, a change from private-enterprise thinking on the part of individuals to a more security-based outlook, directed not so much at doing one's own productive thing as to arranging matters for one's retirement

At the same time, increased regulation and involvement by governments have reflected the problems of politicians' responses to popular democracy, with the result that a larger and larger proportion of the GNP has moved from the private to the public sector

These trends need to be read together with the security-conscious thinking I have referred to

Modern communications allow us to identify immediately with unrest and uncertainty around the world and this, perhaps, leads us to place greater and greater emphasis on security, particularly for the future

It may be that this habit in individuals has the same effect as socialist practice has on nations and the will to strive and take risks is thus suborned.

Of course, one of the immediate effects of this security-based attitude is the enormous flow of funds to the institutions dealing with long-term insurance and pensions and to those institutions concerned with the establishment of real assets.

These trends are even more impressive when expressed in money terms, even when allowance is made for inflation

In the United States, for example, the market value of US institutional holdings increased between 1955 and 1980 from $31-billion to $383-billion

It seems, therefore, that there may be a case for arguing that modern wealthy societies embrace a security psychology and plough their saving surpluses into future security rather than immediate risk

If this is the response to inflation it may prove to have been a wrong response Certainly no one would question that man's economic habits have changed and we are told constantly that we live in a consumption society

But, as we have seen, this does not mean that people do not save, but rather that society is wealthy enough to tolerate allocations to both pensions and personal consumption

But is it? It seems to me that the major problem facing the great United States society, and indeed this is true of Europe as well, is the progressive inability of companies to cope with the demands which are placed on them

High taxes, high pension contributions, high provision for obsolescence and technological advance, high salaries and wages — all ensure that if investors are also to enjoy a return on their capital input, one or another of these other claims will have to suffer

In the United States, it seems to me that the elements which suffer tend to be proper provision for capital renewal and company pension obligations which tend not to be funded properly, if at all

Also I might mention the possibility that a prolonged period of high real interest rates will woo investors away from entrepreneurial risk-taking — they may lose the habit and prefer to leave their money in the bank

However, when we recall that the economic ethic of Victorian times was "save and prosper" — and there is no doubt it helped to make Britain great — I think we must all have a sense of concern that the equivalent modern ethic is something like "fly now, pay later"

The tendency today may be to try to have our cake and eat it — leave the money in the bank and spend it

But what does all this mean for private enterprise with its original fundamental implications that some people were prepared to risk their capital and their skills for higher rewards than working for a salary and putting their savings into a pension fund?

Will the great institutions of western society, as the repositories of a nation's saving propensity, assume the task of risk-taking?

Will they have to become the entrepreneurs of a new economic society? This is difficult to visualise as the institutions are by practice unsuited and by definition not allowed to be risk entrepreneurs

In North America, of course, banks (though not insurance institutions) take much greater risks in project finance — particularly in mining — than they do, for instance, in South Africa

This is because in North America there are no investment vehicles like the South African mining finance houses which, in one way or another, have been the architects of South Africa's economic growth

Very great risks taken in mining have brought very great rewards so we tend to forget that there have been very great losses too

In the Free State Anglo American had to give up on Lorraine and Jeannette, Anglovaal on Merriespruit, Goldfields on Saaiplaas and JCI on the two Freddies mines and most groups have lost money from time to time on non-gold ventures

But risk and private enterprise are inseparable and South Africa is fortunate that its tradition is certainly of entrepreneurs who are not afraid of taking risks, and that as a result of their success we have companies which have the size and resources to stand the inevitable strains and stresses concomitant with an emerging economic society

The Anglo American Corporation, for example, is responsible for creating entrepreneur business which now accounts for 26 percent of the value of the Johannesburg Stock Exchange

Recent well-publicised computations of the proportion of the JSE under Anglo's control include too much "double counting" to be accurate

Let us ask instead How much of the stock exchange's value today was Anglo American responsible for creating as risk takers and entrepreneurs? It is 26 percent

This figure accounts for things we have done, not things we have taken over. It represents mines we have started and industries we have put together and it is a figure to be extremely proud of

I have argued before and do so again that we cannot afford, in a frontier economic society, all those nice rules and regulations which so tortuously determine, for instance, American business behaviour

The rather sophisticated financial institutions and practices we have in South Africa and our high standing in the mining and other technology areas should not delude us into thinking that our economic structure can deliver what we want from it in terms of growth and, at the same time, endure excessive regulation

We have only to see the frailty of our agricultural system, note the fact that the bulk, by far, of our income tax is paid by a very small minority of the population (7,1 percent) and recall that less than five percent of the South African GNP is devoted to welfare payments to realise that the main thrust of government policy should be to encourage, in every way, private initiative to expand our industrial and commercial base

(Extracted from a speech to the SA German Chamber of Trade and Industry)

Bid to prevent Standard Bank merger thwarted

232 RDM 19/9/83

By JOHN MULCAHY
Deputy Financial Editor

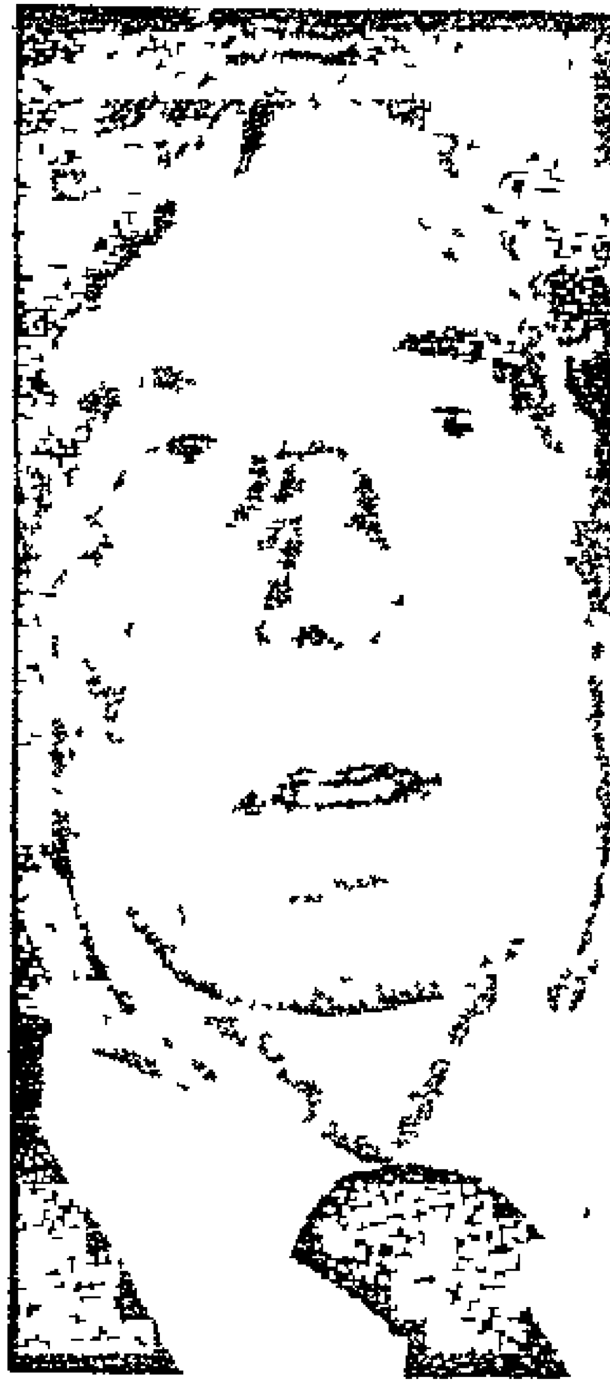
AN astonishing new round in the battle between South Africa's business giants has been won by the Standard Bank/Liberty Life alliance which has thwarted moves by Old Mutual to scupper the planned merger of the bank and the assurer

The proposed deal between Standard Bank Investment Corporation and the Liberty group, originally announced on August 25, had a curious sequel last Thursday, when Stanbic requested a two-day suspension of the listing of its ordinary and preference shares on the Johannesburg Stock Exchange

The merger proposals, which have now been given the go-ahead by the Minister of Finance and the Registrar of Financial Institutions, provide for the purchase by Stanbic of additional shares in Liblife Controlling Corporation which is the ultimate controlling company in the Liberty group

Stanbic's stake in Liblife will be increased to 50% from 25%, and effectively the bank will have joint control of the giant insurance group, until now controlled by Mr Donald Gordon, Liberty's chairman, Mr Michael Rapp, Liberty's deputy chairman, and their respective family interests

It has now emerged that the request for a suspension stemmed from the fact that the Registrar of Financial Institutions, Dr Robert Burton, questioned the validity of the transaction in terms of the Banks Act


MR OWEN HORWOOD
Satisfied

The transaction was discussed in full during talks after the suspension between the Minister of Finance, Mr Owen Horwood, the Registrar of Financial Institutions, and representatives of the relevant companies, believed to include Mr Donald Gordon chairman of Liberty and Mr Henri de Villiers, managing director of Stanbic

In a statement issued in Pretoria last night Mr Horwood said he was satisfied with the bona fides of the parties involved

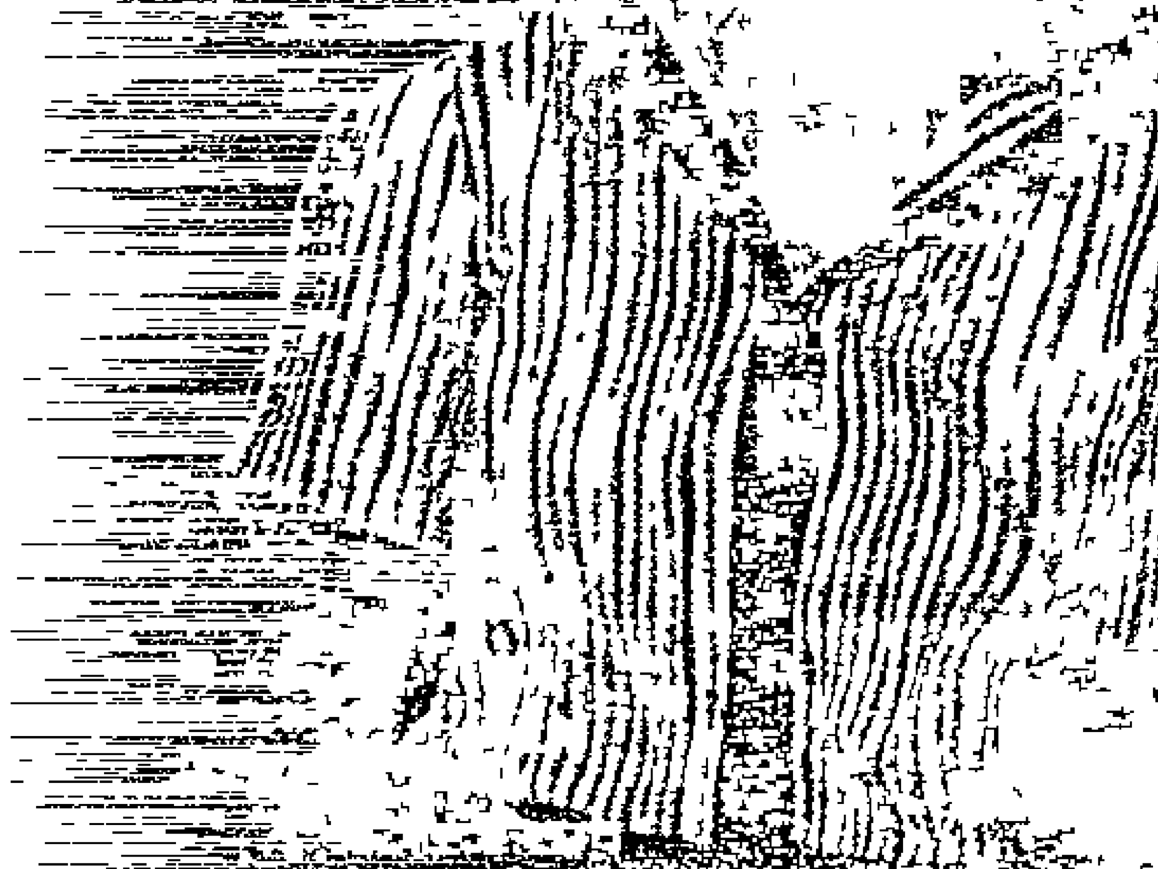
"However, doubt does exist as to whether the restructuring of shareholding in various companies could not, in general, give rise to situations where the intention of the legislature in regard to Section 21A (2) of the Banks Act, 1965 may be defeated

"This problem is now being investigated thoroughly with a view to a possible early amendment to the legislation"

Merchant banking sources said last night the belated reaction of the Registrar of Financial Institutions definitely pointed to the intervention of an outside party after the deal was originally announced

"One must assume that the Registrar of Financial Institutions did give his tacit consent to the deal at the initial stage, and the fact that he three weeks later expressed doubts suggests that in the interim somebody complained."

There was consensus in business circles at the weekend that Old Mutual was the disaffected party



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...banese jets ...ot down as ...ghting rages

... — Druze milita... ...aliated against the ... Government's first ...ke since 1976 by ... out two of its five warplanes on Friday shelling United States ... and the US Embassy

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Lebanese Air Force ... aging 1950 Hawker jets rained bombs, and cannon fire targets the govern-... ...ibed as Druze and

...ikes were in support ...r Lebanese drive to the first mountain ...e the capital to set ... zone between Druze and Muslim

... leader Colonel ... Gaddafi, reacting

The London Sunday Telegraph reported yesterday that the British aircraft carriers Hermes and Illustrious and support vessels had gathered in the English Channel to steam to the Eastern Mediterranean for Nato manoeuvres

The newspaper speculated that one of the ships might be diverted to Lebanon because of the fighting there But official spokesmen said the carrier movements did not relate to the deteriorating situation in Lebanon

Meanwhile, Lebanon President, Mr Amin Gemayel, yesterday lashed out at Lebanon's "occupiers" — Israel and Syria — saying they were fast smashing hopes of independence and sovereignty for the tiny nation

The Lebanese Government "Now controls only 10 to 20% of the country," Mr Gemayel said

Lebanon's "hopes for independence and sovereignty are in contradiction with the aims and ambitions of the occupiers, the Syrians and the Israelis" he said

Now even more opportunity to enjoy London's most exclusive taste.

Merger raises Plate Glass value

Financial Reporter

THE merger of the South Africa glass interests of Plate Glass and Shatterprufe Industries and Pilkington Brothers will have the effect of increasing Plate Glass's net asset value by about 88c a share to R10,86

A circular to shareholders notes that Glass South Africa (Pty), a new company resulting from the merger, would have had taxed profit of R35 120 000 had it traded in the year ended March 31 Operating profit would have totalled R68 760 000

The new company will merge the safety glass, merchanting and contracting operations of PG's Solaglas International subsidiary and the glass insulating manufacturing business of Pilkington

The circular says the merger is not expected to have any effect on PGSI's earnings a share in the short term, although it should result in a meaningful increase in the long term

After implementation of the merger, which will be effective from last April 1, Glass South Africa will hold 100% of the following companies. PG Glass, Springbok Management Services, The Frederick Sage Group, Pilkington Flat Glass, Pilkington Safety Glass, and Shatterprufe

PGSI and Pilkington UK will each hold 50% of the issued share capital of a new company, Salanc Holdings (Pty), which will in turn hold 96,8% of the issued capital of Glass SA

The rest will be held by Old Mutual, in exchange for its existing holding in Pilkington Flat Glass

Solaglass International and PGSI will consolidate Glass SA in their financial statements

(232) Post 20/9/83

Govt concern over business monopolies in SA, says PW

The over-concentration of activity and power in the hands of a few large companies was neither in the interest of the Government or the private sector, the Prime Minister, Mr P W Botha, said in Johannesburg yesterday

Mr Botha, opening the seventh South African national congress of Chartered Accountants, at the Rand Afrikaans University, said private initiative and a competitive spirit were the most important driving forces of the system of free enterprise in South Africa

Mr Botha said special attention was paid to the promotion of small businesses and added that the Small Business Development Corporation had shown "tremendous growth", while the Advisory Council for the Promotion of Small Businesses was also starting to show results

"I must express the Government's concern regarding the tendency to have over-concentration of economic activity and power in the hands of a few large companies This is neither in the interest of our country or in the interest of the private initiative."

He said the Government's economic policy was aimed at the maximum economic development of the sub-continent and a fair distribution of the benefits of this development

"During the past 15 to 18 months 800 applications for decentralised benefits have been received, involving a total investment of more than two billion rand and the creation of tens of thousands of opportunities for entrepreneurs and workers," Mr Botha said

He also said the Government had promoted the system of private enterprise and had brought about a number of changes to manpower and fiscal policies.

"The changes in labour relations which followed on the heels of the Wiehahn Commission heralded a new era in the South African labour market," he said.

The Southern African Development Bank officially started functioning on September 1. There were many sceptics who had doubted whether this could be achieved, Mr Botha said

'Being a new institution growth pains will undoubtedly still be experienced . . but I do not have the slightest doubt the influence of the Bank will be widely felt in Southern Africa."

Mr Botha added that without properly planned decentralisation of economic activities the development of Southern Africa's underdeveloped areas would remain "a dream".

As proof that the Government believed in "sound administration without corruption", Mr Botha said the Government took the initiative to create the position of Advocate-General — at present occupied by a Judge of the Supreme Court.

He said changes had either taken place or were in the process of doing so in South Africa and "everybody should be in the position to play their rightful role

"In bringing this objective to fruition we are faced with a situation of disparate levels of training and skills ... Our success will depend on the extent to which the various population groups will cooperate with each other and share and transfer their knowledge and expertise amongst each other," he said — Sapa

Mr Johan Pretorius has been appointed deputy managing director of Anglo-Alpha Ltd. He will remain managing director of the companies in the industrial division

Govt concerned at concentration of economic power — P W Botha

(232) C. Times 20/9/83

Own Correspondent

JOHANNESBURG — The Prime Minister, Mr P W Botha, yesterday reiterated the government's growing concern at the increasing concentration of South Africa's economic power in a few large companies

Speaking at the national congress of the South African Institute of Chartered Accountants at the Rand Afrikaans University in Johannesburg, Mr Botha emphasized his "positive attitude" towards the private sector and the principle of competition

But he said· "I must express the government's concern regarding the tendency to have over concentration of economic activity and power in the hands of a few large companies

Investigation

"This is neither in the interests of our country nor in the interests of the private sector itself"

Earlier this month the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, instructed the Competition Board to conduct an urgent investigation into conglomerates and the concentration of economic power in South Africa

He said the board would investigate the desirability of additional legal and other measures for control over interlocking undertakings

Dr De Villiers' move came soon after the publisher of "Who Owns Whom", Mr Robin McGregor, claimed that seven South African conglomerates controlled almost 73 percent of the Johannesburg Stock Exchange market capitalization

Speaking on other issues at the congress yesterday, Mr Botha said the recently launched Southern African Development Bank would make its influence widely felt in Southern Africa and elsewhere

The bank was "another example" of the "resoluteness" with which the government was approaching the problems of South Africa Without "properly planned" economic decentralization the development of underdeveloped areas would remain a dream

The government's success in achieving its objectives would depend to a large extent on the degree of co-operation between the country's population groups towards sharing and transfering their particular knowledge and expertise among one another, Mr Botha said

Six General Tyre & Rubber Co. firms merge

232 ~~196~~ Mercury 21/9/83

JOHANNESBURG—The operations of six industrial companies owned by the General Tyre and Rubber Company (S A) have been amalgamated to form Mining and Industrial Rubber Company, the company said

The companies are Pigott Maskew, Flexible Tubing Africa, Corroxive Resistant Coatings, Ferroplastic and Rubber Industries, Tensile Rubber and Hydraulic Component Supplies

Mr P A Roberts, head of the industrial products division, said the move was a culmination of plans to achieve maximum utilisation of existing manufacturing resources, to rationalise production, and to improve profitability

He said that by streamlining the operations while the market was generally depressed, they would improve their capabilities for coping with the upturn which they expected in 1984

Most of the manufacturing activity will be centred at the company's complex in Boksburg, whilst certain operations will continue at Industria and Wadeville

Mr Roberts has been appointed executive chairman and Mr V T Pretorius chief executive of the new company

A marketing division will be set up to handle the various product groups

The industrial companies in the General Tyre group, which are not affected by this development, are Paragon Rubber Company of Alrode, Triple 'A' Rubber Company of Durban and foreign companies — (Sapa)

State board post for UCT prof

By J MANUEL CORREIA

PROFESSOR Brian Kantor, Professor of Economics at the University of Cape Town, has been appointed to the Competition Board, official sources confirmed yesterday.

Prof Kantor is an outspoken advocate of the free enterprise system and a staunch opponent of unacceptable monopolistic practices.

His appointment is being seen as tangible proof the Government is determined to stamp out unhealthy monopoly and as a sign it is serious about its commitment to a free enterprise system.

Observers say his appointment indicates the Competition Board is about to become a more active watchdog.

Official sources also confirmed yesterday that a member of the board, Mr Harry Goldberg, has submitted his resignation on the grounds of old age. He turned 77 this week.

Before the amendment of the relevant Act by Parliament during the last session, the number of board members was pegged at seven.

The amendment enlarged the board to nine.

With Mr Goldberg's resignation this means two more members will have to be appointed.

Speculation is rife in official circles that "heavyweights" from the private and academic sector are certain to be appointed.

In recent weeks the Government has gone out of its way to emphasise its determination to fight inflation with all the means at its disposal.

It has also re-emphasised its commitment to free enterprise and concern at the over-concentration of power in the hands of the few.

Observers believe the Competition Board's role in this regard is crucial and that the board will soon launch meaningful investigations which it has been unable to undertake, among other factors.

Merger will expand major tour group

Mercury Reporter

TFC Tours has acquired the entire issued share capital of Associated Air Travel Bureau in a merger operation that will produce an annual turnover of about R100 million

TFC Tours plans to sign up 15 000 for overseas holidays in 1984 for a total turnover of R40 million

Its shipping division expects to carry 12 000 people on its liner voyage service to Britain, adding about R15million to its turnover

Mr John Foggitt, TFC's chairman, foresees rationalisation benefits from the AATB deal

These include access by TFC to AATB's vast number of customers to whom TFC should be able to offer attractive competitive rates, because of its bulk-buying facilities, to tourists making their travel arrangements through AATB

Growth Fund buys into foods

Cape Times 4/10/83

Own Correspondent

JOHANNESBURG — Guardian Bankers Growth Fund (Guardbank) acquired 250 000 C G Smith Foods shares in the quarter to September 30, and sold 420 000 Beares.

The addition of C G Smith Foods to the portfolio takes the food element in Guardbank to 6,63 percent of the fund, of which the 200 000 shares in Premier account for 4,88 percent

The purchase of C G Smith and the sales of Beares were the only changes in the equity portfolio in the quarter, while cash resources rose to R21,780m at September 30 from R20,380m at the end of June

The total market value of Guardbank at the end of September was R102,562m, slightly lower than the total R102,757m at at the end of June.

Between June 30 and September 30, the Rand Daily Mail 100 index of industrial shares slipped by 1,5 percent

The gold price, after closing at $416 at the end of June, rallied briefly in July to $429,75, but then drifted back to between $400 and $420 for much of the quarter before dropping to $405 on September 30

In these circumstances the Guardbank portfolio, which is a microcosm of the Johannesburg Stock Exchange with investments in coal, gold, mining houses and the full gamut of industrials, was static

Guardbank's selling price at the end of September was 556,8c a unit, compared with the ex-distribution price of 556,4c at the end of June and the ex-distribution selling price of 453,2c at the end of December last year.

EXCHANGE CONTROL BRINGS MERGERS

232

By PRISCILLA WHYTE

RDM 6/10/83

MERGERS will continue to flourish in the socio-political and economic framework in which SA companies operate, says Mr Mark Addleson, lecturer in economics at the Wits Business School.

He says the SA economy is isolated from the rest of the world in terms of capital flow.

Even though the financial rand has been abolished, SA residents are still subject to exchange control.

Mr Addleson believes that Government policy has actively "encouraged greater concentration of local shareholding".

When any SA company has cash available it can only expand domestically to the extent that the size of the market allows.

If the traditional market in which it has worked has reached saturation point, the option to diversify necessitates acquiring a company with expertise in another profitable field of operation.

In the absense of exchange control, a company might have invested overseas. But Government policy precludes this option.

Companies therefore tend to merge. If they are successful, they look for further SA investment opportunities.

Concentration of shareholdings is a natural outcome of this process.

He believes that the Government has effectively allowed the concentration of financial power, even if the maintenance of exchange control is for other reasons

This policy is a bar to foreign investment in SA. Those developing countries that grow rapidly do so mostly through investment by multi-national companies.

Another worrying aspect of exchange control is that it condemns SA to technological isolation because of the loss of input from multi-nationals. Mr Addleson believes that the desire for self-sufficiency has encouraged concentration of shareholding and perhaps economic isolation.

Another issue which Mr Addleson considers important is whether concentration of financial power is relevant to competition in the market place.

"I am not convinced that the concentration of financial power is synonymous with monopoly in the market place. It could give rise to this — but not necessarily. Competition in the market is what matters — not financial power concentration."

Only if exchange control policy for residents in the medium term were relaxed could it be expected that financial power concentration would be diminished. He takes South African Breweries as an example of a monopoly in beer, but which has to compete with other alcoholic and non-alcoholic beverages.

Greater economies of scale give SAB a price advantage, reducing the risk of competitors entering the beer market "In the past five years the indexed price of beer (40%) has increased least in comparison with other commodities," he says.

LTA bids R15m for Acrow

By JOHN MULCAHY

LTA, Anglo American's construction and engineering arm, has emerged as the bidder for Acrow Engineers, offering 460c a share in cash, or a total of R15,249m.

Agreement has been reached between LTA and Acrow's controlling shareholders — Acrow of the UK owns about 24% of the equity and the directors another 10% — for the sale of their interest, and LTA is bidding for the entire issued capital.

If successful, LTA's offer will remove Acrow from the JSE lists after only two years — it was listed on October 1, 1981.

The offer price represents a premium of 9,5% over last night's 429c closing price, but is 43,8% higher than the price of 320c ruling on September 12, when Acrow started moving for no apparent reason.

The Johannesburg Stock Exchange has instituted an enquiry into Acrow transactions between September 12 and September 21, when an announcement warned shareholders to exercise caution in their dealings in Acrow.

LTA's offer is about seven times Acrow's earnings for the year to June 30, and is 28% higher than the net asset value of 359c a share at the same date.

At June 30 Acrow had R6,227m in cash, equivalent to 189c a share, and earnings for the year amounted to 66,2c a share, compared with 73,7c the previous year and 83,3c in the year to June 1981.

LTA intends shifting Acrow into its Steeldale division, which is involved in steel reinforcement, structural steel, roofing and cladding.

According to last night's statement the acquisition will have the effect of increasing LTA's earnings by about 4,5c a share for the year ending March 31, and will have no material effect on net asset value.

The statement adds "It is expected that the acquisition will be of substantial long-term benefit to LTA."

In his review for the year to June, Acrow's chairman, Mr A B Theunissen, said it was not possible to quantify the full effect of the recession, but added the company's strong liquidity would have a major positive effect on profitability this year.

ARGUS 11/10/83 (232)

FINA

Construction chief criticises takeovers

TAKEOVERS of large construction companies by financial or mining houses are making the industry less competitive and fuelling inflation, the chairman of Murray and Roberts, Mr W F de'la H Beck, says in his annual report

Tax-free, low-interest housing subsidies are causing "an inordinate and artificial amount of capital" to be directed into providing houses of a type and cost which would not be built if normal market-related interest rates had to be paid

And tax concessions for contributions to pension, retirement annuity and provident funds are encouraging too large a proportion of savings to be channelled into low-risk established businesses, leaving too little "risk capital" available

"The implications of inadequate new risk capital enterprises involve not only a slower rate of growth in gross domestic product but also the lack of additional avenues of employment which are so necessary for social stability"

UNPRODUCTIVE

In spite of the recession, Murray and Roberts has ended the year to June with a 9,5 percent increase in profits attributable to ordinary shareholders

A final dividend of 51c has been declared making a total dividend of 66c (60c) for the year

The chief executive, Mr J E D Bramwell, says in his review that management throughout the group succeeded in difficult economic circumstances in maintaining satisfactory levels of return on assets and cash

Turnover rose by 18 percent to R2 020-million and profits attributable to ordinary shareholders to R52,1-million

The group has been restructured during the year and unproductive companies have been closed or sold off

This disinventment, and regrouping of companies operating in similar industrial environments, has led to a more cohesive group structure

RECORD PROFITS

"One of the larger disinvestments was the sale of our refractory operation In total, we have disposed of six operating companies without significant loss"

The construction subgroup had a satisfactory year with earnings about 9 percent above those in the previous financial year

The property subgroup achieved record profits and the suppliers and services subgroup achieved results marginally ahead of targets

But the industrial subgroup, which has been reorganised at great cost, showed considerable losses

STREAMLINED

The Elgin group of engineering companies has been streamlined, with most of the smaller operations sold or closed down and some operations transferred to other subgroups

"While some pressure in industrial relations has been exerted on our management, there is no doubt that the economic climate has tended to reduce the incidence of strikes

"Management is finding that it has to devote more and more time to industrial relations issues in order to improve communications with the labour force and in order to avoid pitfalls which can so easily arise"

Audrey d'Angelo

Switch of cable interests may be behind drama

Altech group, Asea, Indumeni suspended

By BRENDAN RYAN

TRADING suspensions were last night granted by the Johannesburg Stock Exchange for Altron, Altech, Powertech, Asea and Indumeni shares at the request of the respective companies.

Spokesmen for the companies would not give reasons for the suspensions which are related to one another.

It is believed negotiations may be under way for the sale of Asea's cable division to the Altech group with Indumeni being used in some way as the vehicle through which the transaction will be carried out

An announcement from Allied Technologies (Altech) said the listings of the shares in the group had been suspended while negotiations took place on certain proposals

Allied Electronics Corporation (Altron) holds 56,6% of Altech, which in turn holds 63% of Power Technologies (Powertech)

The Altech group is a high-technology oriented business manufacturing and selling electronics-related products and systems.

Asea is a major manufacturer of electrical equipment, such as transformers and circuit breakers and a range of electric cable products.

The company is controlled by Anglo American Industrial Corporation (Amic), which holds 47% of the equity and Asea of Sweden holds 25%

Indumeni is a defunct coking-coal mine near Dundee in Natal and is controlled by Anglo American Corporation

The mine was closed in October last year when Iscor reduced its coke requirements as part of its production cutbacks forced by the world-wide slump in the steel industry

Altech's deputy chief executive, Mr Ken Maud, said last night the Altech group shares had been suspended because of the speculation which would take place over the negotiations under way

He declined to give details of the negotiations and said an announcement would probably be made next week.

Indumeni's chairman, Mr Graham Boustred, said he could not give details of the suspension because it might endanger negotiations

He said Indumeni would be used as a vehicle for a transaction should negotiations succeed

COMMENT: In the absence of any details from the companies suspended one can only speculate on what is going on.

The Altech group for some years has wanted to have a cable division in its operations which concentrate on telecommunications, business communications, electronic components, power electrical and electronics and electronic systems and automation.

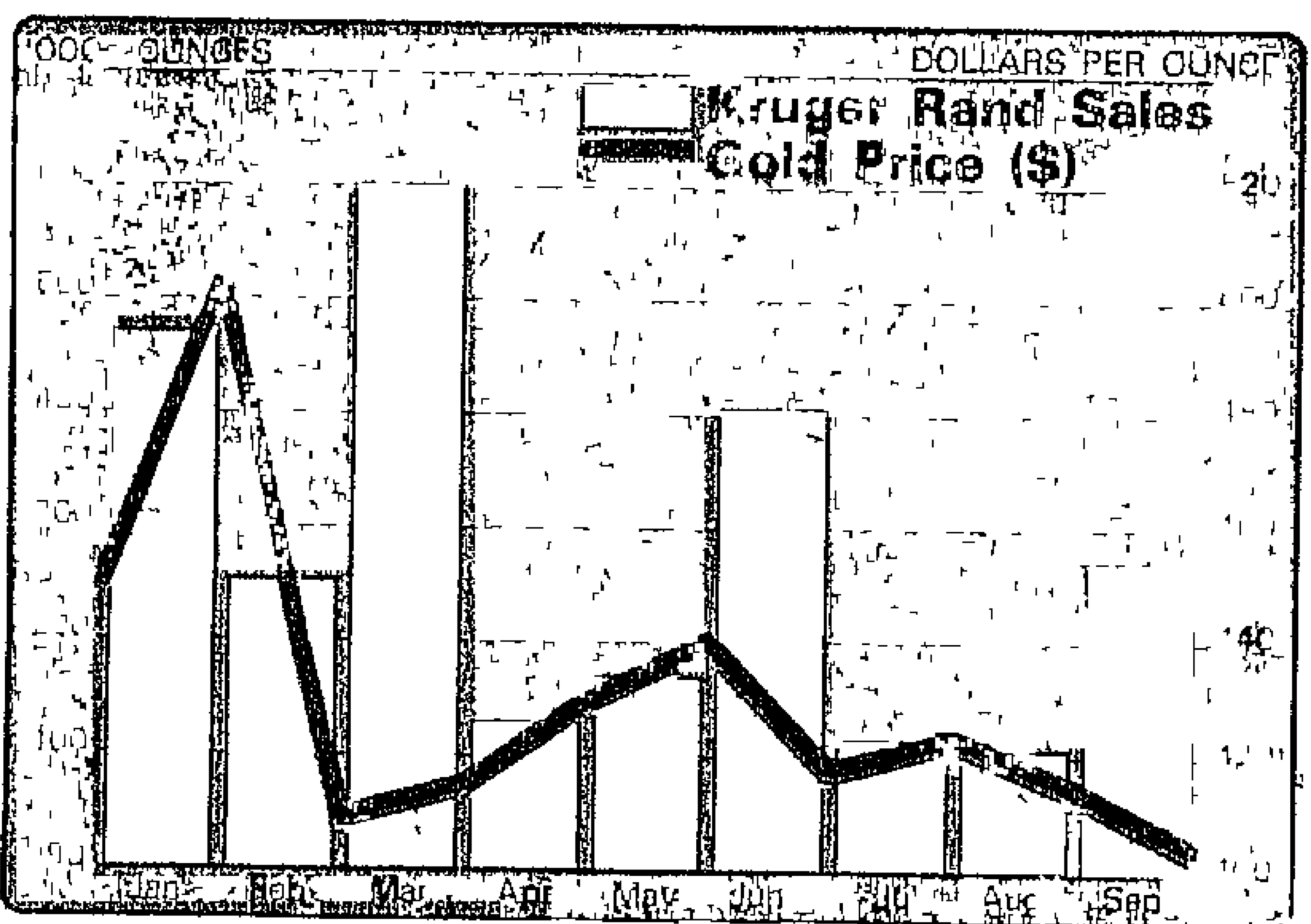
Asea has completed a major expansion programme to build a second cable factory at Rosslyn at a cost of R9,4m.

Deteriorating market conditions this year have hit Asea's cable division severely and both volumes and prices have dropped.

The company said it was preparing for a lengthy spell of harsh competition before adequate margins could be re-established.

Asea may have decided to sell off the division to cut its losses and there may be an element of further disinvestment in South Africa from Asea in Sweden.

Precisely how Indumeni will play its part in the transaction is anyone's guess.



INTERNATIONAL sales of Krugerrands rose to 274 516 ounces in September from 107 952 ounces in August — more than 13 times higher than the 20 198 ounces sold in September last year Sales for the year to end-September totalled 2,546-million ounces, compared with 2,073-million ounces in the same period of 1982.

● See page 3

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Speculation of alliance in electronics industry

Cape Times 13/10/83 (232)

Own Correspondent

JOHANNESBURG. — The suspension of Altron, Altech, Powertech, Asea and Indumeni shares has prompted strong speculation of a major alliance in the electronics industry between Anglo American and Altech

While a further announcement on the suspensions is not expected for another week, industry and stock exchange sources believe the suspensions herald the establishment of an Amic-Altech electronics group that will have the muscle to face Barlow Rand head on

Barlows has already shown its cards through the listing of Reunert in the electronic sector of the Johannesburg Stock Exchange, and the stated intention to expand the company through acquisition substantially over the next year or so

Electronic forces

Barlows' recent acquisition of Telkor and the re-organization of the electronics section within Reunert, which might yet be renamed when listed in the electronics board, leaving Reunert in the engineering arena, creates one of the dominant South African electronic forces, which has the backing of insurance giant SA Mutual

Barlows electronic interests include Fuchs, Telerama Rediffusion, Perseus, GEC, Sapec, Andromeda, Persetel, Heineman, Impectron, Marconi, and AEI Henley

Barlows major share of the electronics market (reckoned in South Africa to be about R2 300m) is undoubtedly the military, although it is reckoned that the group is working hard to capture some of the highly profitable communications market, to date considered an Altech arena This is expected to be one of the big growth areas over the next decade

"The Barlow moves would seem to make the Altech and Anglo combination the only rationale one can see," said one top electronics source yesterday. "It's common knowledge that Altech tried to acquire a share of Asea a couple of years ago

"Altech undoubtedly has had a problem in that unlike many electronic companies with overseas connections, it simply cannot hide its profits out of South Africa Many feel that its very good performance is made at the expense of the Post Office, and that in turn, is paid for by the general public"

Anglo's electronics holding has been fairly lightweight to date and includes Computer Sciences Through Amic, it holds Conlog and High Logic and has the Asea holding It is also known that Anglo would like to acquire a ready made electronics empire

Resources

It is common knowledge that senior Amic executives have visited Altech's head office in Boksburg at least three times over the past year, and it is logical that Altech views with concern the huge resources available to Barlows, which dwarf its own assets

The only reservation of an Anglo-Altech alliance is that the possibly differing political attitudes of the Anglo and Altech groups might make for a reluctant combination The insurance weight behind the Anglo/Altech combine is speculated on as Liberty Life, which has already thrown its cards in with Anglo on the Premier deal, and is widely believed to be only a decision away from a direct link with Anglo American Insurance

The third giant emerging in the electronics sphere is under the Sanlam umberella It holds Federale Volksbeleggings, which in turn has a 16 percent stake in Siemens and such subsidiary companies as Sparrat, Tek, Teklogic, Tek Industrial, and Swazi Suratel

Sanlam also through Gencor holds a further 16 percent in Siemens and has bid for Tedelex In addition, Sanlam holds 25 percent in Plessey and a small stake in SA Philips which in turn controls Aberdare Cables

What adds genuine spice to the Altech/Anglo development is the current activity in the electronics market.

There has been considerable adverse criticism of the 15-year supply agreement which Altech, Siemens, TMSA and Plessey hold from the SA Post Office

In Altech's case this is for the supply of modems (computer and terminal interface devices) and microwave equipment, and is in effect until 1994

In the case of modems more computer and terminal equipment is being supplied with modems built-in, rather than having to rely on independent modem units This it is felt will affect Altech's dominance in the modem market, which it is thought has sometimes meant prices as high as 20 percent over alternative supplies

On the microwave side, a Post Office team of experts is believed to be overseas at present looking at state of the art technology which will involve visiting companies such as GEC, Siemens, Teletra, SEL, ITT and Israeli companies

The team, along with other South African electronics key men will also be attending the telecommunications exhibition scheduled to be held in Geneva in early November

If the Post Office does opt for new microwave equipment, it is bound by the supply agreement to offer the manufacture to Altech provided Altech can supply and that the Post Office is happy with the price, quality and technology

All these developments would seem to make this an ideal time for an Anglo/Altech marriage The only debate at present is whether Altech's chairman, Mr Bill Venter, feels he has grown his empire sufficiently to be prepared to part with it.

Amic close to Altech

By GAIL PURVIS

THE suspension of Altron, Altech, Powertech, Asea and Indumeni shares has prompted speculation of a major alliance in the electronics industry between Anglo American and Altech

An announcement on the suspensions is not expected for another week But industry and Johannesburg Stock Exchange sources believe they herald the establishment of an Amic-Altech electronics group with the muscle to take on Barlow Rand

One possible permutation is for Asea's heavy electrical operations to go into Powertech and its cable division to find a home in Indumeni, which could be the cable group in the alliance

The combination of Anglo and Altech could swing a takeover of one of the cable companies, the most likely target being Aberdare

Aberdare is tightly controlled by Philips The way around this obstacle could be to give Philips a stake in the new group

At the end of last year, Asea's total assets were R135m compared with Altech's R200m If combined, Anglo would get a sizeable stake in the merged group

Barlows has shown its cards by listing Reunert in the electronics sector of the JSE and the stated intention of expanding the company by substantial acquisitions over the next year or so

Barlows recent acquisition of Telkor and the reorganisation of the electronics section within Reunert creates one of the dominant SA electronic forces with the backing of SA Mutual

Barlows electronic interests include Fuchs, Telerama Rediffusion, Perseus, GEC, Sapec, Andromeda, Persetel, Heineman, Impectron, Marconi and AEI Henley

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It is common knowledge that senior Amic executives have visited Altech's head office in Boksburg at least three times over the past year and it is logical that Altech views with concern the huge resources available to Barlows

The only reservation about an Anglo-Altech alliance is that the differing political attitudes of the two groups might make for a reluctant combination

The insurance weight behind the Anglo/Altech combine is thought to be Liberty Life

Percentage of Businesses		Private Benefit Index			
		Low	Average	High	Total
	Low	14%	11%	8%	33.3%
Social Benefit Index	Average	11%	13%	9%	33.3%
	High	8%	10%	16%	33.3%
	Total	33.3%	33.3%	33.3%	100%

Public versus private interest

By PROFESSOR G S ANDREWS

Dean, Wits Business School, University of the Witwatersrand

OPINION

A weekly feature presenting a wide variety of views

MUCH of the recent discussions regarding the increasing needs of corporate concentration in the South African economy contains recommendations to Government to escalate efforts to "deconcentrate" business power.

Implicit in these reports is the belief that a highly profitable business is harmful to society and that control of corporate growth and market share will improve the social situation

Unfortunately, much of the discussion has been based on "personal" experience of some situation where a so-called powerful firm has acted inappropriately or unwisely and opinions based on very scant information as to the real situation

Subjective opinion has value, but should also be balanced by some evidence which is more objective and less emotional

In the past it was almost impossible to evaluate corporate business performance simply because businesses tended to be so "different" and operated in industries which differed in terms of growth, number of competitors, levels of capital/labour intensity, required different cash usage and generation levels to mention only a few important determinants and measures of business performance

The advent of the computer, with its attendant advantage of being able to store and analyse huge data bases, has to a large extent overcome these problems

For example, a massive data base, known as the PIMS programme, holds data for more than 2 000 businesses over 20 years, and enables firms to compare themselves with "look alikes" along strategic dimensions and not only the more commonly used, yet inaccurate and often misleading, Balance Sheet ratios.

Recent research based on the PIMS data base (which contains businesses from the USA, Europe, South America and Australia) has attempted to establish an "Index of Social Benefit".

The index was comprised of three variables — namely, customer, employee and community-at-large benefits

Customer benefits were based on product quality (as measured from the customer's viewpoint), selling price relative to competitors' prices and rate of price increase over time

Quality products have a positive factor, while relative selling price and role of price increase were counted as "negative factors"

Employees benefits were measured by examining wages and salaries received as compared to competitors as positive factors to social benefit

Community-at-large benefits were those that flowed from new products/Research and Development (R & D) activity and the growth of [illegible]

fy the social benefit provided by firms.

An Index of "Private Benefit": this measure incorporates the present level of earnings and the current growth of sales

Growth in sales is used, together with return on investment, to arrive at a composite index of "private benefit"

Both a social and private benefit measures incorporate growth variables, since continual improvement is required to produce the "better society" desired by proponents of both groups

The results generally, the results show positive correlations, that is, private and social benefit increase simultaneously

The relationship between social and private benefit are shown in the chart on this page.

In the chart the data base has been divided into nine equal cells, represented by the three columns which divide the businesses into three groups — those low in profitability and sales growth to those who are both highly profitable and where sales are growing rapidly

of those businesses that are low on "private" benefit, only 8% are high on "social" benefit.

But in the right column, double this number — namely 16% — are both profitable and growing and score high "social" benefit

This runs contrary to the conventional wisdom that suggests that a business that is low on profitability is "better" for society

These findings suggest that the converse applies — the highly profitable businesses also produce higher "social" value according to the empirical indices

Nothing prevents a business from being both profitable, growing rapidly and also scoring highly on "social" benefit

Their findings provide modern-day support for the thoughts of Adam Smith and challenge the thinking that a conflict must exist between the interests of society and the interests of business

Less profitable businesses are of little benefit to both shareholders and society and there is a "harmony" of interest between private and social benefit

Modern professional executives are aware of the role of business in a modern society — they recognise that there are many different stakeholders in a business corporation and that shareholders are only one of these important groups

The great danger is that we sometimes tend to take decisions based on emotion and neglect the "real" situation.

Of course, the findings pre-

tivity and the growth of jobs stimulated by that business.

Thus R & D as a percentage of sales and long term industry growth rate were included as positive factors

Clearly, these measures are not ideal but are relevant and have the added advantage that they are available in the PIMS data base.

Significant omissions, due to a lack of data, would include such efforts as environmental protection, so the index is not a measure of total social responsibility and does not pretend to be — it is merely an attempt to quanti-

The rows divide the businesses into three groups, ranging from those that do not provide high quality products, price higher than competitors, raise prices more rapidly, pay lower percentages of sales in salaries and wages and do not spend money on new product development, research and development and are in industries that are not growing rapidly and are not providing more job opportunities.

Analysis of the chart shows that some 14% of businesses are low on both "social" and "private" benefit — but that

sented here are not conclusive, but the fact that empirical evidence suggests that profitable businesses tend to confer more social benefit than less profitable businesses and that many firms are able to combine both profitability with a social contribution, should encourage us to examine our situation a little more objectively and that a drive to make certain industries less "profitable" may not be in the interests of our society in the long run.

Perhaps we should think again .. and do some more research

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14/10/83

Sigma sells Bass, predicts profit

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16/10/83 S. Times

By Don Robertson

SIGMA has sold Ronnie Bass Sigma to a group of businessmen headed by Ronnie Bass for R4,5-million

This concludes a major disinvestment programme initiated by Sigma Motor Corporation seven months ago after Spencer Sterling's new management took over in the wake of Sigma's R55-million loss last year

Announcing the deal, MD Sterling told me Sigma should break even in the last quarter of this year and run at a profit in 1984.

This follows the disastrous loss of R55-million incurred in the year to December after a profit of R27-million before tax in 1981

Last year's loss resulted mainly from exchange-rate fluctuations, which affected the cost of imported components as well as uncovered dollar loans

Mr Sterling tells Business Times that development programmes are currently going according to plan and that the various problems are being rectified

Quality in production and inspection has been drastically improved

Unfortunately, there have been difficulties in supplying sufficient new 626 models to the market, but this, he says, "has been partly due to bad planning by Sigma".

He estimates that an additional 700 units could have been sold in September compared with the actual sales figure of 1 130

The company is also joining the new-launch bandwagon and intends to introduce a new fast-back version of the 626 in November and a coupe version in February A new "super" model of the Tredia is planned for early next year.

The Ronnie Bass Sigma deal will give Ronnie Bass and Co, Ronnie Bass Properties and Ronnie Bass Investments total control of the dealer outlet

The dealership was previously 100%-owned by Sigma

In March Mr Stirling disclosed that he intended selling off the company's interests in dealer outlets, including Ronnie Bass and Brian Porter in Cape Town

He said at the time that he was opposed to the idea of a manufacturer owning retail outlets and thus competing with other dealers which held the same franchise In addition, it would allow him to concentrate on the manufacture of cars, the job he knew best.

The equity in Brian Porter was sold to Amic this year.

Mr Sterling says the reason for the apparent delay in concluding the deal resulted from his involvement in re-establishing the management structure at Sigma and a delay in evaluating the worth of Ronnie Bass.

In essence, the deal has been struck at R4,5-million, equivalent to the net asset value of Ronnie Bass, repayable over five years.

This includes new stock, buildings, used cars and the debtors book Sigma has recently sold its total hire-purchase book to Wesbank for R20-million

Another move in revamp of Anglo food in

Tongaat to pay An R86m for Afprod

By JOHN MULCAHY

IN another move in the realignment of the Anglo American food interests, Tongaat-Hulett is buying African Products (Pty) from Anglo American Industrial Corporation (Amic) for R86-million.

The takeover price will be met by a combination of R3,1m in cash and the issue of Tongaat-Hulett shares, which will take the Anglo group's holding in Tongaat to 47,1% from 38,3%.

This will fall to 42,7% if Tongaat succeeds in its bid to acquire the minority shares in its Tongaat Corogroup building products division

At the end of December last year Amic's interest in Tongaat-Hulett was 28,1%, and the issue of another 9,5-million shares takes this holding to 38,4%.

At Friday's 875c closing price the 9,5-million shares have a total value of R83,1m

The move shifts Amic's entire food-related investment into Tongaat-Hulett, and means that Anglo's food interests are now clearly split between Premier and Tongaat-Hulett

African Products is South Africa's sole manufacturer and supplier of a range of starches and syrups

Speculation on the takeover has been doing the rounds in the food industry for some time, but sources in Tongaat and African Products (Afprod) told Business Day a month ago there was no substance to the rumours

The Afprod acquisition comes when Tongaat-Hulett is facing severe pressure on earnings because of the drought and the depression in the sugar industry

Tongaat's earnings for the year to March 31 are expected to be enhanced by 3c a share as a result of the African Products deal

The new Tongaat shares to be issued to Amic will rank for the Tongaat interim dividend to September.

Dr Geoff Cleasby, Tongaat-Hulett's managing director, described the African Products takeover as "a significant expansion area for Tongaat, with the potential for sustained growth in the years to come"

Amic acquired 100% ownership of Afprod in 1978 through the purchase for R18,4m of Tate & Lyle's 51,5% stake, and an equivalent offer to minorities The value then placed on Afprod was R35,8m

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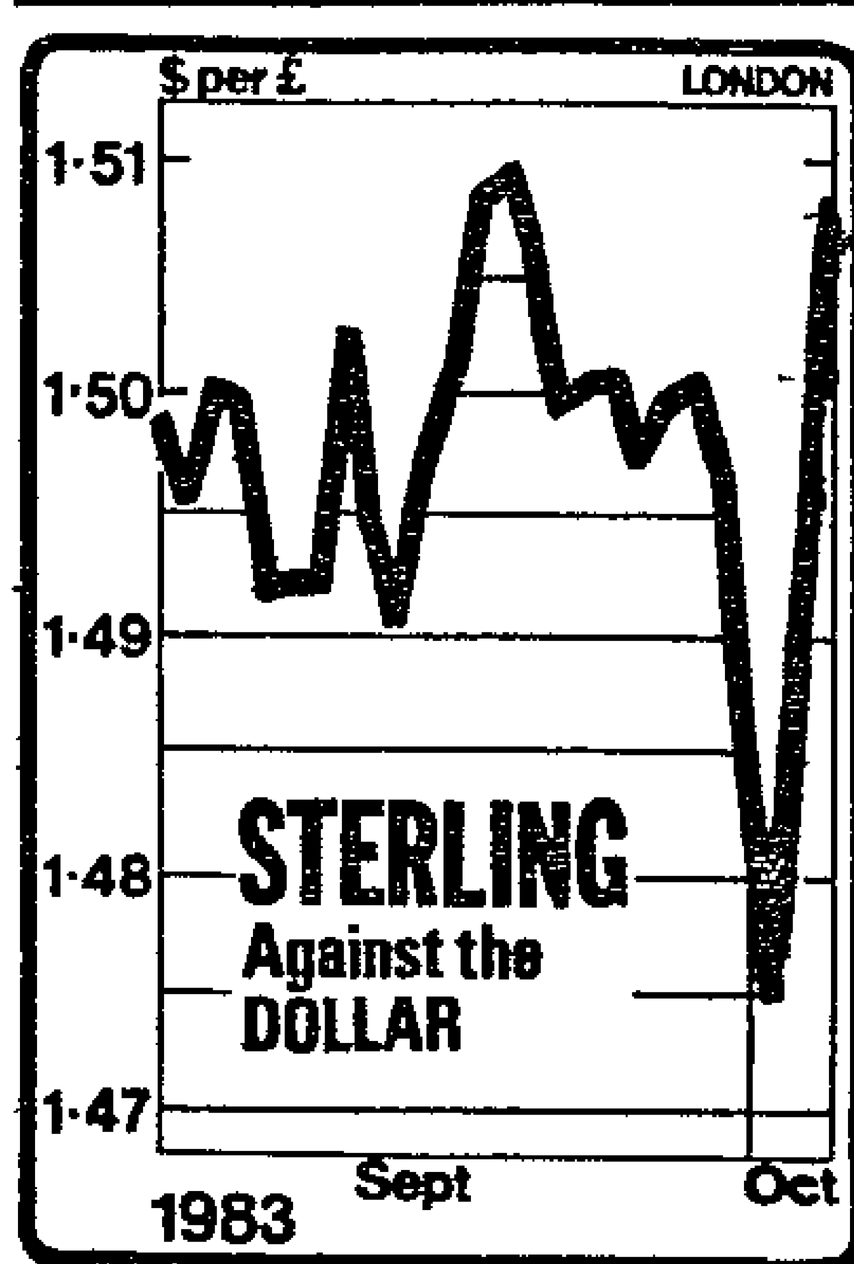

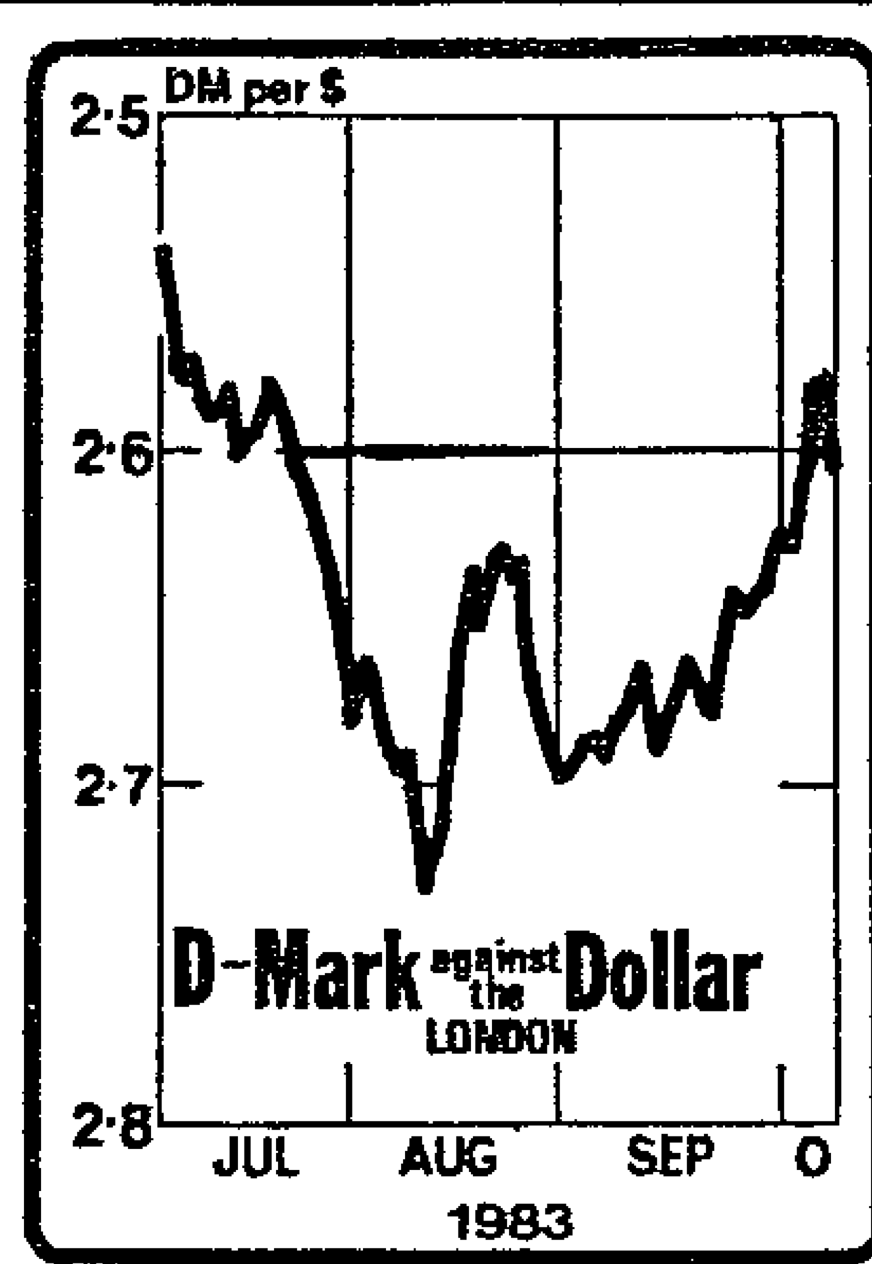

The dollar has been strong against most major currencies this year. But most analysts think it is now over-valued. Sterling and the German mark recovered some ground against the dollar at the end of last week. The South African rand could also firm against the dollar, perhaps back above 90 US cents, if gold can hold at or above $400 this week. See story below.

DEVELOPMENT STUDIES RESEARCH GROUP (DSRG)

move in revamp of Anglo food interests

gaat to pay Amic m for Afprod

232 186 RDM 17/10/83

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This forecast has now been revised to R8,5m, equivalent to Afprod's earnings peak in 1980

Maize is Afprod's main raw material, about 300 000 tons being bought each year for processing at its mills at Germiston, Meyerton and Bellville

Tongaat's six maize mills produce breakfast cereals and animal feeds and other products

Benefits from Afprod's becoming a division of Tongaat include enhanced opportunities for diversification

In KwaZulu and Northern Natal, Afprod is investigating the cultivation of cassava — a root crop that is not widely exploited in Southern Africa — as a source of starches and starch derivatives which are imported

Tongaat has extensive sugar and other agricultural interests in the area Afprod has a long-term technical agreement with CPC International of the US, a R4bn a year multinational that is a world leader in the production of maize-based sweeteners

The food industries in the US, Europe and Japan are using increasing quantities of maize-based sweeteners — which are known as "high fructose corn syrup" — for beverages

Afprod has been investigating the feasibility of producing high fructose corn cyrup in South Africa

"In addition, there is potential for the development of new sweetener and food products comprising blends of sugar and maize derivatives," Dr Cleasby says

"It will be some considerable time before decisions can be made on whether the local market place is sufficiently big to justify the erection of a plant for the manufacture of high fructose corn syrup

"We want to ensure that when such a plant is justified in SA, it will be owned by Tongaat"

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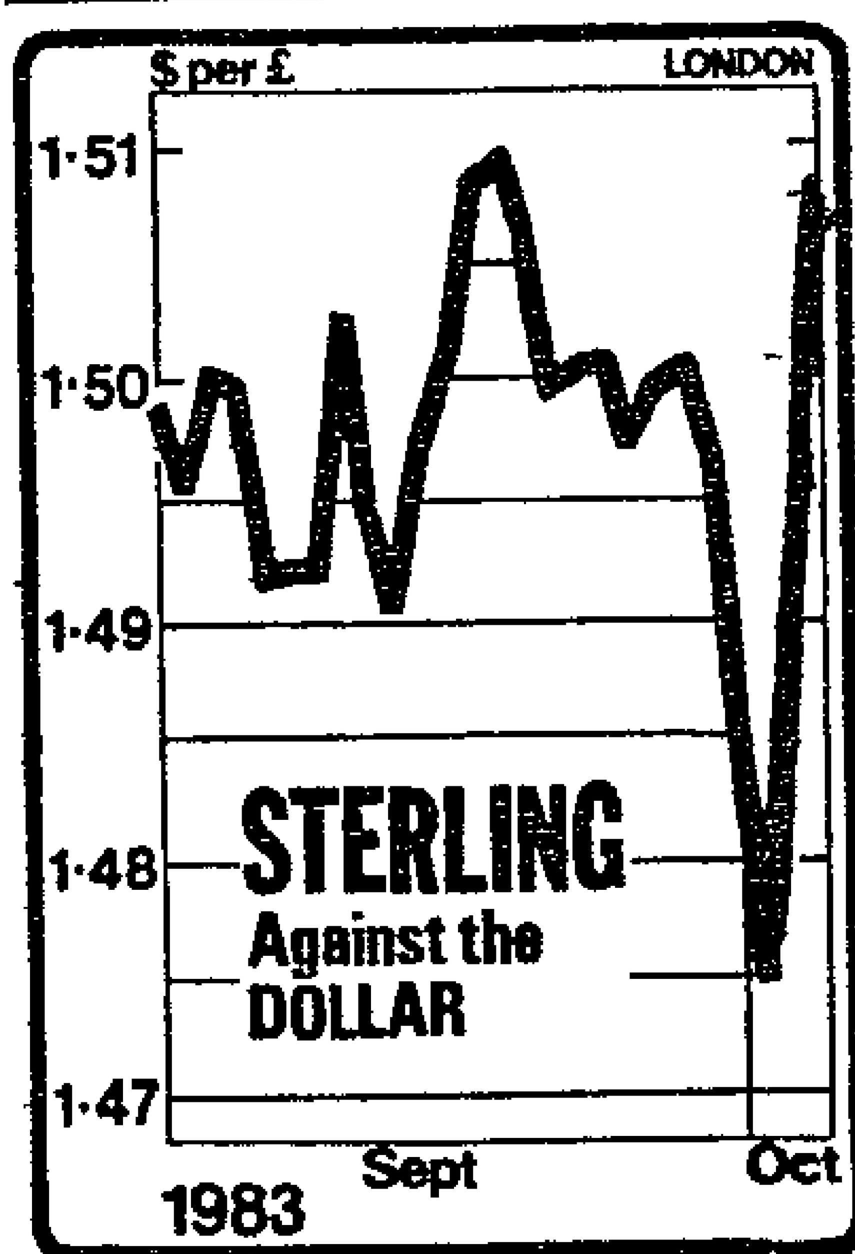

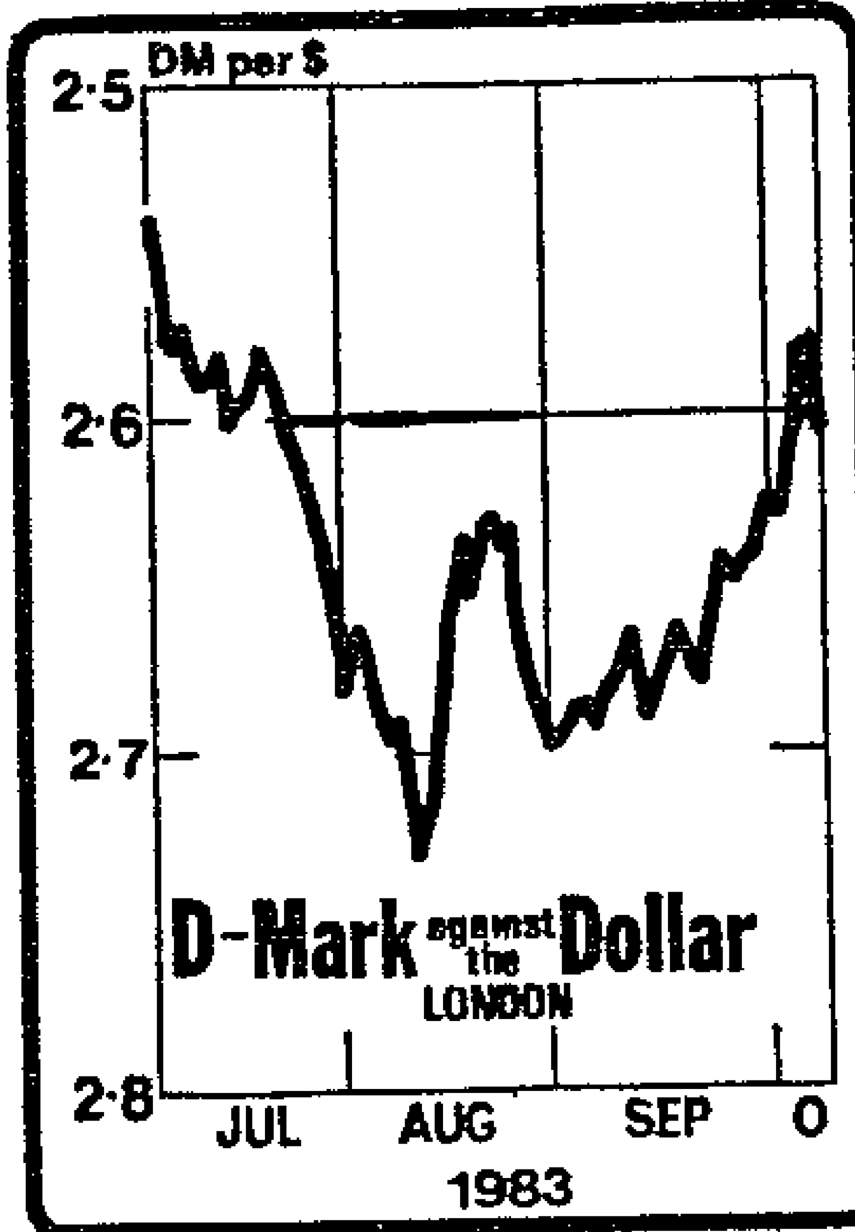

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Cape Times 17/10/83 (286) 232

Tongaat-Hulett in R86 m food deal with Amic

By JOHN MULCAHY

IN another move in the realignment of the Anglo American food interests, Tongaat-Hulett is buying African Products (Pty) from Anglo American Industrial Corporation (Amic) for R86-million

The takeover price will be satisfied by a combination of R3,1m in cash and the issue of Tongaat-Hulett shares, which will take the Anglo group's holding in Tongaat to 47,1% from 38,3%

This will fall to 42,7% if Tongaat succeeds in its bid to acquire the minority shares in its Tongaat Corogroup building products division

At the end of December last year Amic's interest in Tongaat-Hulett was 28,1%, and the issue of another 9,5m shares takes this holding to 38,4%

At Friday's 875c closing price the 9,5m shares have a total value of R83,1m

The move shifts Amic's entire food-related investment into Tongaat-Hulett, and means that Anglo's food interests are now clearly split between Premier and Tongaat-Hulett

African Products is South Africa's sole manufacturer and supplier of a range of starches and syrups

Pressure

Speculation on the takeover has been doing the rounds in the food industry for some time, but sources within Tongaat and African Products (Afprod) said a month ago there was no substance to the rumours

The Afprod acquisition comes at a time when Tongaat-Hulett is facing severe pressure on earnings due to the devastating drought and the allied depression in the sugar industry

Tongaat's earnings for the year ending March 31 are expected to be enhanced by 3c a share as a result of the African Products deal

The new Tongaat shares to be issued to Amic will rank for the Tongaat interim dividend for the six months ended September

Dr Geoff Cleasby, Tongaat-Hulett's managing director, at the weekend described the African Products takeover as "a significant expansion area for Tongaat, with the potential for sustained growth in the years to come"

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Revaluation

Amic's total income from Afprod since the 1978 acquisition is R11,4m and R19,6m of profit has been ploughed back in that time

At the end of December last year Afprod's net asset value according to Amic's annual report was R70,3m, substantially higher than at the end of 1981 because of a R31,6m surplus arising from a revaluation of assets undertaken last year

It has embarked on a major modernisation and expansion programme that involved the investment of R31-million in new plant and machinery since the beginning of 1982

There will be a 2% dilution in Tongaat's net asset value, while for Amic the deal will have only a minimal effect on earnings and net asset value

Improved internal efficiencies and a continuation of the steady growth in demand from its main customers — the beer, sweets, food and paper industries — have enabled Afprod to revise upwards its forecast taxed earnings for 1983

In the Amic annual report for 1982 it was stated that due to the major expansion programme and the continuing effects of the drought Afprod's earnings this year would probably not match the R7,0m achieved in 1982

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Maize is Afprod's main raw material, about 300 000 tons being bought each year for processing at its mills in Germiston, Meyerton and Bellville

Opportunities

Tongaat's six maize mills produce breakfast cereals and animal feeds as well as a full range of maize products

Other benefits which will be derived through Afprod becoming a division of Tongaat include enhanced opportunities for diversification

In Kwazulu and Northern Natal, Afprod is investigating the cultivation of cassava — a root crop that is not widely exploited in Southern Africa — as a source of starches and starch derivatives which are at present fully imported

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Business Day

Gundle may be the force behind B&S suspension

RDM 18/10/83

232

By JOHN MULCAHY

B&S Steel Furniture Company, in which Gundle Industries (Pty) recently acquired a controlling interest, was suspended on the Johannesburg Stock Exchange yesterday.

Although the company was not prepared to discuss the reasons for requesting the suspension, it came only days after the closure of the Gundle offer to minorities and amid speculation that B&S might be used as the vehicle for listing some of the other Gundle group interests

The Gundle offer to B&S minorities gave them a 28,7% premium over the price ruling on August 29, the day before the offer was extended

Gundle paid H Back Family Holdings (Pty) 341c a share for its 50,1% stake in B&S, which compared with the JSE price of 265c on August 29

Since then, B&S has traded around the offer price, and on Friday — the last day of the offer — it closed at 345c.

The Gundle group has two divisions closely related to B&S activities — Gundle Cupboard Systems and Republic Kitchens

It is conceivable that the two will be moved into B&S in exchange for paper, giving Gundle a bigger stake in B&S

But this largely depends on the extent to which the offer to minorities is accepted It is an attractive price at a time when B&S is going through a difficult patch

Results for the six months to June showed a substantial decline in attributable profit — to R215 000 from R954 000 — in what the directors described as "extremely severe trading conditions".

Mr Clifford Gundle, the chairman of the Gundle group, has said that B&S will be run as an entirely separate and autonomous operation, and that the logic in buying it is not related to a desire to list the Gundle interests.

Gundle Industries has been sitting on a cash pile since AECI took out the plastics division for about R20m and there would thus be no reason to go to the market for financing

But the synergy of combining Gundle's furniture manufacturing operations with the B&S established presence in the kitchen, household and office furniture markets is obvious, and could help B&S out of its current travails

State should sell Escom, says Kantor

ARGUS 20/10/83 (LG) 232

Argus Correspondent

PRETORIA. — The case for privatisation of state corporations was overwhelmingly strong, Professor Brian Kantor, professor of economics at the University of Cape Town, told the annual congress of Assocom in Pretoria today

He said the huge success of the South African public corporations could be properly appreciated only if attention was diverted from earnings and focused on the cash generated by their operations

The benefits from privatisation would be large, available to any cohort of taxpayers and voters sensible enough to do the obvious — that is, to persuade the Government to sell its stake and use the proceeds to eliminate perhaps all of the national debt

CASH FLOWS

The differences in the reported earnings of the public corporations and their cash flows was huge, as indicated by an analysis of Escom, Iscor, the Department of Post and Telecommunications and South African Transport Services

Escom's trading losses of R58-million in 1982 converted to operating profits, before finance charges and depreciation allowances, of R1 700-million

Iscor's net losses of R22-million converted to operating profits of R410-million

The R95-million losses of SATS turned into operating profits of R1 400-million, of which the Airways' loss of R58-million became a positive cash injection from operations of R70-million

OUTSTANDING

Post and Telecommunications' operating surplus of R76-million increased to R226-million before finance charges and depreciation

Investment ratios of the public corporations made impressive reading Escom's results were outstanding seen from the perspective of any investment analyst

The ratio of sales to investment expenditure had averaged about 55c in every rand

The return to investment had been excellent, which was why the contribution from internal sources to the costs of financing Escom's huge investment programme had risen from R709-million in 1978 to R1 657-million in 1982, sufficient to finance about 60 percent of capital expenditure made in 1982

GROWTH COMPANY

Escom was thus the growth company par excellence

If one assumed this performance could be maintained over time and expected cash flows were to be valued, Escom could be worth R27 600-million, which after subtracting the market value of its debt of about R6 700-million, left an equity stake of nearly R21 000-million.

This was sufficient in itself to equal almost the entire value of total marketable Goverment debt

CAPE TIMES 20/10/83 (189) (232)

Altech group suspensions: Details expected soon

Own Correspondent

JOHANNESBURG — Details of the Altech group suspensions, originally due to be released today, are now expected next week.

The deputy chief executive of Altech, Mr Ken Maud, said yesterday that while it was hoped to make an announcement by today, this had not been possible "due to the complexity of the negotiations"

It has now been agreed with the Johannesburg Stock Exchange that an announcement will be made not later than Wednesday, October 26

There are several permutations for the possible alliance between Amic and Altech, but consensus in the market is that Altech will acquire a stake in Asea, and that Amic in return will get a slice of Altech

This will immediately satisfy the Altech group's professed desire for some part of the action in cables, but the bigger picture is more interesting

Technology battle

Barlow Rand, through Reunert, is gearing up for the big high technology battle, with acquisitions becoming a regular occurrence

Word has it that a name change could be in the offing, to something more suited to the electronics sector

While Reunert has an unblemished record, it is also a pedestrian one, and its name does not fit the image of a "now" electronic group

With name changes and acquisitions it is all systems go at Reunert

This hectic activity has not gone unnoticed by Altech, and although Barlows and Altech have watched each other closely for some years, Barlows has tended to hold on to the military field, while leaving most of the telecommunications business to Altech

But there is no certainty that Barlows will simply allow this situation to continue, and there is every likelihood that concerted attacks will start to be be into the areas that have traditionally been an Altech preserve

This will have left Altech looking for support, and Amic has by all accounts been keenly observing Altech's activities for some time

Suspensions

The fact that all of the companies in the Altech group were suspended, and that the suspensions have been extended has led to suggestions that the negotiations involve a complex arrangement between Amic and Altech that will lead either to joint control of Powertech or Asea, or both

Assuming the deal is done with paper, Amic would, by swopping a share of its Asea holding, be left with a sizeable stake in Altech

Asea's ordinary market capitalization on the date of suspension was R57,5m, while that of Powertech was R57,4m, Altech's R200m and Altron R294m

Business Day 5

Altech-Amic cliffhanger

By JOHN MULCAHY

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The fact that Indumeni is included in the negotiations suggests that it will be used as a vehicle for some of the Asea interests, and Powertech could also contribute some assets to the company, possibly making it the joint power-generation operation

There is continuing speculation that one of the cable companies has been approached to join in the amalgamation, but none of the listed groups has been suspended, which could mean that an unlisted cable manufacturer is the target.

So many possibilities have been mooted with the suspension of the five companies that one analyst suggested that Indumeni could be a red herring. This seems simplistic and the JSE is hardly likely to have gone along with a suspension that cannot be justified.

Clicks pyramid given shareholders go-ahead

Cape Times 21/10/83 (232)

By ALEX PETERSEN

CLICKS shareholders yesterday approved a set of proposals giving the go-ahead for the formation of a holding company, Clikdin, which will hold a 51 percent interest in Clicks Stores.

In terms of the proposals which include a capitalization issue, Clicks shareholders can choose to continue holding just Clicks shares, or a mix of Clicks and Clikdin shares

Clicks chairman, Mr Jack Goldin, who at present controls 33 percent of the existing shareholding through his personal and family holdings, will be enabled to hold a clear controlling share of Clikdin

The proposals were passed unanimously, and minorities champion Mr Issy Goldberg commented from the floor that the proposals were "eminently fair", although he advised other shareholders that they should seek their full entitlement of shares in the top company Clikdin, since in the event of a successful takeover offer for Clikdin, there was no provision for an equivalent offer to Clicks shareholders

In terms of the proposals for each 100 shares presently held Clicks shareholders may choose to hold either 100 Clicks shares of no par value and 200 Clikdin shares, or 200 Clicks shares but no Clikdin shares

The mechanics of the operation are that the 10m issued and 2m unissued shares of 50c each will be consolidated into 5m issued and 1m unissued shares of 100c each

The authorized share capital will be increased by a further 14m shares of 100c each, and the total authorized capital will be converted into shares of no par value

Shareholders will then be made a capital issue of three new shares for every one held They will then be entitled to exchange two of the three capitalization share for Clikdin shares, receiving two Clikdin shares for each Clicks share

Mr Goldin told the annual meeting preceding the approval of the proposals that Clicks was proceeding with its planned expansion programme, and would open a store in Bloemfontein shortly, the group's first in the Orange Free State

The deputy managing director, Mrs June Kritzinger, who manages the group's property portfolio said that the new store would be in the former Greatermans department store, with 1 200 m² of trading area and 300 m² storage space

The group had also recently bought a warehouse in Durban for R1,7m to serve the Natal operation This would provide 1 200 m² in warehouse space, 250 m² in office space, while the site would allow for further expansion

The expansion would be funded internally, and Kimberley and Welkom had been earmarked as areas for further stores

Questioned on the need for consolidation, Mr Goldin told shareholders that in the financial year from July 1982 to June 1983 the group had indeed consolidated, opening only three new stores

He said that while the current year had reflected depressed trading conditions, figures for October had shown a welcome upturn, and augured well for the Christmas season

Top-dog Amrel gets ABC Shoe control

Minority offer includes non-interest stock

By PATRICK McLOUGHLIN
Investment Editor

SOUTH African Breweries specialist retailing group, Amalgamated Retail, has reinforced its dominance in the R800m retail footwear industry with the acquisition of majority control of ABC Shoe Corporation.

Amrel said yesterday that the majority shareholders of ABC — the Manne and Green families and one or two other shareholders who together owned 72,2% of the issued capital — had agreed to the acquisition

An offer will be made to ABC minorities in about two months Assuming they accept, the acquisition will cost Amrel R6,6m

Amrel is offering ABC shareholders alternative payment For every 100 shares held they can take R180 in cash, or R200 in R100 cash and R100 from non-interest bearing unsecured Amrel loan stock

The loan stock will be redeemed in two tranches — 50% a year after issue date and the balance two years after the issue date

A spokesman for Amrel says it is believed that this will be the first time that non-interest bearing loan stock is listed on the JSE

A shareholders' meeting to approve the deal will be held in January After the takeover is ratified the majority shareholders will pocket about R4,8m iun terms of the cash option

Amrel, which will deliver its interim results in a fortnight, has about 10% of the highly diversified retail footwear market and the acquisition will add another 2,5%

Negotiations are at an advanced stage for the cash sale of ABC's wholesale business, Flex-more, to the Shiffer family Negotiations are also taking place to sell the small footware plant, Studio Shoes

Union Acceptances, which is handling the deal, said the acquisition was not expected to have any immediate material effect on the earnings or net asset value of an Amrel share, but was expected to benefit Amrel in the medium term

The position of the holders of the 12,7% unsecured debentures 1989/1993 would not be affected by the transaction Amrel might, however, consider the position of debenture holders in the future

Yesterday's announcement followed the suspension of ABC on the JSE at 185c On the cash option, Amrel is paying 180c, but the suspension price followed market rumours and the cash option is at an 11% premium to the book value of ABC shares in the 1983 accounts of 161,8c

Market opinion is that nearly all minority ABC shareholders will accept one of the two offers because of the poor performance of ABC for the year to January when earnings a share fell from 41,3c in 1982 to 11,6c and dividends were pared from 16c to 6c

Minorities will be encouraged to accept one of Amrel's offers when they see the dismal results for the six months to July 31 The interim figures, released yesterday, showed a fall in taxed profit after extraordinary itmes from R208 000 in the 1982 first half to R18 000 Earnings a share were -3,6c (5,7c) and the interim dividend was passed

A R149 000 extraordinary loss was caused by cancellation of leases and the closure of overseas operations

The 83 outlets of ABC, which retails shoes, handbags and accessories and makes and wholesales footwear, will be absorbed by Amrel's footwear division This comprises Cuthberts, Barnes, Select-A-Shoe, Moda Belle, Scotts and Victor Value

Total sales for the division for the year to March were R103m Amrel's turnover was R342,134m

Amrel's executive chairman, Mr Ronnie Cohen, said the acquisition had the approval of the Competitions Board In line with Amrel's corporate "arm's length" philosophy, ABC would be run as a seperate chain and Amrel had no intention of closing any stores

"We see the acquisition of ABC as an excellent move for Amrel and are pleased the Competitions Board has cleared the acquisition"

ABC was a recovery prospect and he was confident the company would return to its previous profit levels in the next year or so

BIG BUSINESS AND COMPETITION

Unscrambling the omelette

This week five Cape economists consider the question of monopolies, economic concentration and competition. Last week they gave their views on inflation and unemployment

FM: Wolfgang, you mentioned earlier the structural rigidities within the economy and their inflationary impact What do you believe these structural rigidities to be?

Thomas: Well, let's take the question of competition The issue is complex But I think at the moment the public, probably blacks more so than whites, see themselves confronted with, on the one side, increasing concentration among the big groups, and on the other, a sort of price policy which obviously they don't understand At the same time in terms of monetary and fiscal policy there is a tightening So they feel that they're being confronted by monopolistic or oligarchistic prices against which they have no protection

How valid is the fear that large insurance companies are in a position to influence management?

Louw: That's not the intention of the insurance companies They haven't the expertise

Let's just dwell on this question for a minute, of concentration of ownership and lack of competition David, what is your view?

Rees: I worry about monopoly for the conventional reasons that economists advance against monopoly Monopoly tends to generate an economy which is inefficient and tends to redistribute from consumers to producers These are standard arguments against monopoly. I'm concerned about the anti-monopoly policy which we have because it seems to go with the symptoms rather than the causes The free market doesn't generate monopolies Monopolies arise through government intervention It's very difficult to think of a monopoly in SA which wasn't put in place, and sustained in place by some form of government intervention, some sort of constraint on competition

Now, we have a competition policy — anti-monopoly policy — which works through the government and so the government's in a contradictory position On the one hand you have monopolies which were created by the government to serve the interests of specific groups and at the same time the government is vocalising an anti-monopoly policy

Can we be specific for a moment? We have seen a trend in recent months towards a marked concentration of ownership Is this a good thing or a bad thing?

Rees: I don't think one can pass judgement on it Given the rules of the game, businessmen behave in a way which will maximise profits and that implies using resources as efficiently as possible I'm not prepared to say whether a particular merger is a good thing or a bad thing What I worry about are the rules of the game And there's no doubt that to a large extent what we've seen is the result of various constraints on market activities, such as exchange control This is one of the reasons why financial institutions have grown so rapidly and why there's been so much concentration in the financial sector Now, you can keep exchange control in place and invoke competition boards to deal with the problem, or you can go to the fundamental cause of the problem

Kantor: There's something even more fundamental than exchange control and that's differential taxation Different kinds of economic activity in SA are taxed at very different rates and the highest tax rates are actually paid in the gold mining industry Just to make the point, if you took two important investments by Anglo American — say Western Deep and AECI — you'd find that Western Deep pays 70% in tax and AECI pays zero Now what is management going to do with the cash generated by Western Deep? Pay it away in taxes or look for acquisitions that effectively reduce their tax rate and increase their retention of cash?

Rees: I think protection by import control is one of the most fundamental causes of monopolies We often look for example at concentration ratios as being very high in SA Now these are interesting because SA is defined as the geographical region within which the concentration ratios operate That's only important if imports aren't allowed in As soon as you have competition from imports, those concentration ratios become insignificant because, in world terms, SA's concentrations are trivial Why does one worry about the fact that SA Breweries (SAB) controls 100% of the brewing capacity in SA? Only because there may be constraints on imports I'm not sure if there are constraints on imports, but if there are, then it becomes relevant that SAB can to some extent push up the price of beer against consumers

Lee: I think that there's a danger of becoming too simplistic about this concentration of power argument People think that an industry dominated by, say, three companies must be less competitive than an industry with a lot of small companies But in fact the evidence from overseas is that it's not necessarily the case You can have an industry dominated by two companies which is extremely competitive

Rees: I agree that concentration ratios tell you very little if anything about the competitiveness of a particular sector But they do tell you something about the degree of difficulty, or ease, of organising a political body to represent a particular sector For example, in the insurance sector, the high concentration ratio may tell you something about the influence that sector is likely to have with government It's easier

David Rees is a senior lecturer in economics at the School of Economics, University of Cape Town

Wolfgang Thomas is professor of economics at the University of the Western Cape

Rob Lee is the chief economist of the Old Mutual

Johann Louw is the senior manager of economic research at Sanlam

Brian Kantor is a professor of economics at the School of Economics, University of Cape Town.

FM 21/10/83

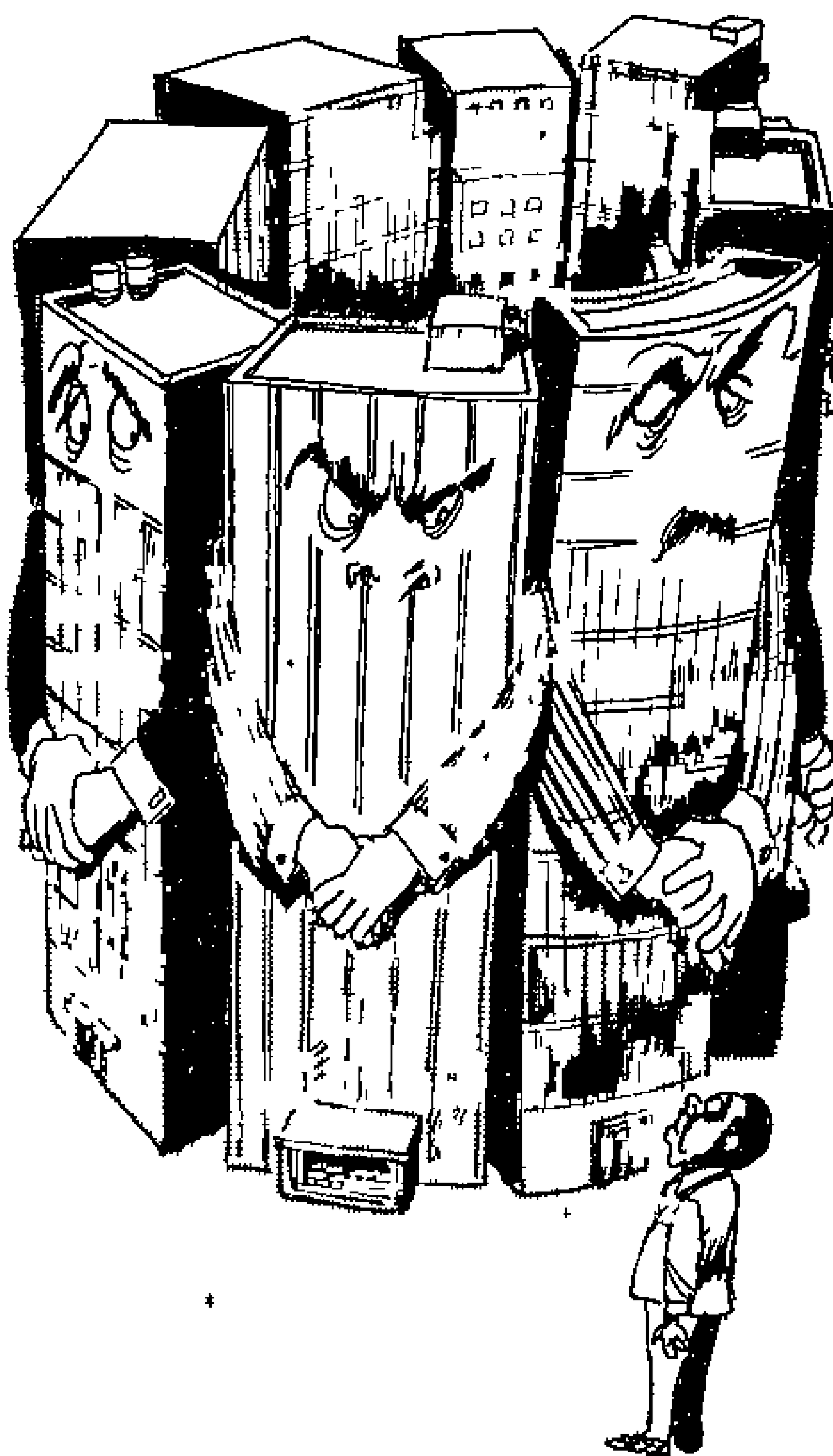
(232)

to organise a lobby with only three of you around the table than when there are about 300.

We've talked about concentration of industry in this country and come to the conclusion that there's not necessarily a reduction in competition as a result of it. We've also said that it's come about as a result of what government has done: primarily exchange control regulations and tax. Where do we go from here? Is there any argument for unscrambling an omelette?

Lee: The best way of making sure that concentration doesn't increase, or that what concentration we have is optimal, is to abolish exchange control on everybody, and to make sure that existing tariff protection is reduced, or at least not increased That way international competition will ensure that there are lower barriers of entry into the SA market, including insurance

Kantor: Nobody would recommend the removal of protection overnight and we're not talking about that. I think I would settle simply for a policy of no further increase in protective duties. All the time the tendency is to raise protection However, I think at the moment industry is finding that government has become more critical of its applications and I think the Steenkamp committee report, an excellent document, has provided very good arguments as to exactly why they should be more critical.



Rees: I think that's what we're seeing. All the old arguments for protection — the infant industry argument, the military independence argument, the sanctions argument, are up for review I think that the case is having to be made much more carefully, and I think this is one of the effects of the Competition Board

Thomas: The principle tells us, in a case of doubt, to abolish import protection I would agree as an academic But in real life, the person who is affected will scream out There may be a couple of companies or sub-sectors where, in fact, it's not justified. There may even be other areas where we would have to increase protection For me, it's not the principle which is at stake. It's the practice and the implications We must be aware of both

The takeover watchdog!

232 S-Times 23/10/83

By Barry Sergeant

SOUTH Africa will have a powerful panel to control company takeovers if the recommendations of three members of a high-powered committee are accepted by the Government.

Business Times this week obtained a copy of a report by Mr Justice Margo and Professor S J Naude to the Standing Advisory Committee into Company Law recommending new takeover rules which marry the best of British and American securities legislation

Report recommends panel to control future acquisitions

After a thorough on-site investigation of the City Code in London, they have reported back to other members of the committee, strongly advocating a takeover panel similar to the London City Code

But they would like it to have teeth such as the Securities and Exchange Commission enjoys in the US

A panel set up by statute and buttressed with tough penalties would continue to permit flexibility and a measure of self-regulation, while it would avoid the government controls and bureaucratic red tape much criticised in America and Australia

Professor Michael Katz, another member of the standing committee, called the report "excellent" and said he hoped it would have an enthusiastic reception

An important implication would be that the JSE listings committee would no longer be the sole arbiter in mergers and takeovers

The report says that, because the committee is made up entirely of practising stockbrokers, apart from the Registrar of Financial Institutions, "the question needs to be asked whether it is a body sufficiently independent to carry out the function envisaged by the Van Wyk de Vries Commission, bearing in mind the conflicts of interest that may arise"

Paul Ferguson, president of the JSE, said he had still not responded to the committee and could therefore not comment

He is known, however, to feel that the JSE's present listings committee, with its listings advisory board — comprising four brokers and nine outside experts — is adequate to the task of policing takeovers

While the listings advisory board can only make recommendations, Mr Ferguson is on record that, once it has teeth, it will suffice

His administration has been at pains to reform securities matters after the Greatermans debacle

It fearlessly swept out the cupboard after the recent Gilt Acceptances scandal and stood up to Old Mutual on behalf of Rennies' minority shareholders

But Mr Justice Margo and Prof Naude say "A system of completely voluntary self-discipline is not practicable in this country"

They add that the listings committee is not a takeover panel and that it does not constitute self-regulation

The proposed panel will look at company-law aspects of takeovers and not at the effect of takeovers on competition This will be left to the Competition Board

The report mentions that the ultimate penalty the JSE can impose at present is the delisting of shares or the refusal to grant a listing to new shares being issued

"This may have the opposite effect to that desired by the JSE in that the shareholders it is trying to protect are the very persons who may be most adversely affected by any delisting"

The report says that, while the JSE is interested in investor protection, "its functions in regard to takeovers primarily involve its own listing and de-listing requirements"

"Serious criticism", continues the report, was made pursuant to the JSE's implementation of its takeover requirements after the judgment handed down by Mr Justice Goldstone in the 1982 Dawnlaan Beleggings vs JSE case

In this case, the JSE's decision that an offerer was not obliged to extend to the holders of non-voting shares the offer to holders of ordinary shares was set aside

Mr Justice Margo and Prof Naude quoted Professor Gower, Britain's world-renowned company lawyer, as saying that a panel in SA "should be armed with effective statutory sanctions"

The members of the committee "came to the firm conclusion that a panel could successfully and effectively be established in this country"

After exploring a variety of possible forms the panel could take, the report recommends that a "takeover panel within a brief statutory framework which will essentially be enabling" be established

It observes that the chairman will be all-important in the success of the panel and recommends the appointment of a senior lawyer

Mr Justice Margo and Prof Naude recommend that, once formed by statute, the panel should draw up its own rules, which should be published in the Government Gazette

The initiative will have to come from the standing committee, which will have to approve the establishment of such a panel.

Cape Times 25/11/83

Labour relations — key area for building industry

PORT ELIZABETH — The building industry today faced many problems arising from the current recession, from the drought and, probably most challenging of all, from emerging pressures in the industrial relations field, Mr Jed Bramwell, chief executive of Murray & Roberts said

Addressing the opening of the Building Industry Federation of South Africa's congress in Port Elizabeth, he said "There is no doubt in my mind that the government's efforts to broaden the processes of negotiation with workers and to liberalize our labour legislation will lead to a more stable and productive labour force in the longer term"

Problems

He said the process of achieving this state of affairs would be painful and, in some cases, traumatic, for employers

In the future, management would have to devote more time to the problems of industrial relations than it had done in the past, and in this regard, it had to recognize the implications of the rulings of the industrial court

"Recent court proceedings had clearly revealed that in many instances employer reaction under pressure from organized employees was hasty and ill-conceived"

Mr Bramwell said the tendency towards the means of production being absorbed by fewer and fewer major companies had not led to any increase in the means of production, the creation of a greater number of job opportunities or increased efficiency within the country's economy as a whole

As far as the construction industry was concerned, it had also led to the undesirable practice of in-house trading in an industry which had always prided itself on the fact that it represented the very essence of the free enterprise system

Preferences

"Today many of the major construction companies are owned by mining and financial groups which tend to give special preferences to their own companies

"This unhappy state of affairs has led to many contractors becoming increasingly frustrated by the tendency of these major groups to seek tenders apparently only to check prices and maintain a level of honesty in the pricing of their own in-house companies," he said — Sapa

confidence which is conducive to longer-term undertone, exports had increased and, coupled gradual easing in the financial markets. price.

232 RAM 25/10/83

Construction bedevilled by closed shops

By NORMAN CUTHBERT

PORT ELIZABETH. — Mr Bill Bramwell, chief executive of Murray & Roberts Holdings, yesterday joined the concentration of power debate by slamming mining and financial groups for giving preference to their own companies.

He said the progressive absorption of the means of production into fewer companies was leading to a disappearance of competition in the construction industry

He said in the opening address to the BIFSA congress that many construction companies were now owned by mining and financial groups.

This had led to the undesirable practice of in-house trading in an industry which had always prided itself on representing the essence of the free-enterprise system

The tendency for mining and financial groups to give preference to their own companies was causing frustration among many contractors

They observed the tender system apparently only to check prices and maintain a level of honesty in their in-house companies.

Mr Bramwell pointed to the lack of opportunity of institutions to invest funds overseas as a factor contributing to the concentration of economic power in fewer hands.

It led to funds being channelled into the acquisition of existing buildings.

Regardless of whether exchange control restraints were lifted, more and more office and apartment buildings would in future be owned by institutions.

R60m Palmiet deal

Financial Reporter

ESCOM has awarded a R60m civil engineering contract to Clifford Harris (Pty), Marti Inter of Switzerland and another overseas company

The contract applies to the headworks, penstocks, power station and tailworks of the Palmiet pumped storage scheme near Grabouw, about 70km from Cape Town

The scheme comprises two reservoirs, separated by a vertical distance of about 300m, with a power station between them

The civil contract, due to start next month, will run for 44 months, and involves excavating about 352 000m³ of rock and pouring 130 000 m³ of concrete.

Clifford Harris, a subsidiary of Mitchell Cotts, and Marti will operate in the Palmiet contract through their joint venture company, Clifford Harris-Marti (Pty)

About 500 jobs will be created throughout the various phases of the contract

The full Palmiet scheme will cost about R500m, and is designed to generate electricity during the day as water gravitates from one reservoir to the other.

At night, when demand is reduced, water will be pumped back into the upper reservoir, to be used later

In this way, Palmiet will generate about 400mW of electricity into the national grid.

Rigid guidelines have been stipulated for the protection of the environment. Construction techniques will keep environmental impact to a minimum

A Clifford Harris spokesman says meticulous planning is the key to the success of the project A computer planning team of senior Clifford Harris staff will monitor progress of all construction phases.

MESSAGE BOODSKAP

TIME 12H45

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Protea buys into graphics with R9,6m for Photra

26/10/83 RDM

232

Financial Reporter

PROTEA Holdings has bought graphic materials supplier Photra Holdings (Pty) for an effective R9,6m, to be settled by the issue of 3-million new Protea shares and R900 000 in cash

Provided a "condition precedent" is met, the takeover will be effective from April 1 this year

A third of the purchase price is payable when the undefined condition is met with the balance payable on March 31

Protea's shares are valued at 290c each for the purposes of the deal Protea closed at 345c last night

The net asset value of the Photra Holdings shares at March 31 was R8,1m, and an annnouncement from the two companies states that the acquisition will have no material effect on Protea's earnings a share nor net asset value in the current year

Photra has four main subsidiaries

- Photra (Pty) — supplier of sensitised materials and equipment for the graphic arts, drawing office and photographic sector
- Photra Electronics (Pty) — supplier of computer-controlled electronic typesetting and editing systems, facsimile transmission and word processing equipment, raw materials, equipment and connectors for the manufacture of printed circuit boards
- Chemtra (Pty) — supplier to the chemical industry of commodity and specialised chemicals and equipment.
- Photra Manufacturing (Pty) — manufacturer of silver-sensitised films and chemicals for the graphic arts, industrial photographic and radiographic industries, chemicals for printed circuitry and equipment for the printing, drawing office, pain and printed circuit board industries

Mr V Rudaizky and Mr M Coleman, joint managing directors of Photra, will continue to manage the group and have entered into service contracts as part of the sales agreement

Venter controls challenge to Barlows

Indumeni vehicle for Altech-Amic

(232) RDM 26/10/83

By PATRICK McLOUGHLIN
Investment Editor

INDUMENI has emerged as the top company in an Altech-Amic electronic industry alliance, which has set up a R500m a year group with vastly improved potential for growth.

Although the Venter and Anglo interests prefer to minimise the Amic involvement, the takeover by Powertech of Asea and the restructure of the Altech group places Mr Bill Venter and Amic as firm allies

As expected, the first leg of the deal is Powertech's acquisition of cable and electrical group Asea SA, and Amic gains a 20% stake in the Altech group's new holding company — Indumeni — setting the scene for a possible high-technology market-share tussle

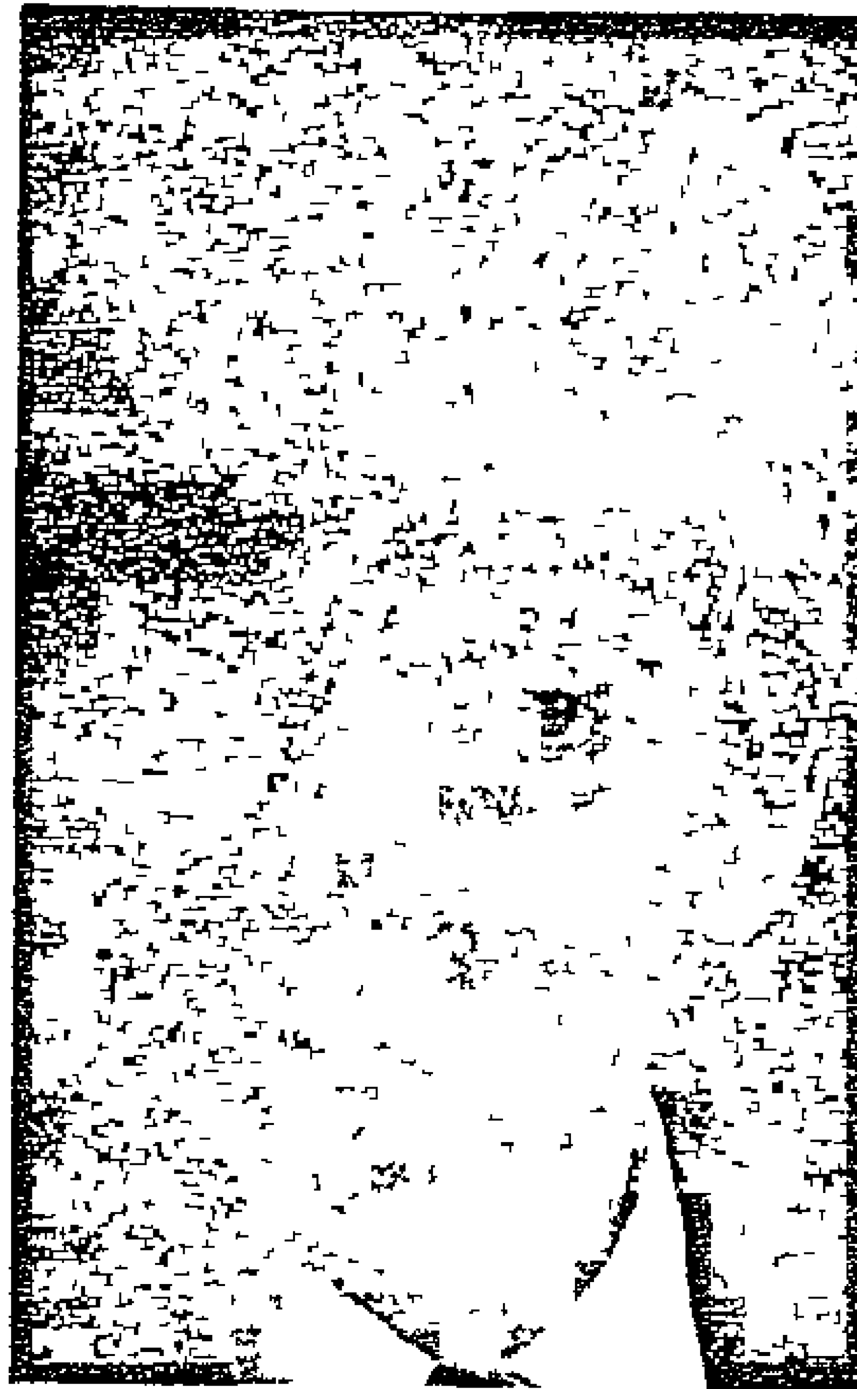
These were central points behind yesterday's announcement by Altech's chief executive, Mr Venter, that his group had been restructured in a series of deals

The overall picture gives Anglo American, through Amic, a significant stake in a ready-made electronics and power group which could provide a powerful challenge to Barlow Rand in high technology

The new-look Altech follows the simultaneous suspension on the Johannesburg Stock Exchange a fortnight ago of the Altech group, Amic-controlled Asea and Indumeni, a defunct Natal coal operation controlled by Anglo American It is also the culmination of five months of discussions

The major effects of the deal include.

- Indumeni, to be transferred to the JSE electronics sector under a new name, will be the Altech holding company — owned 70% by the Venter Family Trust, 20% by Amic and 10% by the public.
- Altron will control 62,4% (formerly 56,6%) of Altech, which will in turn control 80,4% (63,1%) of Powertech.
- Powertech gets 49,6% of Asea and will have 91,8% of Lascon Lighting Control of Lascon is now shared by Altron (41,7%) and Powertech (50,1%)


Altech chief executive Mr Bill Venter.

Asea AB of Sweden will retain its 25% stake in Asea SA

The various shares will be relisted on the JSE on Thursday

The complex deals will create an enlarged and powerful high-technology electronics group with annual sales exceeding R500m, a work force of about 10 000 and the capability of competing for large turnkey contracts against the major multinationals

That, for Mr Venter's part, is a major reason for the move The benefits for Anglo American, according to Mr Venter, are participation in an enhanced, high-growth investment

Asea is suffering from deteriorating market conditions and is preparing for a lengthy spell of severe competition before margins can be fully restored.

Altech is playing down the Anglo involvement in the group and stresses the Asea acqisition which will be a boon for Powertech

"Asea on its own is limited in product range and so is Powertech," Mr Venter said "Together they are an awesome company."

Altech has long coveted Asea — it approached the group in 1980 — to furnish Powertech with a broader base

One area of interest is Asea's cable-making — "A company the size of Asea with its diverse product range in the electrical industry is just not available," Mr Venter said

"It was a coup to get control of such a business with a fairly small portion of Altron-Indumeni. What is significant is that Powertech is now a company that can compete with the multi-nationals. It's now in cables, heavy transformers, mine winders — Powertech has a broad base"

The balance of the Altech group was now more evenly divided between telecommunications on the Altech side and power electronics with Powertech

The major aspects of the cash and share deals include the acquisition by Amic of Amcoal's and Anglo American's combined 57,6% stake in Indumeni Amic will also acquire the coal-mining assets and liabilities of Indumeni for R654 000 cash. Indumeni will cease to be a coal operation

Indumeni will have a rights issue, underwritten by Amic and Altron's controlling shareholders, and Amic will follow its rights

Indumeni will acquire a controlling interest in Altron from the Venter Family Trust (which holds more than 60% of Altron), which will get a 70% stake in Indumeni.

Indumeni's new name will reflect its high-tech nature and possibilities are Technologies Holdings and Associated Technologies

The Altech group is said to looking for acquisitions abroad, preferably in the United States

Cash reserves of R17m coupled with benefits from the deal, including the R14m rights issue, mean the group will be able to make equity-funded purchases of R400m or more Acquisitions would not touch the current gearing of about 20%

● Powertech's acquisition of Asea was last night give the Competition Board's blessing. The board's chairman, Dr D J Mouton, said the move placed control of Asea in South African hands and the new group would intensify competition

Pyramid being considered

Waltons beats recession with 24% profit rise

CAPE TIMES 27/10/83 232

By PAUL DOLD, Financial Editor

SOUTH AFRICA'S largest stationery group, Waltons cruised to a comfortable 24 percent rise in pre-tax profits in the first six months in spite of the recession and is raising the dividend by 20,5 percent to 20,5c.

Waltons has also announced that it is considering a pyramid

Sales rose 16 percent to R29m with operating profits of R3 563 119 (R2 888 220) Net profits before lifo were 24 percent ahead at R1 840 787 The lifo adjustment at R268 731 was well down on the previous R509 738 Waltons switched to lifo last year with the main bite taking place at that stage Net income was R1 572 056 (R972 149)

Fifo earnings per share were 61,9c (50,9c) leaving the dividend three times covered

The encouraging performance cuts across the generally bearish trend of corporate earnings and suggests spending on stationery has been relatively unaffected by the recession Margins have not been impaired by the downswing and Waltons has further increased market share

The managing director, Mr Frank Robarts, says the results were achieved without any contribution from the recently acquired DRG Stationery division

The rationalization of DRG with Waltons has gone smoothly and the first impact of profits will be in the next financial year

The toy chain had a loss of R101 121 (R72 212) in the first half but this is normal and due to the seasonal nature of the business

Waltons has been expanding the toy arm — Redgwood Toys — into the country's largest toy retailing specialist and Redgwood already has some 31 stores nationwide Redgwood is forecasting satisfactory Christmas sales and should increase its profit contribution

Mr Robarts does not make a forecast for the second six months in the interim report, but given relatively fair trading the group should be able to pay a total dividend for the year of around 55c after the latest 20,5 percent interim If the high three times cover is pared, the dividend could well be higher

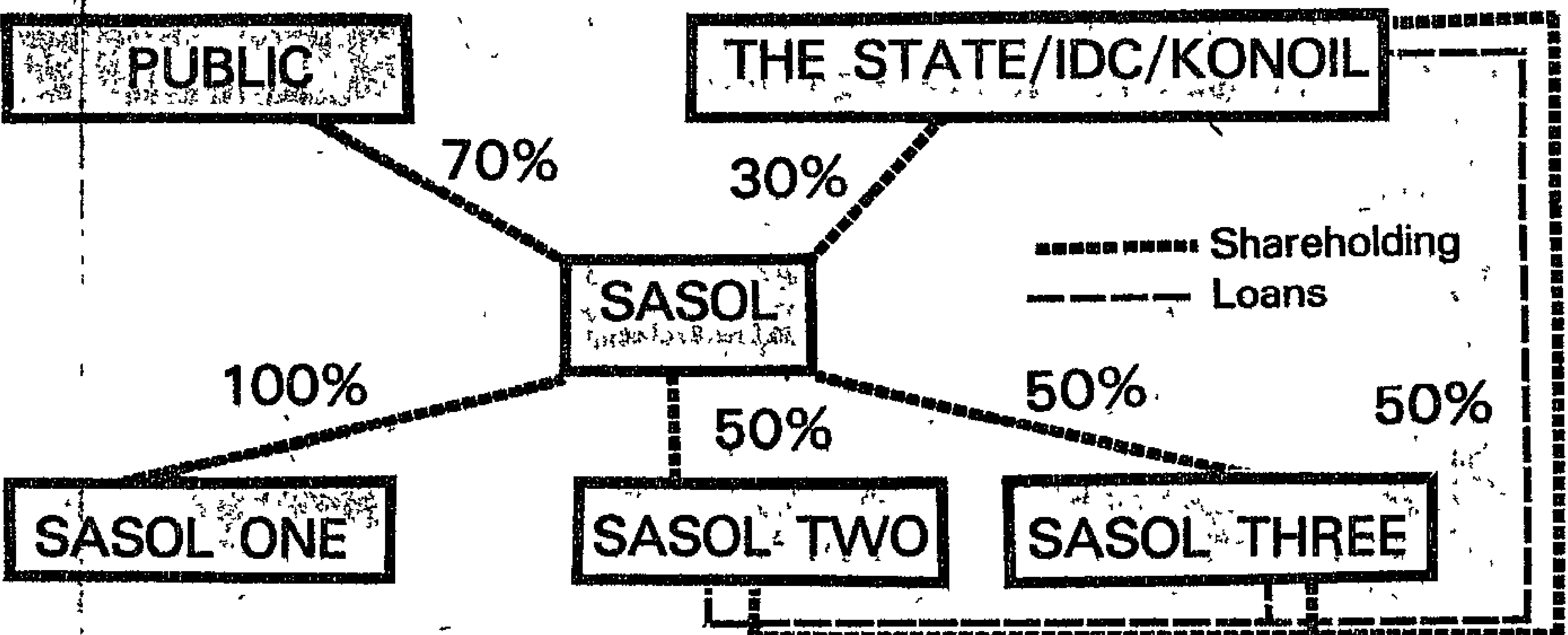
Waltons' performance suggests the share is well worth watching and the price should at least move up to the R10 level on these results

The pyramid announcement suggests management is seeking to consolidate control of the group

According to the last annual report, the directors owned 38 percent of the equity The largest invididual shareholders are pension funds with some 30 percent

Institutional interest in the shares has been increasing against the background of the steady growth performance and last year earnings were 26,4 percent up

usiness Day
DAILY MAIL PUBLICATION Johannesburg, Thursday, October 27, 1983



(232) Cape Times 27/10/83

Gilbeys to sell Bertrams Wines as cash shell

By ALEX PETERSEN
Deputy Financial Editor

W & A GILBEY have accepted an offer of 61c a share from Northern Trust for its 52 percent share in Bertrams Wines Ltd as a cash shell

Northern Trust, who are acting on behalf of a client, have made a standby offer of 61c a share to the minority shareholders, who number about 1 200

Bertrams shares were suspended on the Johannesburg Stock Exchange yesterday after trading at 55c on Tuesday

Earlier this month Gilbeys announced their intention to constitute Bertrams as a wholly-owned subsidiary and to offer 45c a share for the ordinary shares, and 100c for the 5,5 percent preference shares However, the offer documents had not yet been sent to shareholders

Competitive

Gilbey's reasons for their offer were that due to the highly competitive nature of the wine industry, Bertrams would require greater management and financial support which would otherwise be disproportionate to its shareholding

Following the Northern Trust offer, Gilbeys will buy the assets of Bertrams, leaving a cash shell worth R1 297 000

The Northern Trust offer will give minority holders of ordinary shares three options

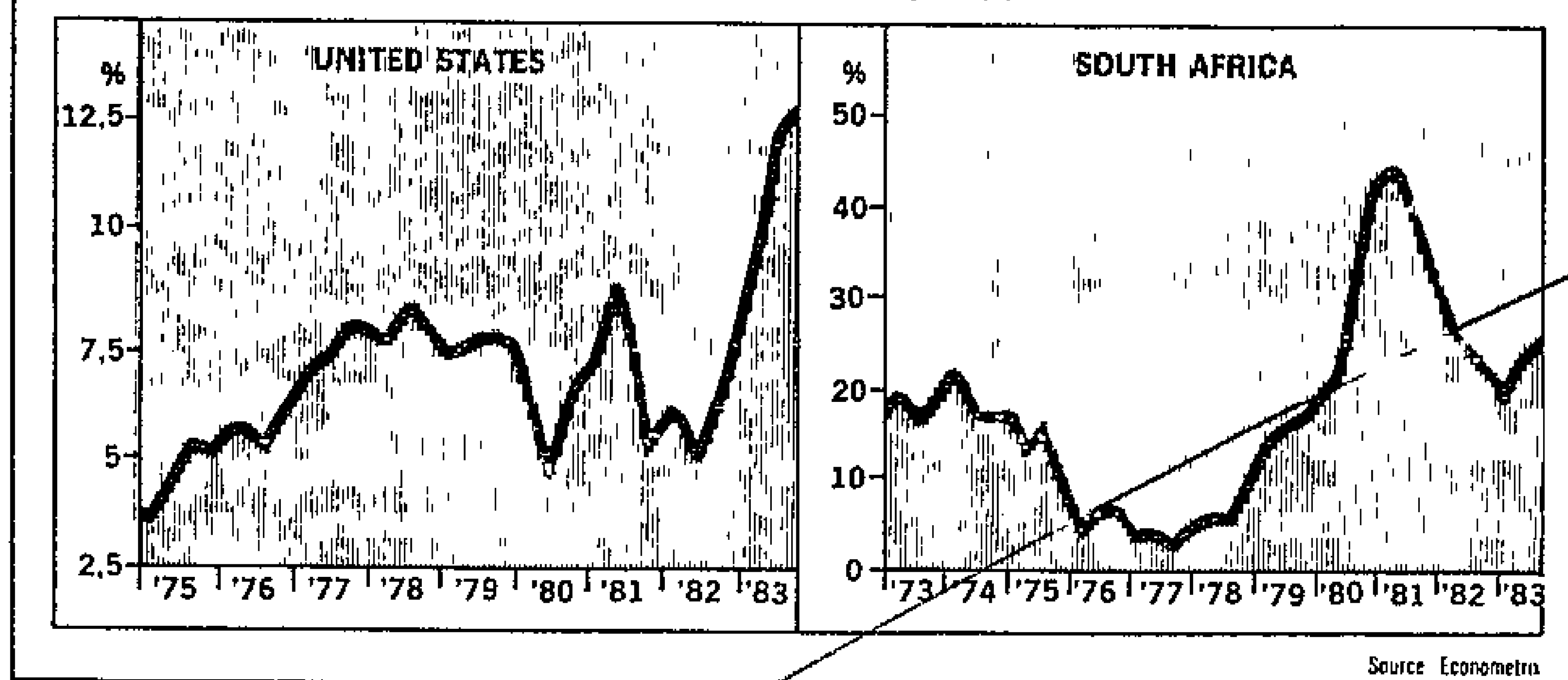
- They may accept the standby offer of 61c This stands for three weeks, and will then be replaced by a similar offer
- They can hold their shares and accept a special dividend of 25c, and wait to see the purchaser's intentions for the cash shell Northern Trust manager, Mr D White, said these would be announced in February next year, once the formalities of the current offer had been dealt with
- Shareholders could sell into the market, or wait for the terms of the similar offer, which could well be higher

Preference shares

The 5,5 percent preference shareholders will be offered the same terms as were offered by Gilbeys, i e 100c and their dividend for the six months to the end of December

The pay out to preference shareholders and the payment of the special dividend of 25c will deplete the cash assets of the shell by about half

Gilbeys are to continue to market wine under the Bertrams label, and the name of the cash shell will be changed



money

Moreover, interest rates are not only less controllable than money supply They're more politically visible, and it requires tremendous will to maintain the pressure By all accounts, the Reserve Bank has not been equal to the task

"The Bank changed tack in mid-1982, just when the medicine was working," says an economist who does not wish to be identified "It forced prime rates down when money market rates softened in response to the rise in the gold price Horwood thought gold would save us He was wrong"

Says another "The monetary authorities always back down when the crunch comes In the US and the UK they let rates go as high and as long as necessary until they actually broke inflationary expectations It's the only way to show you mean business, to jump the credibility gap In SA, they're simply not willing to do it"

Of course, it's no secret that SA's money supply figures are suspect They are often artificially inflated and deflated by flows in and out of their defined target areas that disguise underlying truths "In fact," says an economist, "this has tripped up the Bank before, and made it complacent to the tremendous demand for credit building up in the system"

They will obviously have to be revised, a fact that hasn't escaped the Bank Some economists, for instance, believe that cash as we know it — bank notes and coin — is a better indicator But in the meantime, the Reserve Bank has pledged itself to control the existing aggregates

University of Cape Town economist Brian Kantor, who reports a 17% trend growth on latest figures, is one who believes that the Bank is doing it However, no good reasons appear for thinking that another miscalculation in foreign exchange management, or in government's bugetary projections, or in predicting consumer confidence, will not send the aggregates way off course again And unless Pretoria finds the political courage to complete the market-determined system it is inching towards, and accept its consequences, those reasons will not appear

METAL BOX

Ready for battle

The new-look metal Box, following the merger with Nampak, now has the widest range of packaging services in SA. The *FM* looks at its strengths and weaknesses.

The emergence, from one of the most complicated corporate deals ever constructed, of a new-look Metal Box must have given even the most confident of its competitors pause for thought

The packaging industry has probably become the most competitive of any in SA, with the recession seemingly spawning increased competition rather than allowing only the strongest to survive The merger of Metal Box and Nampak was therefore a logical step towards the consolidation of an already strong base by two of the industry's leaders The decision was not made, however, on the basis of potential rationalisation benefits — either in the respective workforces or other overheads

Of the previous Nampak divisions now injected into Metal Box over 90% are complementary to existing MB operations The only duplication occurs in the two firm's plastics divisions and in cores and tubes, but even there it is expected any slack will be taken up by organic growth

New Metal Box MD Peter Campbell, who took over following the departure of Derek Jacobs to Barlow Rand with MB's industrial divisions, is confident that the marriage will prove successful Since 1977 Metal Box has been working towards a reduced dependence on its tinplate packaging Campbell sees this latest move as the best possible conclusion to MB's diversification plans

Although Nampak becomes the controlling shareholder, with over 51% of MB, Metal Box UK still retains a significant investment with its 25% stake in the enlarged operation In fact, Nampak insisted as a precondition of the deal that Metal Box UK remain involved with the local operation Apart from anything else it helps ensure that the UK firm's extensive research and development facilities will remain accessible to the SA operation

Campbell says, however, that the major advantage of the increased operating base will be the ability to offer customers virtually any form of packaging Whereas customers may have been forced to look elsewhere before, they can now be catered for within one of the other divisions should their requirements change

Most of this effort will be generated within the diversified packaging division This operation will be structured to work closely with customers, to develop new packaging opportunities and to improve and extend existing lines One example is development work being undertaken on a composite two-piece beer can, which has a plastic base and sides, but a metal top

One of the most exciting growth areas will, however, be the flexible packaging division Bas Kardol, who is chairman of both Nampak and the new Metal Box, says this operation suffered an extremely difficult time in the past 18 months — due mainly to problems of its own making

Nampak took the division back under the corporate wing and returned it to the right road Now Kardol feels that this aspect of the deal was undervalued Extensive changes have been made to the product mix, productivity and management and he says it would now be difficult to find a better company anywhere Although smaller than before, it is also leaner and back in profit and is expected to provide some stiff opposition to the rest of the industry

Probably the most interesting development for the new Metal Box will be the addition of a glass manufacturing facility Developed at a cost of some R48m by Nampak over the past few years, it only recently produced its first bottles And although only one furnace is operating at present, a second is likely to come on stream during 1985 and a third not long after

The foundations have already been laid for the additional furnaces and Kardol expects these can both be installed for a total cost less than was needed for the first Market share is not a worry, though clearly Metal Box expects to take business away from Consol, as growth is budgeted to be more than sufficient to ensure all three furnaces operate at capacity shortly after being commissioned Turnover from the glass side is expected to be between R10m-R15m in the year to next September 30, with the furnace at capacity by the second half of the year

Liquid packaging requires increasingly innovative marketing and product design effort, due to the increased competition in this area Kardol believes it will nevertheless continue to thrive and provide an important complementary operation to the other group divisions

In the first year of operation, at least, Metal Box's basic food and beverage canmaking division will provide the largest single contribution to group turnover Campbell says it may continue to do so for quite a while — given the country's growing population and the increased awareness and sophistication at the lower end of the market This year growth will, however, be slowed by the side effects of the drought, which is expected significantly to cut volumes of canned fruit and vegetables

Another problem has been the growth of the European canning industry Last year over 85% of SA's canned fruit and a large amount of canned vegetables were exported Increased canning activity in the EEC, combined with the high tariffs for nonmembers, has taken its toll But Campbell says any export declines should be more than offset by growth in SA

Metal Box's Campbell ... size does enhance the competitive position

The Barlow touch

Metal Box will retain its own identity, outside the Nampak/Barlow fold, but the beginnings of the Barlow Rand management philosophy are already evident Kardol is adamant that every manager must have the responsibility to take decisions without constant recourse to higher authority And, while he says Metal Box was centrally controlled, there are signs that decentralisation and divisional autonomy are being brought in

Campbell says his management team will consist of nine senior managers who will effectively run separate operations and report to him These will be the heads of the five manufacturing divisions, plus group financial, personnel, legal and technical controllers The object is to push as much responsibility as possible even farther down the line, which eventually allows individuals the opportunity to prove themselves

Kardol says Nampak was the first company in the Barlow group to adopt this practice and, while he admits it does occasionally cause problems, it has proved extremely successful The Nampak preliminary results for the year to September 30, due out shortly, should provide further proof of this policy

Metal Box is obviously well-placed to move ahead strongly The *pro forma* income statement for the new company would have generated pre-tax profit of R42m in the year ended March 31 (using the Nampak figures for the year ended September 30, 1982) on turnover of R523m These figures are expected to rise to around R55m pre-tax and turnover of over R600m in the first full year of operation, to September 30 1984

The number of shares in issue has virtually doubled as a result of the deal The intention is to maintain dividend cover at around 2,25 times, which implies that this year's dividend will be substantially less than last year's 45c Based on the *pro forma* figures for last year the dividend would have been 22,4c from earnings of 50,4c a share

This, however, ignores the income shareholders would have received from their new shares in Robor, the split-off industrial operation, and their additional Nampak shares or cash

Assuming a 30c payout this year Metal Box is valued at a prospective 3,2% dividend yield at its current 950c share price The 950c valuation, however, still includes the Robor and Nampak potential When the deal has been concluded it is likely the share price will fall to around 600c But the growth potential is certainly there and the company's own earnings estimates for this year are probably fairly conservative

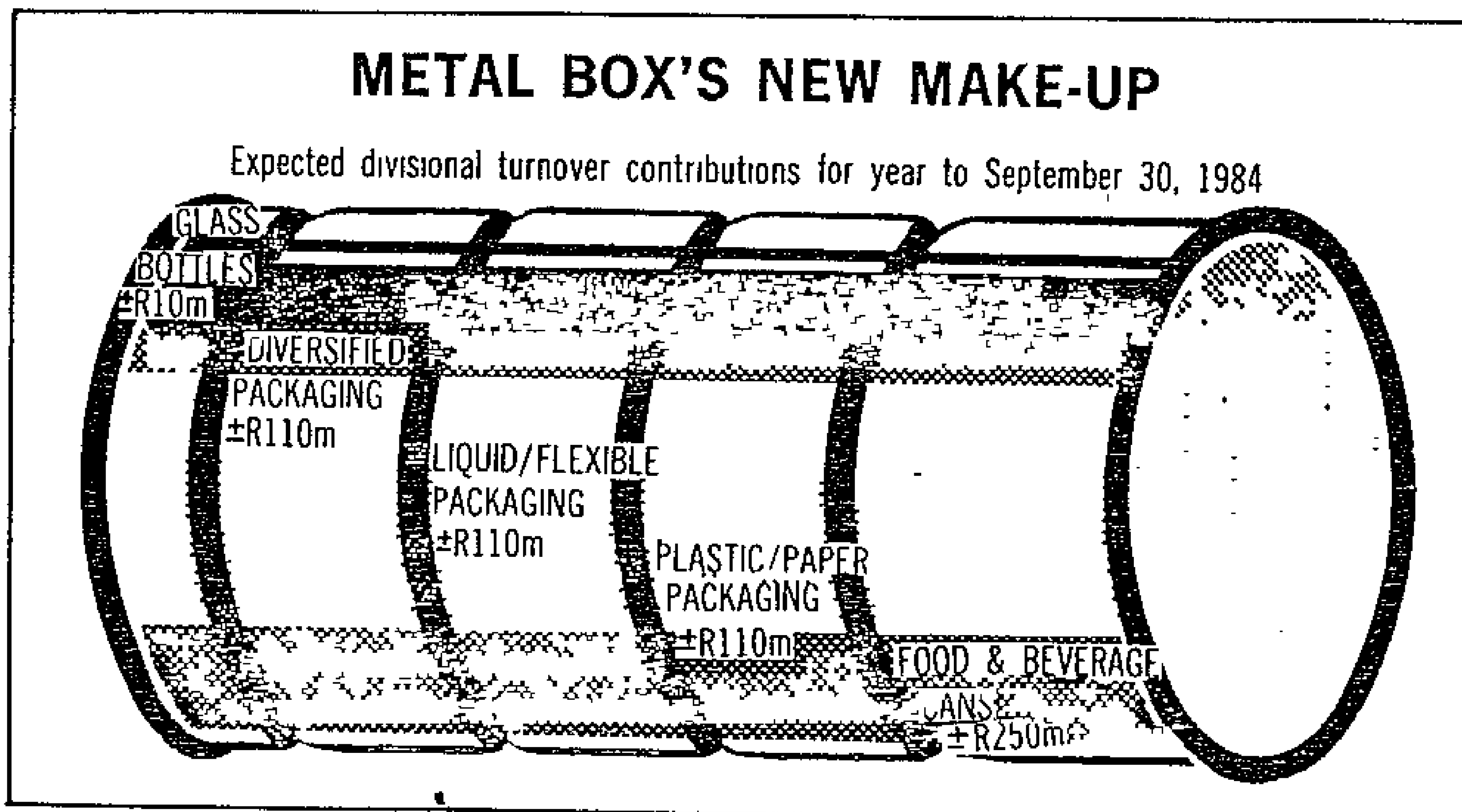
In the longer term, Kardol expects Metal Box to generate growth outside SA He says it will probably take a year before the Nampak merger is fully digested, but after that the company will be on the acquisition trail While this has not been given much attention to date, it appears the next logical step now that their base is fixed

Barlow Rand is generally not known for its poor acquisition decisions This is because of the emphasis placed on acquiring strong management as well as growth opportunities As one Barlow director said "We may have paid over the top for Nampak, but we got Bas Kardol extremely cheaply" The same seems to apply as far as Jacobs and Campbell are concerned

Peter Farley

METAL BOX'S NEW MAKE-UP

Expected divisional turnover contributions for year to September 30, 1984



Cape Times 1/11/83 232

National Acceptances profits soar to record R4,5m

By PAUL DOLD
Financial Editor

NATIONAL ACCEPTANCES (NA) has produced an outstanding set of profits for the year ended May, raising net income from R501 000 to R4,5m and the chairman, Mr Bill Balsdon, is confident the group will fare reasonably well again this year in spite of the dull economic climate

He warns, however, that the South African economy is unlikely to recover until the end of 1984 and the drought is only now starting to work its way through the economy

Inflation rate

While the inflation rate has dropped and it could reach single digit figures next year, it is unlikely to remain at that low level for long

Black unemployment remains far too high particularly viewed against the increasing number of work seekers

Mr Balsdon predicts that further relaxations of exchange control will take place when the economic upswing is underway

The bulk of the profit advance in the past year took place in NA's money market division with the favourable interest rate trend helping to boost income from R319 000 to over the R4m mark

Property dealing was also a bullish area for the group with earnings up from R81 000 to R293 000

The corporate finance division handled deals valued over R27m NA is also active in managed leasing and has recently entered the project finance market

NA's rapid growth in recent years is highlighted by total assets which have now breached R13m and net current assets are R6m

But in spite of the performance, the group is not planning to seek a JSE listing NA is highly liquid with little need for new finance and a listing has little attraction at this stage

Mr Balsdon says that trading conditions in the money market division in the past year were excellent with turnover exceeding R3 billion Market penetration is reflected by the large increase in institutional and other clients

The property division which handles both project development — management and sectional title — had an active year with three major shop and office projects and three sectional title conversions

Apart from the new Pick 'n Pay head office at Claremont (in association with Sanlam) there was the Goodwood Shopping Centre (a project in association with the SABC Pension Fund and the Transvaal Joint Municipal Pension Fund)

The third development was an office block in St Andrews Street, Bloemfontein in association with the Transvaal Joint Municipal Pension Fund

Conversions

Two of the sectional title conversions were in Port Elizabeth — Estoril and Balmain and Waverely was marketed in Durban

Since the year-end, NA has bought two Johannesburg flat blocks — the 440 unit High Rise in Berea, one of the largest conversions undertaken in the country — as well as Annper Heights , also in Berea

NA is currently in talks with NAIH an associate which could lead to the merger of the two companies

NAIH an industrial company owns the National Acceptance head office building in Johannesbureg as well as a 70 percent stake in Mazista (which mines and markets slate products) and 50 percent of Devland, a Reef manufacturer of maize based snacks

● Mr Eric Grubb has been appointed to the Board of National Acceptances

Cape Times 3/11/83

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Tiger Oats profits soar to R69,57m

Own Correspondent

JOHANNESBURG — Tiger Oats and National Milling Co has produced a set of results for the year to September 30 that is almost embarassingly good

Attributable profit rose by 33 percent to R69,572m from an annualized R52,193m for the seven months to September last year, but the directors hasten to point out the extraordinary circumstances that partly assisted in achieving the remarkable performance

Turnover for the year rose by 14,5 percent to R1,942 billion from R1,696 billion and pre-tax profit was 12,5 percent higher at R123,254m (R109,565m)

Tax was the first area which contributed unusually to the bottom line, dropping to R36,316m from R42,669m, because of investment allowances on the purchase of fixed assets and accumulated export incentive allowances, confirmed in the year

Benefit

Accepting that a fair proportion of the allowances claimed this year was non-recurring, shareholders will still benefit by a 21,7 percent increase in the total dividend, to 140c from an annualized 115c

A final dividend of 90c has been declared to add to the 50c interim, representing a 15c increase from the projection made at the interim stage

The dividend is covered 3,7 times by earnings of 515c a share, compared with the annualized earnings of 388c a share for the seven months to September last year

While the latest results will be a difficult act to follow, the directors confidently expect dividends to be maintained, and that they will be "suitably covered by earnings"

However, in a note to the preliminary results the directors say "In the 1983/84 year difficult economic conditions, coupled with the adverse effects of the drought, will continue to have an unfavourable impact on certain of the group's main divisions, added to this, a higher effective tax rate for the group is expected in the current year"

Commenting on the results yesterday, Mr Rudi Frankel, Tiger's chairman, said the group was now reaping the benefits of the heavy investments made over the past seven years

Decisions

"It is fair to say that this year's results, and next year's, are indebted to decisions taken many years ago"

Mr Frankel also complimented all levels of management, who by improved productivity had contributed to a better overall performance

"We have trained an excellent team, we've got some good men from the Barlows side, and we're happy with the combination"

Mr Frankel said that over the past four months Tiger's role as an exporter of food and feed had been reversed, and the group had become a significant importer

Some traditional export markets were still being serviced to keep the lines of communication open, but imports had surged

This situation was likely to continue until February or March, when the new summer crops started coming in

The signs for the new crops were encouraging, but much depended on rainfall for the rest of the season.

Setting aside the ex-

To page 17

Tiger Oats

From page 16

traordinary influences on the tax position, Mr Frankel said the increased turnover reflected the disciplined approach Tiger had applied to problems inherent to the food industry

Drought

"Not the least of these have been the effects of the drought and the high cost of resultant imports"

Taxed return on turnover rose to 4,5 percent from 3,9 percent, and Mr Tony Norton, chairman-elect of Smith Foods, noted that the margins on basic foods made decisions on new investment in an inflationary environment extremely difficult

"It is not easy to run a low-margin business in times of double-digit inflation The allowed rate of return is 15 percent pre-tax on historic depreciated cost," said Mr Norton

The return on assets was a shade over 18 percent, which was no better than could be achieved by depositing money with a bank instead of investing it in a business

While the return could be accepted purely on a current operating basis, when the time came for new investment — and this was not a long way off — it would be difficult to justify given the existing constraints

Input costs

Mr Norton said that in attempting to control price increases on basic foods, the authorities should look at input costs — such as the cost of machinery, and particularly fuel

Not included in the figures are the following items

- A non-recurring capital profit of R5,476m arising mainly from the disposal of Tiger's investment in The Imperial Cold Storage and Supply Company to CG Smith Foods
- Associated companies in which at least 20 percent of the equity is held have been included only to the extent od dividends received during the period

If the retained income of these associates were included, earnings would have risen to 569c a share (441c annualized)

Sasol Ltd to raise R750m in rights offer

By JOHN MULCAHY

Cape Times 4/11/83

JOHANNESBURG. — The Sasol Ltd rights issue to raise R750m will open on November 25 and close on December 9, and the remaining R1,9 billion of the cost of Sasol II will be met out of existing resources and a staged payment over five years.

The formal agreement under which Sasol Ltd is acquiring Sasol II from the Industrial Development Corporation and Konoil will be signed on Monday, and Sasol II will become a wholly-owned subsidiary of Sasol Ltd, effective restrospectively to June 26 this year

The agreed price for the sale of Sasol II to Sasol Ltd is R2,620 billion, to be financed as follows

- The net proceeds of the rights offer — the government has a 30 percent stake in Sasol Ltd, and its share of the rights offer will amount to R250m, the balance coming from the private sector
- Cash totalling R350m will be provided out of Sasol's existing respurces
- The balance will remain owing to the IDC, Konoil and the State Oil Fund (SOF) and paid over five years

Formality

An announcement from Sasol says that after the signing of the agreement, and this is likely to be no more than a formality, it will proceed with a rights offer of 187,5m shares

The offer will be made on a one-for-two basis, and although the price has not yet been announced, consensus is that it will be pitched at 400c

Sasol closed at 415c yesterday, down from a peak of 500c before the preliminary results were announced in August

An investment analyst said yesterday that normally the price at which a rights offer was pitched did not make a great deal of difference, and the only change came in earnings a share statistics

But in the original Sasol prospectus the assurance was given that the Sasol II and Sasol III deals would not result in a dilution in earnings a share

The promise given in the prospectus puts Sasol under pressure to meet its commitment, and for this reason the price is likely to be pitched at 400c

Every effort is being made to explain the offer to all shareholders

While market research has shown Sasol's advisers, Finansbank, that the major institutional holders will broadly support the issue, there is the bulk of the shareholding population to convince

Shareholders

Sasol has 47 shareholders who account for 82 percent of its issued share capital, while the remaining 18 percent is spread across 26 000 shareholders, either individuals or companies

There is every reason for all shareholders to support the issue, as the long-term prospects for Sasol make it almost a sure-fire winner

If a parallel is drawn with chemical giant AECI, the prospects for Sasol's future become obvious

AECI is generally happy with the profits it can make from a plant operating at 70 percent of capacity If capacity use moves up to 80 percent the gearing effect is significant, and profits improve out of proportion to the percentage change in production

At Sasol, given the volatile oil supply situation, production will continue at full tilt for the foreseeable future, and the long-term effects on profit of a chemical plant operating at full capacity are going to be dramatic

This is well understood by the major institutions, who are likely to subscribe fully to their rights, and will even top up their holdings if any shares become available, but some private investors may not realize the long-term value of their investment, and could be tempted by the sagging gold price and the consequently soggy industrial market to relinquish their rights

This would be folly, as the Sasol price may have been staid and moved slowly since the first privatization move, but this is because the institutions have satisfied their needs through rights issues and private placings

These are not going to be repeated indefinitely in the future, and at some point down the line, especially when the fuel price starts moving well above Sasol's production cost, the upward pressure on Sasol's share price will come

An amazing irony has arisen in the build-up to the rights issue Originally intended for some time in 1984, the government is believed to have exerted pressure on Sasol to bring the offer forward

The rationale was that the industrial share market was overheated, the money market was awash with cash, and some means had to be found to release the pressure on the market and to mop up some of the liquidity

Argument

Sasol, from all accounts, rejected this argument, saying that it was an independent company and had to look to its own needs, and should not be called on to manipulate factors in the economy

To page 16

Sasol rights offer

From page 14

However, the government's view prevailed, and Sasol agreed to bring the issue forward

Simultaneous to the announcement of Sasol's results for the year to June, came the news that Sasol Ltd was to acquire Sasol II, and would need to raise up to R1,0 billion from the public for the acquisition

This announcement was made on August 20, at a time when the industrial market was testing new highs and the gold market perceived to be on the march upward

Since then, everything has changed The money market is in a quandary over how to deal with an immense shortage, the gold price has sagged and the industrial market is skidding downward in a controlled, but steady spiral

Dampening factor

Enter the government, warning that the issue now would be disruptive to the money market, and would also be a serious dampening factor on Johannesburg Stock Exchange activity

It would be better, is what the government is believed to have said, to delay the issue until next year

But this time Sasol prevailed, and the issue is going ahead, not oblivious to the circumstances, but with the knowledge that the institutions will follow their rights, and that private investors can also be persuaded to go along with the issue

Small men urged to follow rights

Sasol names day for R750m issue

(232) RDM 4/11/83

By JOHN MULCAHY

THE Sasol Ltd rights issue to raise R750m will open on November 25 and close on December 9. The remaining R1,9bn of the cost of Sasol Two will be met out of existing resources and a staged payment over five years.

The formal agreement, under which Sasol Ltd is acquiring Sasol Two from the Industrial Development Corporation and Konoil, will be signed on Monday Sasol Two will become a wholly owned subsidiary of Sasol Ltd, effective retrospectively to June 26

The agreed price for the sale of Sasol Two to Sasol Ltd is R2,620bn, to be financed in this way

- The net proceeds of the rights offer — the Government has a 30% stake in Sasol Ltd and its share of the rights offer will amount to R250m The balance will come from the private sector
- Cash totalling R350m will be provided out of Sasol resources
- The balance will remain owing to the IDC, Konoil and the State Oil Fund (SOF) and be paid over five years

An announcement from Sasol says that after the signing of the agreement, and this is likely to be no more than a formality, it will go ahead with a rights offer of 187,5-million shares

The offer will be made on a one-for-two basis and, although the price has not yet been announced, consensus is that it will be pitched at 400c

Sasol closed at 415c yesterday, down from a peak of 500c before the preliminary results were announced in August

An investment analyst said yesterday that normally the price at which a rights offer was pitched did not make a great deal of difference The only change came in earnings a share statistics

In the original Sasol prospectus the assurance was given, however, that the Sasol Two and Sasol Three deals would not result in a dilution in earnings a share

The promise given in the prospectus puts Sasol under pressure to meet its commitment and for this reason the price is likely to be pitched at 400c

Every effort is being made to explain the offer to all shareholders

Although market research has shown Sasol's advisers, Finansbank, that the major institutional holders will broadly support the issue, there is the bulk of the shareholding population to convince

Sasol has 47 shareholders who account for 82% of its issued share capital The rest are spread across 26 000 individual and companies shareholders

There is every reason for all shareholders to support the issue because the long-term prospects for Sasol make it almost a sure-fire winner

If a parallel is drawn with chemicals giant AECI the prospects for Sasol's future become obvious

AECI is happy with the profits it can make from a plant operating at 70% of capacity If capacity use moves up to 80% the gearing effect would be significant and profits improved out of proportion to the percentage change in production

At Sasol, given the volatile oil-supply situation, production will continue at full tilt for the foreseeable future and the long-term effects on profit of a chemicals plant operating at full capacity will be dramatic.

This is well understood by the major institutions which are likely to subscribe fully to their rights and will even top up holdings if any shares become available Some private investors may not realise the long-term value of their investment

TURN TO PAGE 20

Business Day

Sasol issue likely to follow the big vote

The impending Sasol rights issue was forecast in Business Day on November 27.

Sasol rights offer likely to be pitched at 400c

FROM PAGE 1

and could be tempted, by the sagging gold price and the consequently soggy industrial market, to relinquish their rights

This would be folly. The Sasol price may have been staid and moved slowly since the first denationalisation move because the institutions have satisfied their needs through rights issues and private placings.

These are not going to be repeated indefinitely and at some time, especially when the fuel price starts moving well above Sasol's production cost, the upward pressure on Sasol's share price will come.

An irony has arisen in the build-up to the rights issue Originally intended for some time in 1984, the Government is believed to have exerted pressure on Sasol to bring the offer forward.

The rationale was that the industrial share market was overheated, the money market was awash with cash and some means had to be found to release the pressure and mop up liquidity

Sasol, from all accounts, rejected this argument, saying that it was an independent company, had to look to its own needs and should not be called on to manipulate factors in the economy.

The Government's view prevailed and Sasol agreed to bring the issue forward

Simultaneous to the announcement of Sasol's results for the year to June came the news that Sasol Ltd was to acquire Sasol Two and would need to raise up to R1bn from the public for the acquisition.

This announcement was made on August 20, at a time when the industrial market was testing new highs and the gold market perceived to be on the march upward

Since then everything has changed. The money market is in a quandary over how to deal with an immense shortage, the gold price has sagged and the industrial market is skidding down.

Enter the Government, warning that the issue now would be disruptive to the money market.

It would be better, the Government is believed to have said, to delay the issue until next year

This time Sasol prevailed. The issue is going ahead, not oblivious to the circumstances, but with the knowledge that the institutions will follow their rights and a belief that private investors can be persuaded to support the issue

Cape Times 8/11/83 232

Trendline, Box 767

Barlow Rand

From page 20

Comment: By now, after the results from CG Smith, Tiger, PPC, TC Land, the improved trend in the second half is already established, but it is encouraging to see that the thread of tighter control and efficiency has been maintained through to the top

Middelburg is probably the key to much of Barlows future organic growth It is a classic recovery situation, with everything in place and simply waiting for the markets to improve

The divisionalization is now well under way, and Mr Rosholt noted yesterday that eventually six out of seven operating divisions would be listed

Divisions

Barlow Rand, as such, would be responsible for policy, philosophy and financing, and while there would still be a great deal of cross-polination through the executive committees, the divisions would be autonomous

One of the problems as far as the Barlows share price is concerned is that most institutions have all the holdings they want, having been satisfied by rights issues and the various acquisitions that have been satisfied by share issues over the past few years

What this means is that, at least in the short term, institutions have no need to chase scrip; and price changes will depend entirely on private investor activity

Mr Rosholt said the ratios would clearly show the effects of the efficiency drive, as margins had been tighter and had not improved over the year

Ideally, this sort of asset management and cost control should be a continuing feature through good times and bad, but inevitably when conditions are booming, there is less time to concentrate on such intangibles, and efficiencies tend to slip

However, provided the necessary surgery is applied when required, and in this case it has proved highly successful, the seeds are sown for efficient management in the upturn

Yield

At yesterday's R12,30 Barlows is on an unchanged dividend yield of 5,7 percent and the price earnings ratio moves to 7,4 from 7,0.

Barlows is correctly regarded as a microcosm of the South African economy, and prospects for the company, as for the country, are heavily dependent on the gold price

What is clear is that there will be no visible recovery for at least another nine months, and this timescale could move out if there is no real gold price improvement.

Cape Times 10/11/83 (232)

SAB earnings drop 11%

By JOHN MULCAHY

JOHANNESBURG — The slump in consumer spending over the six months to September, as reflected in results from OK Bazaars and Edgars, was very much in evidence in South African Breweries beer sales for the period

Volume sales rose by only one percent in the six months, which seen against earlier projections of about five percent for the full year by SAB, indicates the pressure on consumer spending that has affected largely black consumers

SAB estimates that about 70 percent of its beer sales are to blacks, who have generally been harder hit by the recession than the more affluent white sector

Widespread lay-offs throughout industry, a total embargo placed on overtime and the slump in activity in rural areas because of the drought all had an impact, and SAB has now revised downwards its projections for the full year to March 31

The huge retail and beverage group has reported a fall of 11 percent in earnings from its beverage interests for the six months to September, while its diversified actvities were harder hit, reducing their contribution to SAB's attributable earnings by 15 percent.

Reviewing the six months to September 30, SAB's managing director, Mr Meyer Kahn, said yesterday beer sales started the year very badly, and were actually down in volume terms for the first three months, but there had been a good recovery in August and September, and this had followed through to October

"We can't hope to achieve a volume improvement of five percent for the whole year, but we are now aiming for a five percent increase in the second half, which should give us a three percent to four percent improvement for the year"

SAB's turnover rose by 9,6 percent to R2,203 billion for the six months to September 30 from R2,010 billion for the corresponding period last year, while operating profit was 14,4 percent lower at R154,1m (R180m), the interest charge rose to R38,6m from R36,7m and tax dropped to R41,1m from R54,7m

Dividend income and equity-accounted earnings were marginally down at R17,5m (R17,6m), while minorities and preference dividends absorbed R23,2m (R27,9m)

This left attributable profit of R68,7m, which was 12,3 percent down on the R78,3m earned in the first half of last year

Earnings fell by 12,6 percent to 27c a share from 30,9c, and the interim dividend has been maintained at 10c

Mr Kahn said the second half was expected to show an improvement on the first half, although economic conditions were expected to remain depressed well into next year.

Earnings for the full year would probably be lower than last year, but Mr Kahn said the final dividend was safe at 25c. Last year, SAB's total payment of 35c was covered 2,2 times by earnings of 78c a share

The directors note in the interim statement that private consumption expenditure declined in real terms by an estimated 1,2 percent in the six months to September

They say, "while private domestic consumption expenditure is a key determinant of group activity, conditions in the mass consumer markets have been particularly depressed and trading has been highly competitive

(232) RDM 15/11/83

Frankel to retire next year

MR RUDI FRANKEL

By JOHN MULCAHY

MR RUDI Frankel, the executive chairman of Tiger Oats & National Milling, retires next year after completing 55 years with the company.

Making the announcement at Barlowpark, Sandton, yesterday, Mr Bas Kardol, executive chairman of CG Smith, said Mr Frankel would be retiring from his executive position on September 30, 1984

He is being succeeded by Mr Tony Norton, now executive vice chairman of Tiger.

Mr George Antiglevich, who has been with Tiger for more than 30 years, retires next March 31 His position on the board is being taken by Mr Brian Steele.

Mr Norton is being succeeded as executive vice-chairman by Mr R A Williams, who will have reporting to him the following Mr J A Frankel, Mr C Wolpert, Mr N Dennis and Mr B P Steele

Mr J A Frankel and Mr Wolpert will continue as joint deputy chairmen and joint managing directors of Tiger.

Mr Frankel yesterday described the relationship between Barlow Rand and Tiger Oats as a merging of two very different cultures and philosophies

"We have found it a very interesting period. There has been a moulding of these two philosophies taking place, but Tiger's traditional philosophy will not be lost."

Commenting on Tiger's former association with Anglo American, Mr Frankel recalled that he approached Sir Ernest Oppenheimer on three occasions before the former Anglo American chairman agreed to assist in Tiger's re-financing, which had led to the group's listing in 1944

Anglo subsequently reduced its interest in Tiger.

Later on, it was Old Mutual that "sponsored" Tiger and, through this association, it was not surprising that Tiger ended up in the Barlow fold.

Mr Frankel said that Premier Milling, now firmly in the Anglo stable, was initially supported by Rand Mines, which was later acquired by Barlows.

Mr Kardol said fuller tribute would later be paid to Mr Frankel, who was universally recognised as the architect and builder of the Tiger Oats group, and to Mr Antiglevich, "who has also done so much for the well-being and development of the group"

Waltons to pyramid — Walcon debut in January

Cape Times 17/11/83 (232)

By PAUL DOLD, Financial Editor

WALTONS is to become the sixth Cape Town company in recent months to pyramid after Retco, Clicks, Pep Stores, Garlicks and Pick 'n Pay and the new holding company Walcon will make its JSE debut towards the end of January.

Last night the managing director, Mr Frank Robarts, said Waltons was trading ahead of budget and the second half profit figures will be published in March

A formal announcement of the pyramid scheme will be made on Friday but the effect of the operation is that Walton's shareholders holding 100 ordinaries will then hold 200 shares in Waltons and 100 in Walcon

Waltons is commendably undertaking to treat minorities fairly with any future bidder for the pyramid having to make a similar offer to shareholders in the operating company

Waltons has also tried to spell out the effect on minorities of the pyramid scheme and estimates that on the basis of an existing ordinary trading at R10, the new Waltons shares should trade at 250c and Walcon at 500c (two Waltons and one Walcon making up the 1 000c total)

The scheme will secure control of Waltons in the management with the latter holding 50 percent of Walcon, which in turn will own 50 percent of Waltons itself Currently management and staff have some 30 percent of Waltons

Walcon will end up with an issued share capital of 2 992 994 shares compared with a Waltons capital of 11,9m

The terms of the scheme are that Waltons will make a cap issue of three new shares for every one held Two shares will then be alloted to Walcon with the remaining share being issued to shareholers as a renounceable letter of allotment

Waltons shareholders are to be given one free share in Walcon

Certain institutional shareholders have agreed to retain part of their holding in the bottom company Their Walcon shares up to a maximum of 540 312 will be swapped for Waltons The swap will be on the basis of one Walcon for two Waltons The offer is also open to any minority shareholder

According to the draft timetable, scheme meetings will be held on January 9 with Walcon shares being first listed on January 23

Garlicks' outlook

GARLICKS will at least maintain its dividend this year in spite of the downswing in consumer spending, the chairman, Mr John Garlick, told shareholders at the annual meeting yesterday

The group paid a total of 44c (40c) last year

Turnover for the first four months of the current year is slightly ahead of last year but there is little growth in real terms No set trading pattern has emerged with sales patchy and varying from month to month making forecasting difficult

Trading at the new Durban store, which was bought from Stuttafords in October, is in line with forecasts

While start-up costs are likely to have a slight adverse impact on profits, the Durban store is expected to make a contribution to profits in the next financial year and a material impact in the longer term

Mr Mike Revington has been appointed a director of PG Wood (Cape) (Pty) Ltd

Esc... att...

Own Co...

JOHANNE... Escom has ... sounding ... tracting ab... for the R7... seeking on ... market by ... three loans, 154, 158 and ...

Allocation ... pected to a ... R100m

The popula... Loan 154 10 ... 2007, which a... percent of the ... tions, with ... percent 1994, ... percent, and ... coupon Loan ... cent 2008, br... only 11 perc... total

RL Coal to be absorbed into holding compa...

Own Correspondent

JOHANNESBURG — Rand London Coal is to be absorbed into its holding company, Rand London Corporation, thus disappearing from the Johannesburg Stock Exchange boards

This is the main thrust of proposals released yesterday by Central Merchant Bank, and which bring to an end 10 days of speculation on the reasons for the suspension of Rand London and Rand London Coal on November 7

The proposals have yet to be approved by the Johannesburg Stock Exchange and the London Stock Exchange, but they provide for a straight swap of new Rand London shares for Rand London Coal

Results

Although results for the six months to September 30 have not yet been published, the Senbank announcement said that because of the downturn in the international coal markets, the depressed economic conditions in the Western world and the closure of the Kempslust and Brockwell mines, RL Coal had continued to trade at a loss

shares in the ... able future"

For the year ... 31, RL Coal ... loss of R5,230m compared with a R2,731m the p... year and pro... R929 000 and R... respectively in ... preceding years.

Rand London ... holding of 80,4 ... in RL Coal, which ... suspension price ... total market cap... tion of at March ... year

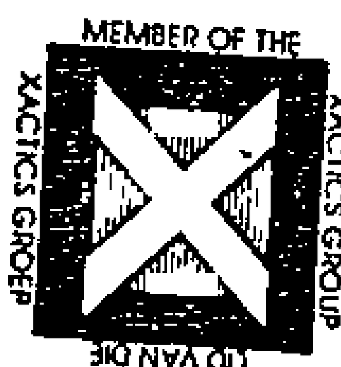
Sharehold...

The terms of th... to Rand London shareholders are

- For every 100 ... nary RL Coal s... held, shareholde... receive 100 Rand ... don Corporation s...
- For every 100 ... erence shares he... RL Coal shareho... will receive 70 ... London Corporat... dinary shares

The immediate e... on RL Coal share... ers accepting the ... posals are

- The market val... 100 RL Coal shar... R50, while that of Rand London shar... now R46 — an eight ...



XACTICS LIMITED

(Incorporated in the Republic of South Africa)

Directors H R Meyerson (Chairman), F Figl (Austria), K J H Keiller (Sweden), J Pesendorfer (Austria), T C Rees

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31 AUGUST 1983

1. TRADING RESULTS

The unaudited trading results of the Group, for the six months ended 31 August 1983 are as follows

Year ended

SA groups among world giants

Cape Times 18/11/83 232

By NEIL BEHRMANN

LONDON — Anglo American, Driefontein, De Beers and Amgold are among 90 international companies which have a market capitalization over $2 000 m

In a survey, Capital International, Geneva-based investment consultants finds that Toyota Motors has the biggest market capitalization outside the United States At the end of October, Toyota's market capitalization was $14 200m, followed by Royal Dutch Petroleum, $11 921m, British Petroleum, $11 550m, Matsushita Electrical, $11 000m and Hitachi, $10 225m

Anglo American is under 29 on the list with a capitalization of $3 825m It is ahead of Broken Hill Corporation, Australia's giant company

Driefontein is number 45 and De Beers with a capitalization of $2 820m is the 53rd largest.

Anglo beats giant corporations such as Sony, Deutsche Bank, Hoffman-la Roche, Hoechst, Bayer, Allianz Versicherung, Rio Tinto Zinc, Unilever, Barclays, Plessey, Nikko Securities and Volkswagen

Capital International calculates that 155 American companies market capitalization exceeds $2 000m, followed by 45 in Japan and 38 in Europe.

The three biggest companies in South Africa account for nearly a third of the total market capitalization on the Johannesburg Stock Exchange

But in the United States, companies with capitalization above $2 000m account for 56 percent of the market, West Germany 44 percent and Japan and the UK 36 percent.

Sasol rights issue looks attractive

W/K ARGUS 19/11/83

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INVESTMENT

By DEREK TOMMEY

ONE of the perks of being a shareholder in a company is the right to subscribe for extra shares from time to time whenever it makes a rights issue.

Companies make rights issues of their shares whenever they need extra share capital and one of the attractions of these rights issue is that the shares are usually offered at below the current share market price

This is done to encourage shareholders to put up the extra capital the company wants, and it can have considerable monetary value when the shares are offered at a large discount to the market price

However, this is not the case with the Sasol rights issue, of which details were announced this week

R780-million

Sasol, the country's oil-from-coal producer, is planning to raise almost R780-million by offering 187,5-million shares to existing shareholders in the ratio of one new share at 415c for every two shares already owned

Although Sasol shares have been up to 505c earlier this year and as recently as September they were standing at 480c, they were trading this week at just over 420c — only about 8c above the rights price

Nonetheless, this should not deter Sasol shareholders from taking up their rights, for the share price will not remain this low once the rights issue is out of the way

The drop in the share price can be attributed to a great extent to the size of the rights issue

Sell rights

The news that a company is making a rights issue normally does depress its share price It is assumed, usually correctly, that some shareholders will not take up their rights but instead will sell them on the share market

This usually enables other investors to subscribe for the rights at below the market price Thus on news of a right issue, buyers hold back and it is quite common for the share price to drop

In the case of Sasol, which is seeking the huge amount of just under R800-million, it is understandable that the share price should fall fairly steeply, especially when the economic climate and market conditions are already poor

However, there are also two other reasons which could have affected the price

Issued at 415c

One was that the rights issued was pitched at 415c instead of 400c as the market expected This could have squeezed out some speculators and led to selling of the share

The other reason is that although the shares are being issued on a prospective dividend yield of 7,7 percent, the first dividend payable on the new shares will be 18c in October next year

In other words, for the next 10 months the investor will be getting a return of only 4,3 percent on his money This is not so hot when it is considered that fixed interest stocks are now yielding 14 percent or more

Yet in spite of these factors Sasol shares do have some attraction at 415c

Strategic

One reason is that any signs of an upturn in the South African economy could bring increased overseas investment here, and one share they will obvious go for is Sasol — with beneficial effects on its price

Another reason is that Sasol is a strategic industry As long as there is a risk of an oil boycott against South Africa Sasol will get 100 percent Government support, so the possibility of Sasol operating at a loss or not making steady profits are extremely thin

Then, while there is a glut of oil in the world markets at present, this is not likely to be the case in three or four years when the international economy gets on its feet again

Therefore Sasol would seem a justifiable investment at 415c for anyone taking a four to five year view

But can non-Sasol shareholders get Sasol shares at 415c? The answer is no But they can get them for just a few cents more by buying Sasol share rights

5c or less

On current performance of Sasol's share price, these rights should be obtainable for 7c However, it would not be surprising if they were to fall to 5c or less

Anyone buying these rights, therefore, will be able to subscribe for Sasol shares at 415c each However, a word of warning when buying rights

They become worthless once the subscription date is passed, which is December 9, so if you want to buy Sasol shares you will have to do it before them

This is a case where it will pay you well to work closely with your stockbroker. Although the rights themselves will be listed only on December 8, letters of allocation, which are rights in a different name, will be traded in the stock exchange from Monday November 21

Summing up, the slump in Sasol's price does give investors wanting a long-term investor, or capital appreciation over the next year or so, the chance to get in on the ground floor

Fruit juice pioneer hits at competitors

w/c ARGUS 19/11/83 232

By AUDREY d'ANGELO

APPLETISER — the pioneer unsweetened fruit juice producer — has slashed the price of Liquifruit in a bid to recapture its lost market share.

But supermarket executives fear that if SA Breweries-backed Liquifruit is too successful, it could push out the opposition and dominate the market

Liquifruit prices have been cut by more than 20 percent forcing independent competitors Ceres Fruit Growers and Fresh-up to cut theirs

Mr Guy Hallowes, managing director of the Appletiser Company, which makes Liquifruit, said the price cut was to encourage growth in this segment of the market, which had been "almost static" this year

He estimated the market in this country at 200-million litres a year, worth R150-million

He said it had failed to grow much this year and he considered this partly the result of the recession and partly because people thought the price high

No date had been fixed for the price-cutting promotion to end

Resources

Mr Alan Baxter, senior buyer for Pick'n Pay in the Western Cape, said "The market is not static, it is growing

"Liquifruit has 75 percent of it which should be enough to satisfy any firm

"By cutting its prices to this extent it is making it difficult for its smaller competitors to stay in business

"Appletiser belongs to South African Breweries and has its immense resources behind it, while Ceres Fruit Growers is just a farmers' co-operative

"It will not be healthy for the consumer if South African Breweries gains a monopoly in the unsweetened fruit juice market, as it has in beer

"We are supporting the smaller firms by giving their products equal prominence and shelf space"

A senior executive in another supermarket chain said "My figures show that the market for unsweetened fruit juices has been growing

"It seems that Liquifruit has cut prices by this amount in order either to increase its market share to such an extent that competitors will never catch up, or to make it unprofitable for them to stay in business"

Grape juice

Meanwhile, he said, the price drop had caused a tremendous increase in sales "One of our stores which normally sells 30 cases of unsweetened fruit juice a week sold 250 last week

"Customers clearly see 68c a litre, which is the lowest we have had for 18 months, as a very good price"

KWV is planning to enter the unsweetened fruit juice market indirectly by selling grape juice to manufacturers

But it has no plans at this stage to sell directly to the public

A spokesman said "Our research shows that the market for unsweetened fruit juice is bigger than that for wine and has a tremendous potential

"We are hoping to sell grape juice to all manufacturers

"We have not thought of entering the market directly because we have not got the organisation for that"

Mr Christoff Louw, assistant general manager of Ceres Fruit Growers, said farmers had invested R2-million in plant and buildings last year after research had shown there was a large and growing market for unsweetened fruit juice

The market had grown 10 percent this year, in spite of the recession, and he was sure there was room for several manufacturers

Ceres Fruit Growers had cut prices by 15 percent but could not go lower, to match Liquifruit, without losing more than it could afford

FINANCE/STOCK EXCHANGE

Anglo lifts earnings, pays 35c

ARGUS 25/11/83

(232)

By DEREK TOMMEY
Financial Editor

IN SPITE OF difficult economic conditions in South Africa and overseas the giant Anglo American Corporation has shown increased earnings for the six months to September

Anglo is the country's biggest mining and investment house after De Beers

Profits attributable to ordinary shareholders, including attributable earnings retained by associated companies, were 6,8 percent higher at R330,5-million (R309,4-million), equal to 145,5c (136,3c) a share

If these retained earnings are excluded, the corporation's profits were 12,5 percent higher at R241,4-million (R214,6-million), equal to 106,3c (94,6c) a share

INTERIM PAYMENT

However, the corporation is following a conservative dividend policy and the interim payment is being maintained at 35c a share

Dividend income rose 25,5 percent from R179,8-million to R225,6-million, mainly as a result of higher receipts from gold investments In addition the corporation received two dividends from Rustenburg Platinum after its change of year-end

Trading profits rose from R136,9-million to R140-million with the drop in Anglo American Coal's income being offset by higher earnings by Anglo American Properties

SHARE DEALING

Share dealing profits slumped from R14,8-million to R3,5-million, suggesting long-term confidence in gold, while the surplus from life assurance rose from R4,5-million to R6,0-million

However, the share of retained profits of associated companies fell from R94,8-million to R89,1-million, partly as a result of the losses being incurred by the Sigma Motor Corporation, the corporation says

Anglo American makes no forecast about future earnings

● Transvaal Consolidated Land's chairman, Mr R S Lawrence, warns that the company is operating in increasingly volatile conditions and profits and dividends are likely to fluctuate more than in the past

He is gloomy about the immediate prospects for uranium He says economic circumstances and energy conservation measures have led to a decreased demand for electricity, leading to few new orders for nuclear power plants

He also reports a further decline in the demand for coal in the international market which has led to a sharp fall in prices

Demand for chrome ore is also likely to fall but some increase in demand for ferro-managanese is expected

On the brighter side, Mr Lawrence reports that encouraging results have been obtained from exploration of gold-bearing claims, in which TCL has a 50 percent interest, in the Barberton area

Business Day/INDUSTRIES 232 RDY 29/11/83

Satbel ties up film and video control

By MIKE JENSEN

SATBEL has extended its control over the film and video industry with Video RSA — SA's largest video production facility at its Northview Film & Video Centre in Johannesburg.

By far the biggest operator in the industry, Satbel — an Anglo American-Sanlam venture with control recently vested in Federale Volksbeleggings — has been consolidating its activities at the Northview complex. When completed it will represent an investment of more than R15m. About R6,4m was spent on the video unit at Northview.

The official opening of Video RSA last weekend means that all film and video production can be concentrated at the centre.

Satbel has a major interest in the distribution of films and videos through its ownership of the audio-visual media distribution giant, Ster-Kinekor.

Although Satbel expects growth in the international markets for SA's film and video products, Video RSA was set up to deal with increasing demand for TV programmes and commercials.

TV takes about 90% of production from SA's R230m film and video industry as the SABC has to produce about 100 hours of programmes a week. But it cannot cope with the volume of output needed and is transferring more of the business to outside organisations.

Mr Peter Zimmerman, managing director at Northview, says: "Demand for TV programmes is booming and more work is being commissioned from private enterprise."

Production of black-oriented programmes is likely to be a major source of revenue for Video RSA.

Mr Geoffrey Gee, sales and marketing manager for Video RSA, says the SABC wants to upgrade the skills of its TV2/3 producers and directors by allowing them to gain experience at the Northview unit.

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Scrutiny of competition laws

Financial Reporter

THE Government will strengthen legislation if it is needed to ensure greater competition.

This was announced by Dr D J de Villiers, Minister of Industries, Commerce and Tourism, at the anti-inflation conference in Pretoria

"The public is greatly concerned about the rapidly-increasing trend towards economic concentration Much of the criticism and prejudice stems from ignorance but, in the long term, free enterprise can function and prosper only if the community is satisfied that the system is basically sound and in the public interest."

Dr De Villiers said that if there was suspicion about structural characteristics, such as concentration of economic power, the whole system would be questioned The Government was continuously searching for ways to promote competition.

"Although the abuse of power in the market can make a bigger contribution towards inflation than market structure, it is still essential that sufficient attention be given to the possible adverse effects of excessive economic concentration," he said.

"I recently instructed the Competition Board to investigate interlocking enterprises and directorships. If it should prove necessary to improve legislation to obtain effective competition, the Government would not hesitate to do so."

The economy was not only highly-concentrated but had a high degree of protection from overseas competition There were also other restrictions to discourage or prevent new entrants into markets.

"In this connection, mention can be made of the limited scope and size of the South African market, as well as official measures, such as licensing and other forms of interference and control. The economic consequences thereof are increasing cost structures and concomitant inflation.

"It is an important responsibility of the Government to try to eliminate factors which may hamper competition and fan inflation Competition helps to improve efficiency, brings about cost savings and limits price increases," Dr De Villiers said.

"A co-ordinated and market-related policy, which is aimed at increasing competitiveness in the South African economy, not only helps to curb inflation, but will in the long term promote economic growth and create new employment opportunities."

Picfood to get R42m for stake in Kanhym

CAPE TIMES 2/12/83 232

By ALEX PETERSEN, Deputy Financial Editor

PICFOODS is to finally exercise its option with Gencor on the sale of Kanhym shares, Mr Jan Pickard told the group's annual meeting in Cape Town yesterday.

Under terms of the option, Picfoods will sell their holding in Kanhym Investments to Gencor for approximately R42m Mr Pickard told the meeting that the necessary steps had already been put into motion Payment will be made at the end of the month

Agreement

The agreement was initially made when Gencor was in the process of consolidating Kanhym and its other meat interests, in particular Karoo Meat Exchange, in which it held a 51 percent interest, early in 1982

Picfoods, which held a substantial share of Karoo, exchanged these for 2,1m Kanhym shares, but at the time Gencor agreed to purchase these at any time up to December 31, 1983 at R14,40 a share plus interest at the prime overdraft rate up to the date of purchase

At R14,40 the Picfoods holding in Kanhym is worth R30,24m, while the interest factor will bring the total up to just over R42m

Investment

Mr Pickard told the meeting that there were no immediate long-term investment plans for investment of the cash He said after the meeting that group policy favoured a spread of holdings, rather than seeking a controlling stake in any single operation

The stake in Karoo was originally acquired when in 1962 Picfin acquired Picfoods, then Asokor, for R1,5m Picfood's total realization for the asset will be R60m, since Picfoods realized R18m when the controlling interest in Karoo passed to Kanhym in the late 70s

Other news in the Picardi stable was that Picprop have agreed with Adidas Switzerland to acquire a 49 percent interest in Adidas SA

Franchise

Mr Pickard said that this was the first such agreement entered into by the Adidas International group Adidas SA hold the Southern African franchise for the full range of Adidas products

A Picprop subsidiary, Sechic, manufactures sportswear under the Adidas label under a 10-year agreement

Piccan subsidiary Katz International are to open a further R5m factory in Mandini, Kwazulu to manufacture Hitachi tumble dryers

Mr Pickard was generally cautious about prospects in the coming year for companies in the group

"We don't see the upturn before 1985," he said, predicting that there might well be a number of false starts in 1984, but until 1985 the economy would not have sufficient foundation to support a sustained upturn

On the Picotel group, he said that liquor sales had been particularly depressed in the country districts due to the drought

Liquor sales

"I believe that in the long term the liquor trade has a very small future in South Africa," he said, pointing out that national liquor sales had remained static for the last three years, and that there was still a problem of a "wine lake" in South Africa

The recession had also hit at hotel occupancy rates, with fewer Transvaalers taking holidays at the coast

Business Day

Valard buys Vickers operations in SA

2/12/83

By MIKE JENSEN

VALARD has bought Vickers SA from Vickers UK as part of its expanding light engineering operations

A Johannesburg Stock Exchange listing will be sought when consolidation is complete

Vickers SA, which has a net asset value of R2,34m, was sold to Valard by Vickers UK, the Rolls-Royce car, defence and engineering group, as part of its restructuring and divestment programme in Southern Africa

Valard is owned by three Johannesburg businessmen — Mr David Makins, Mr Stephen Connelly and Mr Simon Nash — who broke away from Malbak's light engineering group to form their own company

Having bought Isando Electrical Industries, which had lost R2m, they were able to turn it around in three months In March Hypower Pumps was formed and secured the profitable Lowara agency from Malbak

After discovering that Vickers UK was ready to shed some subsidiaries Valard last week bought Vickers SA for an undisclosed sum

Vickers SA subsidiaries included in the deal were

- Ernest-Lowe, suppliers of hydraulic equipment to the mining industry;
- Vickers Instruments, distributors of biophysical and geophysical equipment,
- Michell Bearings, one of the only two SA white metal bearing manufacturers,
- Ace Patternmakers and Foundry

Mr Stephen Connelly says this gives Valard a projected turnover of about R17m a year on assets of R10m

"We are not interested in a business which requires huge capital investment and we are aiming for each of our products to have its own distinct image

"Although many engineering companies have been hit by the recession there is no reason why modest profits should not be made at this stage We don't expect any upturn for another year at least, which gives us a breathing space to consolidate Once our operations have been fully bedded down we will go for a listing on the JSE"

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THE DEAL OF THE YEAR

The drive for power

Corporate SA will take a long time to recover from 1983's wheeling and dealing Too many noses have been put out of joint, too many ego bubbles have been pricked, too many reputations have been tarnished, too much animosity has been dragged to the surface, too many tempers have been lost, and, worst of all, too many decisions have been made which do not stand up to close scrutiny

The SA business scene was dominated this year by a rancorous power game which saw increasing concentration of ownership and growing animosity between some of the country's corporate majors. The deal which gave Anglo American, Liberty Life and JCI control of Premier Group and, effectively, SA Breweries epitomised this, and provided a glimpse of what motivates some of the men who occupy the boardrooms of SA's most powerful companies.

The deal in June in which control of food group Premier was brought back to SA and major shareholdings in SA Breweries were put into a larger Premier holding company was one of the most dramatic the country has seen for several years Speed was of the essence and some casualties were inevitable But the departure of two senior executives from the SAB board amid a flurry of recriminations and a clear definition of the battle lines between SA's largest insurance group, Old Mutual, and the largest mining and industrial group, Anglo American, were dramatic statements of the stresses which lie just below the normally calm surface of corporate SA

Not that much has basically changed The same cast of characters is still strutting the corporate stage after the year's upheavals Some have changed roles, but most have emerged wealthier or more powerful than before And they are as confident as ever that they are not subject to the constraints which bind lesser mortals

The fact is that the chain of events which led to the major corporate reshuffles of this year goes back a long way It is founded in the ethos which apparently chronically affects this country that size is all that matters But it is also founded in the fact that corporate SA's foreign investment opportunities are largely restricted, which means that asset growth has to be based, almost entirely, on SA The mining houses, the insurance giants and the major institutions are locked in an enormous and increasingly rancorous game of Monopoly, where glory is achieved by grabbing as much of SA as possible while preventing other players from doing the same

While this is under way, it might seem to the outsider — and with good reason — that the creation of new enterprises plays a secondary role in SA's corporate game More important, apparently, is the achievement of growth by acquisition

If anyone doubts that this is so, let them look at the assurance companies which are scrambling over each other in an attempt to gain absolute control of major industrial firms The life assurers have the advantage of ever-growing cash flows, and their top executives, who effectively are answerable to no one but themselves, are using this to finance exercises in raw power Sanlam made this clear in its behaviour over Gencor, Old Mutual has made it plain in the way it bought majority control of Rennies; and Liberty declared its ambitions and what it believed to be the best interests of its shareholders and policyholders in the way it sold out Edgars to SA Breweries.

The same attitude pervades the mining houses Anglo, for example, could not rest until it had bought itself the largest motor manufacturing operation in the country The fact that its staff was not competent to manage what became Sigma was beside the point And the experience is not unique

The corporate ethic of size for power's sake is quite clear — and it is this ethic which underlay the major deals of 1983. It is what made the return to SA of control of the Premier Group more than just a repurchase of the farm In May this year, when the opportunity arose to buy Premier from Associated British Foods (ABF), a great deal of tension existed between the main characters And they were tensions which derived as much from differences in personality as from differences in ambition

When all is said and done, the two main antagonists in the Premier deal were Anglo and Old Mutual, the former headed by Gavin Relly and the latter by Jan van der Horst

Principal protagonists

To describe Relly as a caretaker does not do the man justice In a way, he is looking after the Anglo empire while the jostling for real power takes place between Julian Ogilvie Thompson, Nicky Oppenheimer and outside runner Gordon Waddell For most of his corporate life, Relly has been in the shadow of his mentor, Harry Oppenheimer They were years in which Relly developed the social and corporate skills necessary to fulfil the role of managing Anglo. He has no doubt about the correctness of Anglo's acquisitive approach to growth, and his immediate response to the opportunity to bring control of Premier within the Anglo ambit was unequivocal

Relly, though, was not to be publicly involved in the initial negotiations over Premier It is an old Anglo negotiating ploy The chairman is not seen to be engaged in any negotiations by the group, so that if or when they go adrift, he can step in as an apparently independent or unbiased arbiter This was to prove necessary when the Premier deal later burst into an unseemly public row

On the other side of the fence, Van der Horst was responsible to virtually no one He had no shareholders to breathe down his neck or question his judgment And the same is true of Relly, for Anglo shareholders are generally apathetic.

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Van der Horst and Relly both have something else in common they are ambitious to increase the size of their corporate demesne. And though Van der Horst heads the country's largest insurance group, he is under pressure to make sure it stays that way. Others such as Sanlam and Liberty are, after all, in a position to challenge Old Mutual. But Van der Horst is not solely concerned with beating off the challenge of other insurance rivals, he sees Anglo as a major competitor and threat

There is, of course, nothing wrong with size *per se* In fact, size, when it leads to greater efficiency, is a welcome development The trouble is that there are many instances of growth by acquisition which do not obviously lead to synergistic efficiency benefits. And often too much growth can lead to downright inefficiency as control becomes more difficult to achieve

There is little love lost between Anglo and Old Mutual. They and others are locked in the fight to grab control of as much of SA as possible, and devil take the hindmost Anglo was particularly peeved with Old Mutual's "independence" last year when it forced through a merger between Tiger and CG Smith.

Anglo had, of course, been involved in earlier similar deals itself, and sauce for the goose .

But the snub to Anglo was that it believed it was entitled to something of a say over where control of Tiger should reside, after all, Anglo had been instrumental in setting Tiger on the road back in the early Forties But when you are dealing with questions of raw power, there is little place for sentiment or even considerations about the soundness of the concentration of control of large parts of corporate SA.

Tiger's chairman, Rudi Frankel, had gone running to Old Mutual in 1980 when it seemed that a bid for the food group by Natie Kirsh might have succeeded. It was then that he gave up his independence, though he may not have realised it at the time The 1982 deal which merged control of Tiger with CG Smith and which gave Old Mutual the largest single stake in Barlow Rand was initiated without reference to Frankel.

Fall-out

But the deal put Anglo's nose out of joint in more than one place. Not only was the Oppenheimer camp infuriated over Tiger, it was also less than pleased that its own interest in Barlow Rand had been rendered impotent by Old Mutual's pre-eminent position.

Though Anglo was not involved directly at the time, a little *frisson* must have run down its corporate spine when, shortly after the Tiger-CG Smith deal, Frankel moved in and paid what was necessary to steal control of spaghetti house Monis & Fattis from under Premier's nose Embarrassment was heaped upon insult as Tiger's successful grab virtually coincided with a party to celebrate Premier's acquisition of control of Monis.

Anglo, all this time, was sitting with its own food operations in the form of Tongaat But it was clearly being left behind in the scramble to determine who would control the food South Africans eat It was at this stage that the seeds of the idea were sown in mahogany row at Anglo's 44 Main Street headquarters that the house needed a major development if it was to become the most potent force in SA's food sector

It was a time when Anglo was out with a big cheque book buying, so it seemed, almost anything that moved on the corporate front Growth by acquisition was more important than building new ventures And so what if that policy was strewn with disasters such as Sigma?

Anglo's opportunity came when Premier's chairman, Tony Bloom, came up with the news this May that he had persuaded ABF to sell its 52% stake in his company Bloom is urbane, personable and intellectually sound But he had been miffed when an older and rougher Frankel had beaten him hands down in the 1982 bid for Monis & Fattis So Bloom needed a major coup, if only to prove that his negotiating skills were the equal of anyone else's Plainly he could not himself afford to buy ABF's Premier stake, and he was perfectly well aware of just how shaky his own position might become, despite his top-rate executive skills, if the shares fell into unfriendly hands The obvious person to turn to was his old friend, Gordon Waddell

Back in 1974, Bloom had managed Waddell's successful parliamentary election campaign, and their friendship went back further than that Outwardly Bloom and Waddell are an unlikely pair of friends Bloom is dapper, trim and fanatically concerned with fitness, Waddell, by way of contrast, is a large, shambling rugger bugger with a healthy disregard for sartorial elegance

Waddell's problem was that he could not move alone. Though he is chairman of the nominally independent mining house JCI, he is held on a fairly tight lead by 44 Main Street These days, JCI is little more than a glorified Anglo holding company, living proof that there is no life after Anglo

SAB the target

Waddell slotted quickly into wealthy Johannesburg society once he had married Mary Oppenheimer in the mid-Sixties And he progressed far and fast in the Anglo hierarchy, where his natural arrogance was cheerfully accepted as bluff good humour. But it was this arrogance, or insufficient sensitivity, which caused problems in the delicate negotiations surrounding the eventual incorporation of SA Breweries into Premier But we are running ahead of ourselves

Waddell is well versed in the Anglo philosophy and knew full well that a deal such as the acquisition of Premier would be welcomed by the country's largest mining house More to the point, the deal could be used to develop some other arrangements Anglo had on the back burner

Why not, so the argument went, put control of Premier beyond doubt? There was no logical reason to inject SA Breweries shares into Premier, except that it gave Anglo the opportunity to kill several birds with one stone Not only could JCI's long-held interests in SAB be pumped into Premier in exchange for new Premier scrip, but the deal could be used to bind Liberty a little more closely to the Anglo camp

No one even considered telling Old Mutual or the SAB board what was going on After all, the SAB men were mere managers who could be counted on to remain quiet They were, in addition, locked in by a series of stock options which no one would be so foolish as to prejudice — or so the Anglo negotiators thought The conclusion was logical enough With the exception of Sol Kerzner, none of the SAB executives was sufficiently independently wealthy to tell Anglo to go to hell

Some months earlier, the SAB board, and in particular its chief executive Dick Goss and the chief executive of Southern Sun, Sol Kerzner, had tried to tie up a deal with the Rennies-controlled Holiday Inns chain to combine the two hotel group's casino interests. The kibosh had been put on this by someone not a million miles from Anglo who was simply not prepared to risk having the Rennies group calling the casino shots

When the news of the Anglo plan for Premier and SAB was announced, all hell broke loose Goss, Kerzner and the other SAB board members screamed blue murder and threatened to quit, while Van der Horst buried himself in Old Mutual's Pinelands headquarters before later quitting the

Illustrations by Dave Gaskill

Anglo board in a huff So much for any outward show of urbanity or ability to cope with change.

Goss certainly appeared to have the most to lose by acting precipitately Though he was an outstanding chief executive of SAB, he was not independently rich, and his skills, so it seemed, were better developed in the marketing sphere than in diplomacy

Kerzner, on the other hand, was not only independently wealthy through his major interest in Southern Sun, but he seemed to have all the attributes of a corporate street fighter No one could describe Kerzner as coming out of the top drawer And, more to the point, Kerzner likes to cultivate an unpolished image of himself He is far happier in the company of the beautiful people of showbiz than in any intellectual pursuits His whole image, from the dangling cigarette to the necktie so carelessly (or perhaps calculatedly) hanging open to the atrocious accent, is designed to display rebellion. More than some of the others, though, Kerzner had guts when it came to coping with the major changes thrust on him by Anglo

But we will come back to this later

One of life's little ironies, if one chooses to look at it that way, is that Goss and his SAB board colleagues were not strangers to the unwelcome takeover Early in 1982, under Goss's direction, SAB had shown a fine — some might have called it ghoulish — sense of timing in its acquisition of control of Edgars through pyramid Edcon

Liberty's role

In the first days of February 1982, an ailing Edgars chairman, Sydney Press, managed to stave off a bid by SAB for control of Edcon Press was simply not prepared to have anyone else telling him how to run the retail chain he had spent 47 years building All Press could see was the SAB monolith descending on his business and threatening the control structure he had so ably established

Fortunately for Press, help was at hand in the form of Liberty Life and its founder and guiding spirit, Donald Gordon Press and his family ducked for cover under Gordon's protective wing and, with a joint 50,5% of Edcon held by the Press family, Liberty and Liberty's investment company, Fugit, it seemed that SAB's unwelcome advances had been duly repulsed

Goss tried to cover up his initial dismay at the apparent failure of the bid and claimed that SAB's acquisition of 38% of Edcon was simply a move designed to block another predator This was patently a cover-up No one was ingenuous enough to believe the Goss line, but they were prepared to concede that he and the SAB board had a right to save face after an apparently failed bid

Goss might have done well to remember his own determination over the Edcon bid when faced with the prospect of SAB's falling under Premier's control

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Within days of Press's protective deal with Gordon, SAB's board had talked Gordon into selling Liberty's Edcon shares and had used Press's second-in-command, Adrian Bellamy, to help persuade Gordon of the reasonableness of the SAB line Press was justifiably peeved He got out of Edcon with about R50m, which should be enough to keep him in moderate comfort But his farewell speech to Edgars' employees was bitter

Everyone was terribly polite to each other, but Bellamy got top slot at Edgars and, without specifically naming Gordon, Press made no bones about what he thought of the Liberty chairman's action in selling the pass to SAB

Liberty, of course, had better things to do than maintain Press in control of Edgars. Gordon, quite simply, preferred to own a major stake in the top company, SAB So there was no illogicality when, in 1983, he placed his SAB shares with Premier in exchange for an important part of Premier's equity

Power is, after all, one of Gordon's main motivations It is something which is belied by his roly-poly figure and his cherubic, self-satisfied smile But the drive to power is inevitable in someone such as Gordon, who bears the main responsibility for building Liberty from scratch into one of SA's major insurance groups Coupled with this, though, are some drawbacks His close associates will be among the first to admit that Gordon needs advisers to confirm his own ideas, not to sway him from an already planned course This is accompanied by a tendency to panic if his plans seem to be coming seriously adrift

That is precisely what happened when Goss and his colleagues threatened to quit the SAB board during the first week of June Gordon saw what he thought was the writing on the wall and, at one stage, seriously considered trying to unravel the SAB leg of the overall deal For a while, he lost sight of the greater opportunity which he had contrived with Anglo — the possibility of an eventual merger of Anglo's insurance arm with Liberty If and when this deal is consummated, the combined insurance group will virtually match in size Old Mutual and Sanlam

Saving face

The fear of just such a development was an added incentive for Van der Horst to work with Goss and his colleagues in an attempt to prevent a large part of SAB's equity being shunted willy-nilly into Premier.

Except that Van der Horst could, at that stage, not provide the Goss group with any real help — at least not the sort of help they needed The SAB directors were determined that Tony Bloom, whom they considered to be an effete product of a silver-spooned background, should have no say in the beery world of SAB

Goss and Kerzner did not lose touch with Van der Horst, but for a while their best strategy was to lie low Relly was rolled out as the impartial arbiter and, following a Saturday of variously acrimonious and table-thumping visits to his house by Goss, Van der Horst, Bloom and Waddell, he came up with a compromise scheme for the creation of a holding company, of which he would be chairman and which would own the Anglo camp's Premier and SAB shares. The details are unimportant What was important was that it was a device to save face for everyone involved The row, by that stage, had become unbearably shrill

Except that Goss and Kerzner were no more prepared to knuckle down under Anglo's tutelage than to jump off the Carlton Centre Kerzner, in particular, is

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Illustrations by Dave Gaskill

Anglo board in a huff So much for any outward show of urbanity or ability to cope with change

Goss certainly appeared to have the most to lose by acting precipitately Though he was an outstanding chief executive of SAB, he was not independently rich, and his skills, so it seemed, were better developed in the marketing sphere than in diplomacy

Kerzner, on the other hand, was not only independently wealthy through his major interest in Southern Sun, but he seemed to have all the attributes of a corporate street fighter No one could describe Kerzner as coming out of the top drawer And, more to the point, Kerzner likes to cultivate an unpolished image of himself He is far happier in the company of the beautiful people of showbiz than in any intellectual pursuits His whole image, from the dangling cigarette to the necktie so carelessly (or perhaps calculatedly) hanging open to the atrocious accent, is designed to display rebellion More than some of the others, though, Kerzner had guts when it came to coping with the major changes thrust on him by Anglo

But we will come back to this later

One of life's little ironies, if one chooses to look at it that way, is that Goss and his SAB board colleagues were not strangers to the unwelcome takeover Early in 1982, under Goss's direction, SAB had shown a fine — some might have called it ghoulish — sense of timing in its acquisition of control of Edgars through pyramid Edcon

Liberty's role

In the first days of February 1982, an ailing Edgars chairman, Sydney Press, managed to stave off a bid by SAB for control of Edcon Press was simply not prepared to have anyone else telling him how to run the retail chain he had spent 47 years building All Press could see was the SAB monolith descending on his business and threatening the control structure he had so ably established

Fortunately for Press, help was at hand in the form of Liberty Life and its founder and guiding spirit, Donald Gordon Press and his family ducked for cover under Gordon's protective wing and, with a joint 50,5% of Edcon held by the Press family, Liberty and Liberty's investment company, Fugit, it seemed that SAB's unwelcome advances had been duly repulsed

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FM 9/12/83

far too much of an entrepreneur to be attracted by the more staid world of 44 Main Street Their chance came more quickly than they might have hoped

In mid-June, Old Mutual bought control of Rennies from its Hong Kong parent, Jardine Matheson, and that opened up a whole new range of possibilities for Goss and Kerzner Not the least of these was the possibility of resuscitating the old idea of merging the Southern Sun and Holiday Inns casino interests Kerzner and Goss were, in any case, getting on far from well with Anglo despite the public avowals of chumminess They were not the stuff of which good Anglo people are made and, more to the point, they were making waves They had to go, but in such a way that no one would lose face

This was where some of the most amazing and well-hidden parts of the entire deal were struck Goss, clearly, would not leave without a fat golden handshake and he was not prepared to negotiate with Anglo, Bloom or anyone he reckoned had ridden roughshod over him The same went for Kerzner

Enter Meyer Kahn, SAB's deputy MD and Goss's obvious successor. He quite bluntly told Anglo and Bloom to go play in the garden while he struck a deal which would let Goss and Kerzner go quietly The upshot was that Goss was allowed to exercise his SAB share options ahead of schedule — something which netted him close on a million — and Kerzner was to gain control of the part of Southern Sun which was closest to his heart, the casinos

Incredibly, it was agreed that Kerzner should sell his 10% interest in Southern Sun to SAB at a price based on an earnings multiple of 12 Simultaneously, it was agreed that he should buy 51% of the Southern Sun casino interest immediately at a price based on an earnings multiple of four He

was to get a further 9% in April 1984 In fact, the original casino purchase agreement Kerzner struck with Kahn was based on a three-times PE purchase price, but that was simply too generous a deal for Anglo and Bloom, who protested vigorously, to swallow and the higher price had to be agreed.

With that, Kerzner and Goss parted company with SAB, carrying between them the part of Southern Sun with the greatest growth potential Within days, they announced plans to merge the Southern Sun casinos with those of Holiday Inns The arrangement brought in Safmarine, left Southern Sun with only 25% of the merged casino operations and put Kerzner firmly in charge, or so he thought

Too many cigarettes, the strain of the year's negotiations — whatever the cause — Kerzner suffered a major heart attack and spent weeks recuperating at his Cape home in front of his favourite video shows

Who came out ahead of this year of corporate bickering?

☐ SA was certainly not among the winners. The entire deal has done nothing to add to the total assets employed by the various groups Everything was in place before the fighting started,

☐ SAB certainly did not win, nor did its shareholders, which include Premier. The deal which gave Goss the right to exercise his options early and Kerzner the Southern Sun casino interests at cheaper than bargain-basement prices can hardly be construed as in the best interests of the SAB shareholders,

☐ Premier issued a swath of new shares, only to find its earnings diluted more than it expected by SAB's subsequent hefty earnings slide,

☐ Anglo spent a great deal of effort trying to hide the fact that it was the main force behind the purchase of Premier from ABF. No sooner had it done that than it was involved in a row with Kerzner and Goss which was of its own making and which ended up with control of a major part of Southern Sun's operations being ceded,

☐ JCI did what it was supposed to do — act as Anglo's holding company,

☐ On the other hand, Anglo has won control of a major section of SA's food industry and tightened its grip on corporate SA,

☐ Old Mutual has done much the same with its acquisition of control of Rennies at what was considered to be an excessively high price, and

☐ The only people to have emerged with materially more wealth from the SAB deal are Goss and Kerzner — the pair who fought hardest against the deal Rennies chief executive Charles Fiddian-Green, who has become the joint casino king with Kerzner, received a large restraint of trade payment from Jardine Matheson

CBDA's Mandy ... 'open the CBDs'

Structuring partnerships, however, is only part of the problem. For openers, obtaining a site involves a good deal more than picking out a likely spot, buying it and having ownership registered in a deeds office In places like Soweto, where sites are not surveyed or registrable in the normal way there is a leasehold rigmarole to be followed all the way from Wrab to the local community council

And investors — life assurers, for example — are unlikely to fund a major development without freehold security or full ownership. Development capital, therefore, must come from shareholders and whatever loans the trading company can muster.

To outsiders it must look like an exercise in the absurd because SA, after all, is a "free-enterprise" country How little they noted, it is "a very strange society."

For years, trade, as the world knows it, has not existed in townships like Soweto Blacks were "sojourners" in the urban areas and, although some 2 500 smaller traders now serve the population of 2m after a fashion, there was no commerce to speak of at all until the Seventies

White Johannesburg and black, dormitory Soweto existed uniquely side by side as an African tale of two big cities, interdependent (white Johannesburgers needing the labour, black Sowetans the buying points) yet utterly apart In 1968, restrictions were tightened further and only those who qualified under the Urban Areas Act were granted licences Further restrictions included a ban on the formation of companies or partnerships, and another forbade traders to be absent from their premises

The company and partnership ban was lifted in 1976 and, simultaneously, the limited range of permitted business categories was increased to 26 Licence-holders, however, had to hold homeland citizenship certificates (Afrimet's chairman-designate Vela Kraai is a Bophuthatswana citizen, Black Chain's Qhudelimzwezwe Majola a KwaZulu citizen and Richard Maponya a Lebowan)

But, finally, with government accepting that urban blacks were here to stay, the 49% 51% partnership scheme was introduced in 1979 This, of course, applies conversely to blacks wishing to enter the downtown city areas with white partners, but to date shortages of cash and expertise have meant that this "right" has been no more than academic

Until now, therefore, most of the black spending power — currently estimated at R650m/year — has gone to the Johannesburg CBD, because choice on the Soweto doorstep has been limited And, even when goods are available, prices are understandably uncompetitive with the white chains In fairness to Black Chain, though, its Diepkloof and Zola stores make commendable efforts to match and occasionally better the prices of some lines in white stores.

CBD Association (CBDA) chairman Nigel Mandy estimates that more than half the retail take in downtown Johannesburg comes from black customers who often have to lug goods 20 km or more by train, bus or taxi

Mandy says CBDA policy remains that all races should be allowed to trade in white CBDs, but the association does not go as far as Pick 'n Pay's Raymond Ackerman who, supported by Nafcoc, additionally suggests a 10-year moratorium on all white investment in the townships before a complete "free-for-all"

But in the townships, the absence of freehold means that the

Sappi pays R2,4m for board firm

Industrial Editor

SAPPI has acquired a particleboard business which it plans to integrate with its Novobord interests on the Reef It has paid R2 479 000 for Timberboard and Beau Estate & Finance Company, a property-owning company The deal is effective from November 1

The price will be settled by the issue of 230 605 new ordinary shares at a price of 1 075c, Sappi's closing price on October 31

The new business consists of a particleboard manufacture and upgrading plant at Alrode, near Johannesburg The acquisition will provide Novobord, which has operations in Port Elizabeth, White River and on the Reef, with additional particleboard manufacturing facilities and will help it to service the Transvaal market

It will also provide Novobord with opportunities for rationalisation

As Sappi has sufficient unissued shares under the control of the directors, it does not intend to call a shareholders' meeting to approve the share issue The Timberboard acquisition is not expected to have much effect on either the earnings or the net asset value of Sappi shares

CAPE TIMES 10/12/83 (232)

Kirsh sees restructuring vital for Checkers future

By ALEX PETERSEN, Deputy Financial Editor

CHECKERS' long-term survival depended on it being part of the reconstructed Kirsh trading empire, minorities champion, Mr Issy Goldberg said yesterday.

Mr Goldberg said that following further meetings with Mr Natie Kirsh and Mr Mervyn King he had been convinced of the need for Checkers to be absorbed into the restructuring of the Kirsh group

Although the initial aim of the meetings had been to obtain an amendment to the restructuring scheme to "give extra relief" to Checkers shareholders, Mr Goldberg said in a telephone interview that Mr Kirsh and Mr King had been sympathetic to suggestions which would not affect other parties to the restructuring

Amendments

"We suggested a number of amendments, but in each case we found they would affect other parties"

Asked whether he would still opposed the restructuring, Mr Goldberg said

"In light of the projections on Checkers' future as presently structured, it would be reckless to recommend to shareholders that they should oppose the scheme"

Under the restructuring proposals, to be put to shareholders at a meeting on Monday, Checkers will become the vehicle for Kirsh retailing and wholesaling interests

Subsidiary

Checkers will change its name to Kirsh Trading and under the scheme of arrangement, acquire the entire issued holdings of Russells Holdings and Metcash Checkers Trading Company will operate as a wholly-owned subsidiary of Kirsh Trading

Mr Goldberg said vast funding necessary for refurbishing and modernizing the Checkers chain, with a minimum expenditure of R40m in the coming year, had been one of the main reasons given by Mr Kirsh

"With the current battle between the supermarkets, Mr Kirsh feels that many of the stores will seriously lose out unless modernized"

"At both the annual meeting and our talks, Mr Kirsh said that the minimum amount required for property development schemes — mainly to accommodate Checkers stores — would be over R200m for the next two years"

The reasoning for store development and ownership was the shortage of suitable store premises, and continually escalating rentals

"Mr Kirsh made it clear, and this was confirmed in talks with Mr Gordon Utian, the managing director of Checkers, that unless the restructuring scheme was accepted by shareholders, Checkers supermarkets would become a relatively minor force in the supermarket battle presently being waged, and their future survival would be in grave jeopardy"

If approved, the strength and muscle of the restructured group would make them a serious force in the supermarket trade, with Kirsh Trading having a turnover of R3 billion a year, equal to 12 percent of the countries total retail sales

Vulnerable

"While the investment in the present Checkers could be extremely vulnerable," Mr Goldberg said, "a major group that the restructured group represents would afford a safe if relatively slow return till the economy regains its buoyancy"

Mr Goldberg said that institutional investors he had interviewed were backing the scheme

He re-iterated that he had only accepted proxies for the meetings that gave him absolute discretion to vote in what he deemed was in the best interests of shareholders

232 S. Times 11/12/83

Standard and UBS extend alliance

By Alec Hogg

IN another move drawing the R20 000-million Standard Bank-United Building Society-Liberty Life alliance closer together, Standard and the UBS are about to open desks in one another's branches.

And Liberty Life is already steering its customers towards the other two members of the power bloc

Business Times has established that plans are well advanced to open UBS "desks" in at least 30 Standard Bank branches

In addition, the first two Stannic desks will be opened in existing UBS branches early next year, giving the building society's customers access to on-the-spot hire-purchase or leasing facilities

Standard Bank is also mopping up the overflow of mortgage-bond applications which UBS cannot handle

A certain proportion of the loans advanced by the society, particularly for smaller amounts, where the society offers significantly lower interest rates, are earmarked specifically for the bank's clients.

In this way, the bank is satisfying the requirements of its own customers and those of UBS who in other circumstances would not be able to raise bonds

The only requirement is that the individual must change his account to a branch of the bank.

In addition, Liberty Life financial consultants are actively referring their clients to Standard Bank branch managers, with such referrals receiving the highest priority from the officials concerned In return, they are getting leads from both the bank and UBS.

A recent example quoted to Business Times is accepted as the norm rather than the exception

A Liberty financial consultant, on being told that his client was trying to raise a mortgage bond, passed the lead on to the business-development department of Standard Bank

Within an hour, the customer received a call from a branch manager, and just over a week later his bond application with the UBS (accompanied by a Standard Bank recommendation) had been approved

Gutch Vickers, general manager, personal services, of Standard Bank, on being told of this, said "I am pleasantly surprised I didn't realise that the wheels were already so smoothly in motion"

Liberty managing director Monty Hilkowitz told Business Times "There is a lot of talk of a personal financial package being offered across a whole range of products and services through ourselves, Standard and UBS

"We are doing a bit of experimentation, but nothing has been done formally yet I have a feeling that great things could and should happen

"The potential is enormous Hopefully, we will be able to get some heads together to discuss the matter some time next year"

Mr Vickers agreed that the bloc has only scratched the surface, and "there are many opportunities for closer cooperation which are still to evolve".

He said that the scheme was best described as a "freely negotiable marketing situation", with commission paid to the UBS for each deposit placed with the bank and vice versa

Further, all mortgage-loan applications to the bank are handled jointly While Standard Bank satisfies the financing requirement, all valuations are done by the UBS, with a fee paid to it for the service

The cosy arrangement whereby Standard Bank entertains bond applications which the UBS cannot handle, works to the benefit of both institutions

The UBS does not lose business because of not being able to satisfy demand, while the bank is able to continue extending credit in an environment where normal lending is slow

Mr Vickers believes that if societies' cash flow stays under pressure, and provided demand stays constant, by the end of next year "I would not be surprised if we have lent R200-million in this way"

In this regard he may be erring on the conservative side Standard offers by far the most attractive deal of the banks active in the home-loan market

It charges clients a set 17,5% no matter how large the loan By comparison, Barclays, which claims to have advanced R800-million to house buyers, charges 18% for loans up to R40 000 and 19% for larger amounts

According to Mr Vickers, the rate his bank charges is linked to the maximum interest rate charged by UBS, although "if we decide at any stage that we want to charge a different rate, we must, according to our contracts, first give bondholders 12 months' notice of this intention"

While admitting that the rate being charged is not in itself a money-spinner, Mr Vickers argues that the bank benefits from the spin-offs of gaining new current accounts, while "we are looking for the young people who will be big one day"

1983: a year of large company mergers and takeovers

SA economy is moving to monopolies

(232) Star 13/12/83

At mid-year, the 24 Hours team took the wraps off the trend toward huge concentrations of economic power in South Africa. A series of articles sparked controversy that still goes on. Here are extracts from an article in the year-end issue of the Association of Chambers of Commerce Review.

This year has been remarkable for the large number of mergers and takeovers of important companies involving South Africa's largest financial groups

It seems this is part of an ongoing process which, according to the predictions of the chairman of a major life assurance company, will result in the South African economy being dominated by six corporations, three of them assurance companies, by the year 1990.

It was probably the deal involving the Premier Group and SA Breweries which stirred up considerable Press outcry that ultimately led the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, to instruct the Competitions Board to examine the situation

The board has been instructed "to investigate and advise (him) concerning the occurrence of interlocking business undertakings, directorates and employees in business undertakings in the South African economy, the effect thereof on economic concentration and competition and the desirability of the introduction of additional statutory and other measures for effective control thereof"

This is no mean assignment because it is many-faceted It touches on the tidal wave of funds which flow into the assurance offices and the pension funds

It involves the activities of large conglomerate mining and industrial groups which are still imbued with entrepreneurial drive and which are backed up by large assets and resources It impinges on the role of the Johannesburg Stock Exchange and the efficacy of the Companies Act to ensure that all mergers and takeovers are fair to minority shareholders

And in an oblique manner it touches on the shortage of good investment shares on the stock exchange, which resulted in share prices being entirely out of phase with the current severe recession

Concentrations of economic power are not unique to South Africa Antitrust legislation was introduced in the United States at the beginning of the century and most countries today have legislation against monopolies and monopolistic practices In South Africa the emphasis is not on size per se but on behaviour in the marketplace

Possibly the reason for this is that the mining house group system resulted in the concentration of financial resources at an early stage of our history and possibly the State capitalism which developed in the '30s evolved as a countervailing power

Then came the explosion of the assurance industry and the pension fund movement which ultimately enlarged the giant assurance companies They have reached a stage where they generate R7 500 million of new investment funds a year — R30 million a working day This is trustee, non-risk money for which safe repositories must be found

And this flow of funds increases each year Investment outside South Africa might be a palliative but it is no solution because we are far from the stage when we, as a country, can afford to export savings.

Some companies — and notably the Barlow group — although indirectly controlled by the great institution, are decentralising some of their subsidiaries The motive, probably, is to reduce corporate bureaucracy but it is also to encourage in-company entrepreneurship so as to generate organic growth instead of concentrating on growth by acquisition

If one examines case by case one comes to the conclusion that the South African economy can be severely damaged by trying to unscramble the financial eggs The chairman of the Competitions Board, Dr Dawie Mouton, has said that his concern is with the stimulation of competition and free access to markets.

He sees his role as making sure that power is not abused and that competition is not restricted by cornering markets by means of unfair methods of distribution

Big is not necessarily ugly But the big corporations must be kept competitive by encouraging new competition. New small businesses must be nursed to maturity

If the investor is forewarned that he is going into a risk venture he does not need a State official to nanny him and hold his hand. If this country is to grow and to provide the necessary job opportunities, lateral growth from new ventures is required, not vertical growth by acquisition

Perhaps we worry too much about power concentrations and too little about encouraging risk and initiative

There is a tendency to forget that for the good of the country one sound entrepreneur is worth a dozen corporate bureaucrats We must get our priorities right

Tucker family sells 60% stake in TLH

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By JOHN MULCAHY

Cape Times 13/12/83

JOHANNESBURG. — Mr Hymie Tucker has sold 60 percent of his holding in Tucker's Land Holdings (TLH) to a company controlled by a consortium of American and British property interests for 850c a share, or R24,8m.

The offer puts a total value of R56,1m on Tuckers, although the deal involves a number of legs, and the first leg will probably cost the mysterious foreign interests R33,7m provided all minorities accept the offer

Minorities are being offered 850c a share for 60 percent of their holdings, an equivalent deal to that made with the controlling shareholder, and which if successful will give the foreign-controlled company, Topaz Industrial Inc, 60 percent of TLH

Share price

News of the deal was posted on the notice board of the Johannesburg Stock Exchange yesterday afternoon, after which the TLH share price rose to 670c from 640c

The share price has risen from 545c last Monday.

Topaz Industries Inc has agreed to the purchase of 60 percent of Tucker's Family Holdings (Pty) stake in TLH and to make an equivalent offer to the remaining TLH shareholders.

The sale is conditional on Topaz providing a banker's guarantee by next Monday covering the R24,4m, and the initial sum is payable within 24 hours of the Tucker interests giving written notice to the effect that payment is required.

A source close to the deal said yesterday he could not yet disclose any further details on Topaz, other than the fact that it was controlled by a United States/British consortium, and is acting "in partnership with substantial South African investors"

If written notice for payment is not given before January 15, the initial guarantee will be payable on January 16

Remaining shares

Topaz has the right to require Tucker's Family Holdings to sell the remaining 1,9m shares at any time in 1984 or 1985, at prices of 975c and R11,20 a share respectively

If Topaz does not exercise its rights before then, Tucker's Family Holdings will have the right to require Topaz to buy the second block of shares on December 31, 1985 at R11,20 a share.

Other elements to the agreement include

- Topaz will have the same call options on the minority shareholders as it holds over the Tucker family interests
- If Topaz does not exercise the call options the minorities will hold the same "put" on Topaz, in terms of which the remaining shares can be sold for R11,20 on December 31, 1985
- Topaz will provide banker's guarantees or other acceptable for its obligations concerning the remaining shareholding.
- If by next Monday Tucker's Family Holdings receives another cash offer backed by an acceptable guarantee for all of its shares at a price of 850c or more, it will be entitled to withdraw from the agreement with Topaz
- If between December 20 and January 12 Tucker's Family Holdings receives another cash offer at a price higher than 850c a share it must immediately notify Topaz in writing, and Topaz will have 24 hours to match the new offer

Comment: After several false starts this year, the last being the Gencor option at 750c, this is the first firm statement to emerge from a series of rumours and speculative reports on TLH

One of the mysteries involved in this deal is the identity of the "substantial South African investors" and the United States/UK consortium, and the other, more important, mystery is why Gencor walked away from the deal when someone else managed to find value at a price 100c a share higher

It is not known whether Gencor's valuation report on Tucker's has been generally available, although this is unlikely, but some sources have questioned whether the new bidders have done their homework.

For minorities the headaches and uncertainty earlier this year have proved worth the effort, and it provides the perfect opportunity to take the profits on a portion of their holdings now with the option of taking a decision on the remaining holdings later

Consol pays R1m for Cargus

(232) 12/12/85

Financial Reporter

CONSOL, Anglovaal's packaging arm, has bought Cargus Packaging (Pty) of Bellville for about R1m

The acquisition represents Consol's entry into the consumer sector of the flexible packaging market Cargus will be incorporated as a subsidiary of Consol Plastic Packaging (Pty)

Cargus is involved mainly in the manufacture of bundle shrink film, liners and check-out bags

In the last financial year flexible pre-packaging contributed a third of Cargus's turnover

The takeover is retrospective to October 25 and, as soon as the details have been finalised, Mr Gus Gunther, Cargus's managing director, will withdraw from management

Mr Keith Reid will take over from Mr Gunther as regional manager of Consol Flexible Plastics Mr Colin Wood and Mr Herbie Appel will continue respectively as Cargus's sales and technical managers

IDC gets all Soekor and SFF

By GAIL PURVIS RDM 232 14/12/83

SFF (Pty), the Sasol and Industrial Development Corporation company, as well as Soekor, will be wholly acquired by the IDC

The IDC's chairman, Mr A J van den Berg, says "SSF buys crude oil and markets it to petroleum companies As Sasol is now a fully public company, it would be awkward for it to have to deal not only with shareholder's business but with what is essentially Government business To obviate this clash of interests IDC will take over the company in the new year and re-establish it as a separate organisation"

SSF employs more than 500 people Nursing it from an in-house Sasol operation into an establishment with an identity of its own will be the responsibility of the IDC's Mr D R Voster assisted by Mr Nico Van Niekerk

IDC has not paid anything for the extra 50% stake in SFF.

"Soekor is established as an independent company with its own management team and no changes are expected"

Southern makes audacious deal

ARGUS 14/12/83 232

DEREK TOMMEY
Financial Editor

THE Southern Life Association, the Cape Town-based life assurer, has taken the business world by surprise with one of the most audacious business deals South Africa has ever seen

It is to shed its mutual status, merge with Anglo American Life, link up with Barclays Natioanl Bank, and then become a listed quoted company with the Anglo American Corporation and Barclays National Bank as major shareholders

The result will be a major new financial power block, able to offer the widest range of financial services, and also able to compete on an equal footing with the Old Mutual-Nedbank, Sanlam-Bankorp-Trust Bank and Liberty Life-Standard Bank groupings

The new insurance company, to be known as the Southern Life Association, will have assets of more than R3 000-million and will rank third among the country's insurers behind the Old Mutual and Sanlam, and ahead of Liberty Life

FROM APRIL 1

The scheme will take effect from April 1 and the first chairman will be Mr Desmond Loch Davis, while the deputy chairman will be Dr Zach de Beer and the chief executive Mr Neal Chapman

A unique feature of the plan is the shedding by Southern of its mutual status This is believed to be the first time that a major insurance company has become a proprietary company

This was apparently necessary to enable Anglo American to retain a stake in the insurance industry after the merger of Anglo American Life with Southern Life

Anglo American will hold 37,5 percent of the new company's capital and a further 2,5 percent through non-voting participating shares

Barclays will hold 30 percent and the balance with be held by the public and by trusts, including Barclays National Bank's staff pension fund

The shares held by one of the trusts will be offered for sale to the public

ALLOCATIONS

There will be preferential allocations in favour of the policy holders of Southern Life, Anglo American Life, members of staff, pension fund clients, members of the broking fraternity and other business associates

The Southern Life says the interests of existing policy holders will be fully met in the amalgamation This will be subject to the approvals of several authorities, all of whom have agreed in principle

The head office of the new company will be in Cape Town

Mr Neal Chapman . new super-businessman

City man to head insurance giant

Argus 14/12/83

232

Financial Editor

CAPE TOWN has a new super-businessman — Mr Neal Chapman of Cape Town, who is to head the insurance giant to be formed by the merging of Cape Town-based Southern Life Association and the Johannesburg-based Anglo American Life

The new company will be the third largest life insurer in the country, behind the Old Mutual and Sanlam

The merger, in which Mr Chapman and Mr Dudley Williams, Southern's retiring general manager, played a major role, has taken the insurance industry by surprise

POWERFUL PARTNERS

Among other things, it involves the "de-mutualising" of a major highly successful insurance company — something that has never happened anywhere else It has also given Southern two powerful partners — Anglo American and Barclays Bank

As a result of the merger Mr Chapman now ranks in the South African business hierarchy on a par with the heads of Old Mutual, Sanlam and Liberty Life — positions of great importance in view of the financial muscle these vast institutions can wield

However, Mr Chapman's rise is not surprising He has shown great ability during his business career and possibly today could have been heading Barclays Bank had he not preferred to live in Cape Town rather than Johannesburg

Mr Chapman joined Barclays after matriculating at Pretoria Boys' High School and was soon singled out for promotion He rose rapidly and worked for the bank in London and New York

He attended the Wits Graduate School of Business He was responsible for the bank's managements systems until 1973 when, at the age of 39, he became the bank's youngest general manager, with responsibility for the Western Cape

MAIN BOARD

When Barclays wanted to move him back to Johannesburg in 1976 he left the company and became chief executive of the Board of Executors But he retained close links with Barclays, joining the bank's local board, and in June this year was appointed to the bank's main board

After six years with the Board of Executors Mr Chapman joined the Southern Life in October last year as chief executive-designate, to succeed Mr Williams when he retired at the end of November this year

But is now seems that he and Mr Williams were seeking ways to strengthen the organisation in the face of increasingly intense competition

The head office of the new group will be in Cape Town

Barclays backs R3,5bn merger

Insurance giants in power play

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RDM 14/12/83

By JOHN MULCAHY

A HUGE deal announced yesterday will lead to the creation of South Africa's third biggest life insurance company, topped in size only by the Cape giants, Old Mutual and Sanlam.

The creation of Southern Life Association Ltd, which will be listed on the Johannesburg Stock Exchange, climaxes a year of unprecedented big business activity in South Africa

Triggered by the Government's bold move in February to abolish exchange control for non-residents, big deals have characterised the business year

The latest deal brings together the life arm of South Africa's biggest company, Anglo American Corporation, Southern Life and Barclays National Bank, the country's biggest banking group

Anglo will own 40% of the new Southern Life, Barclays National Bank will pay R135m in cash for 30% of the company and the remaining 30% will be spread among Southern Life and Anglo American Life policyholders, staff members of the two insurance companies, pension funds, members of the insurance broking industry and "other business associates of the new company"

One insurance industry source said yesterday the merger of Southern Life with Anglo American Life to create the enlarged Southern Life — which will have assets of almost R3 500-million — was the creation of the last major insurance power in South Africa

Southern Life's head office will remain in Cape Town, entrenching the Cape as the seat of insurance power in South Africa The Old Mutual's head office is in Pinelands and Sanlam's head office is in Bellville

Way out in front of the asset race is Old Mutual, followed by Sanlam, Southern Life and Liberty Life

After three months of intensive negotiation behind closed doors, Anglo American, Barclays and Southern Life have arrived at a deal that effectively leapfrogs over Mr Donald Gordon's Liberty Life, which until now has been the third biggest life assurer in the country

It also represents the final link in the big bank/big insurer chain, and comes only months after Standard Bank

London Bureau

LONDON — Thousa[nds of] Christmas shoppers evacuated in a huge [...]tion in central London [to]day as Irish terrorists [...] an expected festive [...] bomb campaign

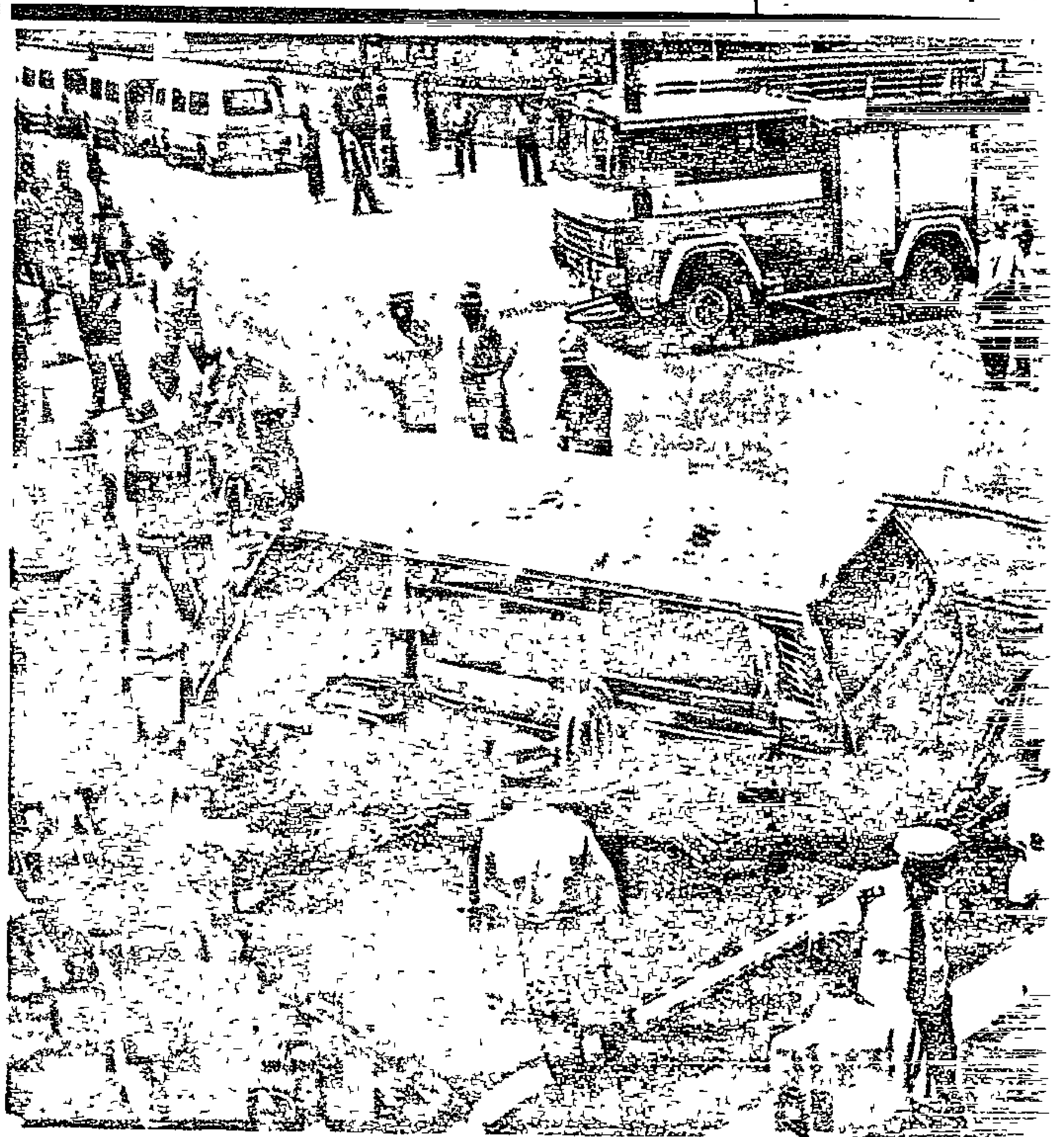
Police, who have been [on] high alert, found three [...] [ap]parently placed to cause [maxi]mum death and destr[uction] among the huge crowds of [shop]pers jamming gaily-deco[rated] Kensington High Street

The first device was dealt [with] by a controlled expl[osion] [...] streets and shops were evac[uated] by hundreds of policemen

The second two devices [were] quickly found and [...] by the bomb squad as [...] police cars, with sirens [...] extended the evacuation

Scotland Yard then issued [spe]cial warnings over BBC [...] ordering people in flats abo[ve the] street to stop leaning out of windows or join the evac[uation]

The police issued public [...]



A tow truck prepares to remove the charred shell of the mini-bus which burst into flame [...] travelling in the bus escaped uninjured after bystanders shouted a warning to them that [...]

Sol orders fraud checks within gambling empire

By GEOFFREY ALLEN

CASINO king Mr Sol Kerzner has ordered a crackdown in his R100-million-a-year gam[...]

two were "outsiders"

Neither the Bophuthatswana police nor Mr Kerzner's Sun International were prepared to release the [...]

by the scheme.

"It was simply a device to defraud the casino," Mr Kerzner said.

Five flee inferno e[...] on mini-[...]

Mail Repor[ter]

FIVE people narrowly esc[aped ...] the mini-bus in which they [...]

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It also represents the final link in the big bank/big insurer chain, and comes only months after Standard Bank and Liberty Life consummated their relationship

The country's five big banks now all have close links with life insurance companies, with Barclays linked to Southern, Standard to Liberty, Nedbank to the Old Mutual, Volkskas to Legal & General and the Trust Bank to Sanlam

It is a fitting end to an extraordinary year in South African business, which has seen control of the huge food group Premier revert to South Africa, the reversion to South African control of Rennies Consolidated Holdings and the formation of a powerful alliance in the Southern African leisure industry which followed Mr Sol Kerzner's takeover of control of Southern Sun's casino interests and the subsequent merger with Holiday Inn's casinos

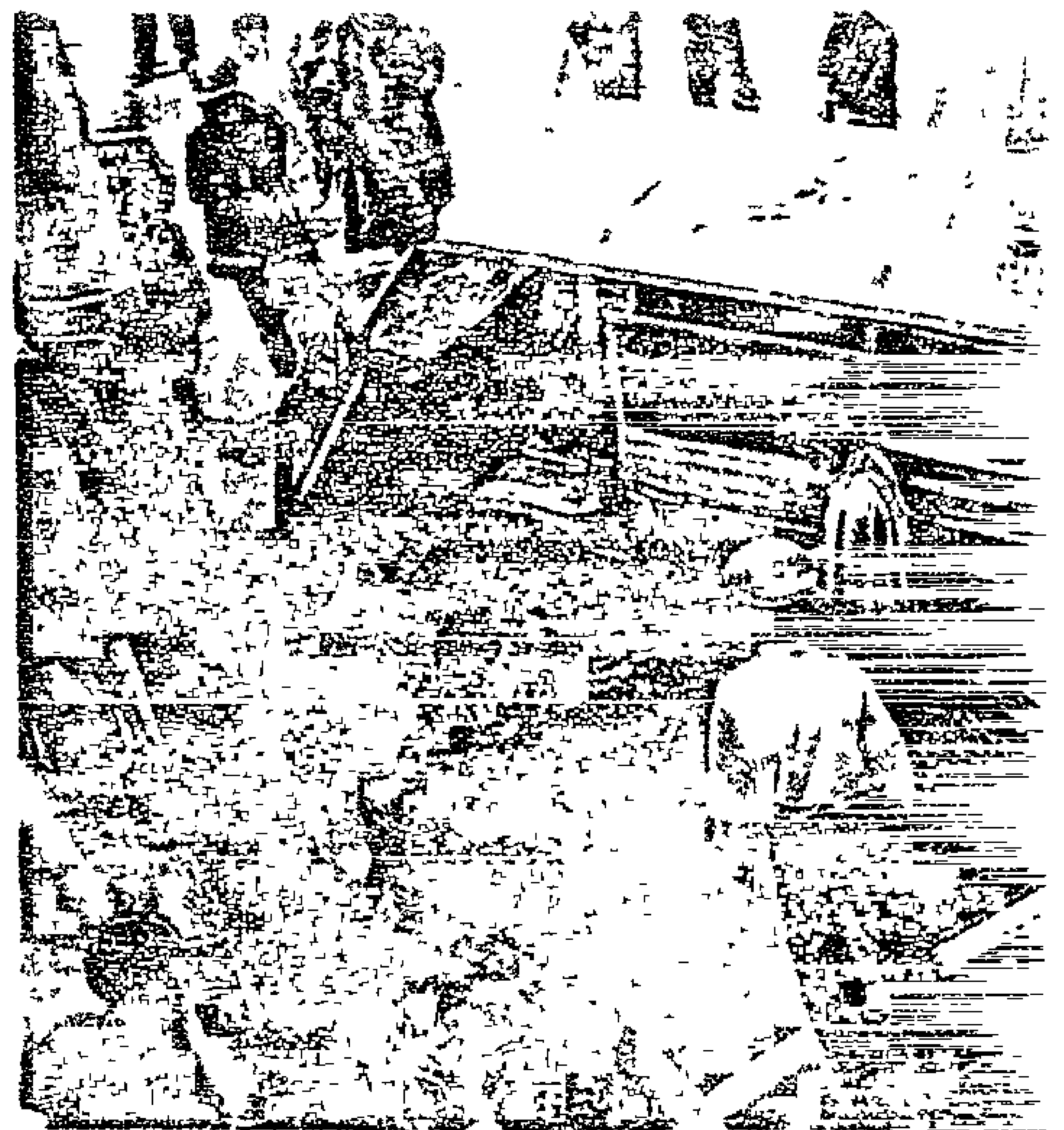
The Anglo American Life-/Southern Life merger poses an important question in South Africa's big business power game

It has been frequently said that the dynamic entrepreneur Mr Donald Gordon never closes a deal until he is sure about his next deal

At the time of the Standard Bank/Liberty merger two months ago there was widespread speculation that Mr Gordon's next move would be a merger with Anglo American Life

Barclays to make R80m rights offer

● See Business Day



A tow truck prepares to remove the charred shell of the mini... travelling in the bus escaped uninjured after bystanders ...

Sol orders fraud checks within gambling empire

By GEOFFREY ALLEN

CASINO king Mr Sol Kerzner has ordered a crackdown in his R100-million-a-year gambling empire to prevent frauds similar to the one allegedly perpetrated at Sun City during the "past few months"

Yesterday he confirmed that his Sun International company was fully aware of the nature of the fraud at Sun City which allegedly involved "several hundred thousand rands" and knew how it was operated

He has ordered checks on all of the other casinos under his control

Twelve people, eight women and four men, appeared in the Mogwase Magistrates' Court charged with the theft of R129 000 from the Sun City casino

They were not asked to plead and have been remanded in custody until today

Ten of them were on the Sun City casino payroll while two were "outsiders"

Neither the Bophuthatswana police nor Mr Kerzner's Sun International were prepared to release the names of those held

However the Mail understands that there are at least two husband and wife teams in which the wives were croupiers and the husbands pit-bosses

The accused, all British subjects, were remanded at Mafikeng

Mr Kerzner declined to asnwer when asked whether the fraud involved a "chips for money" racket whereby croupiers would exchange gamblers' chips for higher denominations and then use the redeemed chips to claim cash from the casino till and thus apparently balance the books while in fact pocketing the money

"I'm not saying anything," was all Mr Kerzner would say

He said that no gamblers at Sun City had been "hurt" by the scheme

"It was simply a device ... defraud the casino," ... Kerzner said.

The Mail has been told ... alleged fraud was cracked ... a top investigator from ... ca of London, the ... which previously owned ...

merous gambling ... the British capital and runs the Miss World ... tion

A source said that a ... who previously worked ... Mecca had been staying ... Sun City for a fortnight.

Mr Kerzner said that ... was incorrect.

"There is bound to be ... of speculation about a ... like this," he said

Brigadier P J Seleke, ... missioner of the Bo... wana police who arrested ... syndicate members, said investigations were still ... tinuing into the ... their alleged fraud and exact amount of money ... volved

Still plenty of tickets for Transvaal-Windies game

Mail Reporter

BOOKING for the Transvaal-Windies match beginning on Saturday at the Wanderers has been moderate but organisers believe that tickets for the 3rd four-day international, to be held here in January, will soon be sold out.

The tickets for the three-day Tvl-Windies match will be on sale until Thursday and latecomers will also be able to buy seats at the ground on Saturday

Prices of tickets for adults are R4, R6 and R8 while children will be let in for half price

The third four-day international is to be held in Johannesburg on January 13, 14, 15, 16th

Booking is already looking "very encouraging", say the organisers

Organisers are also looking for a full-house in the one-day international against the Windies to be played at the Wanderers on January 21

● See Back Page

Breakfast Qui...

"Maybe Gerrie can ... bond."

Anglo's new insurance giant set to challenge Old Mutual

By PAUL DOLD, Financial Editor

Cape Times 14/12/83

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ANGLO AMERICAN is rapidly moving towards challenging the Old Mutual's supremacy in life assurance with the formation of a new R3 billion insurance group by Anglo, Southern Life and Barclays.

The new muscle flexing by Anglo caused a stir in financial circles yesterday following the Standard Bank — Liberty and the Premier deal which gave Anglo, Liberty Life and JCI control of Premier and SA Brews

It shook the insurance establishment and meetings were underway yesterday among several competitors to assess the implications

For Liberty, the direct Anglo American — Barclays insurance link through the new quoted group must have come as a surprise particularly after the co-operation with Anglo over the Premier agreement However, Liberty has already linked with Standard The new group ousts Liberty as the largest JSE listed assurer.

Anglo chairman, Mr Gavin Relly . increasing Anglo's stake in insurance market.

Mr Neal Chapman, The Southern chief executive . a powerful new insurance base.

Barclays' Mr Chris Ball . lucrative stake in insurance giant

Major coup

The deal can be regarded as a major coup for the new Southern Life chief executive, Mr Neal Chapman. It is significant that

- Southern Life men occupy both the chairman and chief executive posts with Mr Desmond Loch Davis being appointed chairman and Mr Chapman as chief executive. The new board will include Southern directors
- The group has been named The Southern. It was only recently that Anglo gave its name to the merged African Eagle and Guarantee Life
- The head office will be in Cape Town

This suggests that Mr Chapman may well have put the deal together He was previously part of the Barclays Bank top management structure and headed The Board of Executors before joining Southern

While at The Board, Mr Chapman at one time sought a merger with Hill Samuel in which Southern Life would have had some 30 percent of the merged group

This would have established a new Cape financial power base. The deal later fell through but obviously impressed with Mr Chapman, Southern Life offered him the top job This time he has achieved staggering success with a deal which is bound to catch the market's imagination both in terms of sheer size and innovation. And more is bound to follow

Market share

Anglo's dramatic move suggests it is determined to win the major share of the life assurance market and is on collision course with the Old Mutual This in turn implies that the new insurance giant may be highly acquisitive using its equity to expand market share.

This equity will be a powerful weapon for the new Southern in pulling market share away from competitors. The Southern, too being Cape-based, can anticipate considerable local support.

The Mutual for its part is unlikely to stand still in the face of this new thrust One can predict a rapid offensive particularly in the marketing sphere Looking at the broader Mutual group and its associates the theoretical opportunities include a similar rationalization between group companies and (like Anglo) involving the banking arm — Nedbank. This could be a new bull point for Nedbank's share price

It however remains to be seen whether the Mutual would be prepared to shed its mutual assurance identity I believe this can be excluded and the Pinelands-based giant will remain a mutual company What could evolve however is a closer relationship between group companies

Barclay's share price rose on the news and the development should lead to a further hardening.

The Southern deal is important in terms of Barclays capital and reserves and the anticipated Southern market capitalization of R500m gives some indication of the muscle of the new group.

Earnings

The Southern is expected to report earnings of some R40m for the year ending March 1985 and pay dividends totalling R26m.

Southern will first have to be "demutualized" with the effective date for the amalgamation April 1, 1984

The mechanics of the scheme are that the businesses of Southern Life and Anglo American will be injected into The Southern with Barclays subscribing R135m in cash for its shares

The Southern will issue its share capital to Anglo, Barclays and certain trusts The shares held by one of the trusts will be offered for sale to the public

Barclays' stake will be a direct 30 percent with another five percent held by its staff pension fund Anglo's stake will be 37,5 percent of the ordinaries and 2,5 percent through non-voting participating shares.

Last night's announcement said the Anglo shares would be held by Anglo American "and associates" Clearly some other companies in the Anglo group will hold shares as well

Operations

While the registered head office will be in Cape Town, major portions of The Southern's operations will be conducted from Johannesburg

The anticipated volume of business will be such that all present resources of both life companies will be fully employed, the statement said

"There will be no question of any retrenchment of any staff whatever. In the course of time, such re-organization as will promote efficiency and productivity will be carried out after due research and consultation

"It is possible that this re-organization may mean that some employees are asked to accept geographical transfers, but this will not be done precipitately or without full consultation

Anglo gets lion's share of insurance giant

Barclays seeks R80m to fund Southern Life

By JOHN MULCAHY

BARCLAYS National Bank is making a rights offer to raise R80m as part of the funding for its share of the newly-created insurance giant, Southern Life Association Ltd.

The merger between Anglo American Life and Southern Life, announced yesterday afternoon, will create the third biggest insurance company in the country and the biggest insurance group listed on the Johannesburg Stock Exchange

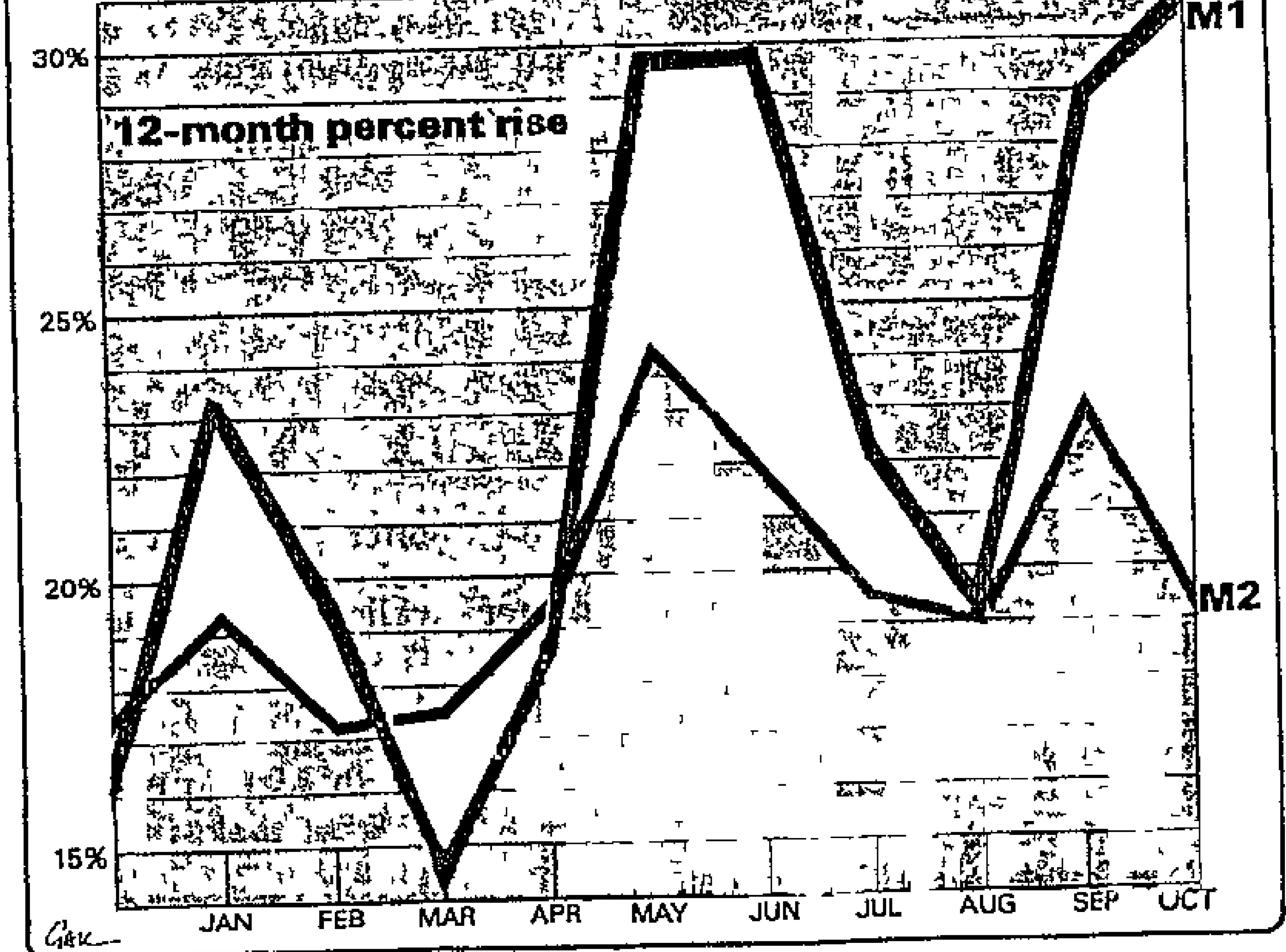
Liberty Life, which will dip to fourth position among SA insurance groups as a result of the deal, is expected to announce total assets at the end of this month of about R3bn.

The enlarged Southern Life will have assets of R3,5bn and a market capitalisation of about R500m, with Anglo American Corporation holding 40%, Barclays 30% and the balance [illegible] and the general public.

Barclays will be required to contribute R135m in cash to the establishment of Southern Life and the rights issue will satisfy the need for additional funding both for the immediate future and for later requirements

According to yesterday's announcement Southern policyholders will be given preference in the public offer of the new Southern shares

The merger proposals have been approved in principle by the Southern Life board of directors, Anglo



Money supply in South Africa has been rising excessively this year in spite of a supposed policy of financial discipline. The graph shows the erratic pattern of annual growth of both money supply measures — the narrow M1 and the broadly defined M2 — at the end of each month for 1983. See Page 2.

Mr Chapman was only recently appointed managing director of Southern Life.

Mr Chris Ball, Barclays deputy managing director, said last night the bank had a capital surplus of about R100m in terms of the Banks Act, although on a conservative accounting basis the surplus funds were used as a reserve against [illegible]

tional would not follow its rights.

SA banks controlled from abroad have been requested by the Minister of Finance and the Registrar of Financial Institutions to dilute their foreign ownership to 50% by 1986.

The merger will take effect on April 1 but the transformation of Southern Life to a limited company from a mutual association will probably be completed by the mid-

from 55%, thus complying with the authorities' 1986 requirement

Mr Ball said the BBI rights would be privately placed by Barclays National Merchant Bank and would not result in any other material change to Barclays National's major shareholdings

The biggest shareholder in Barclays National after BBI is Anglo American which, together with associates, holds 19,1% of the bank.

The BBI rights will be placed with SA institutions.

The rights issue will probably be underwritten by Anglo, and Anglo will follow its own rights, but will not be allotted any of the shares arising from BBI's waiver

Mr Ball said the acquisition of the Southern stake would not materially affect Barclays' earnings, dividends nor net asset value in the short term

He said Barclays earnings for the year ending December would be not less than 230c a share, compared with 190,6c last year, while the final dividend would be at least 55c (45c) for a total payment this year of at least 90c (75c).

[illegible] which is now higher than last year's figure of R101,4m."

Association Ltd

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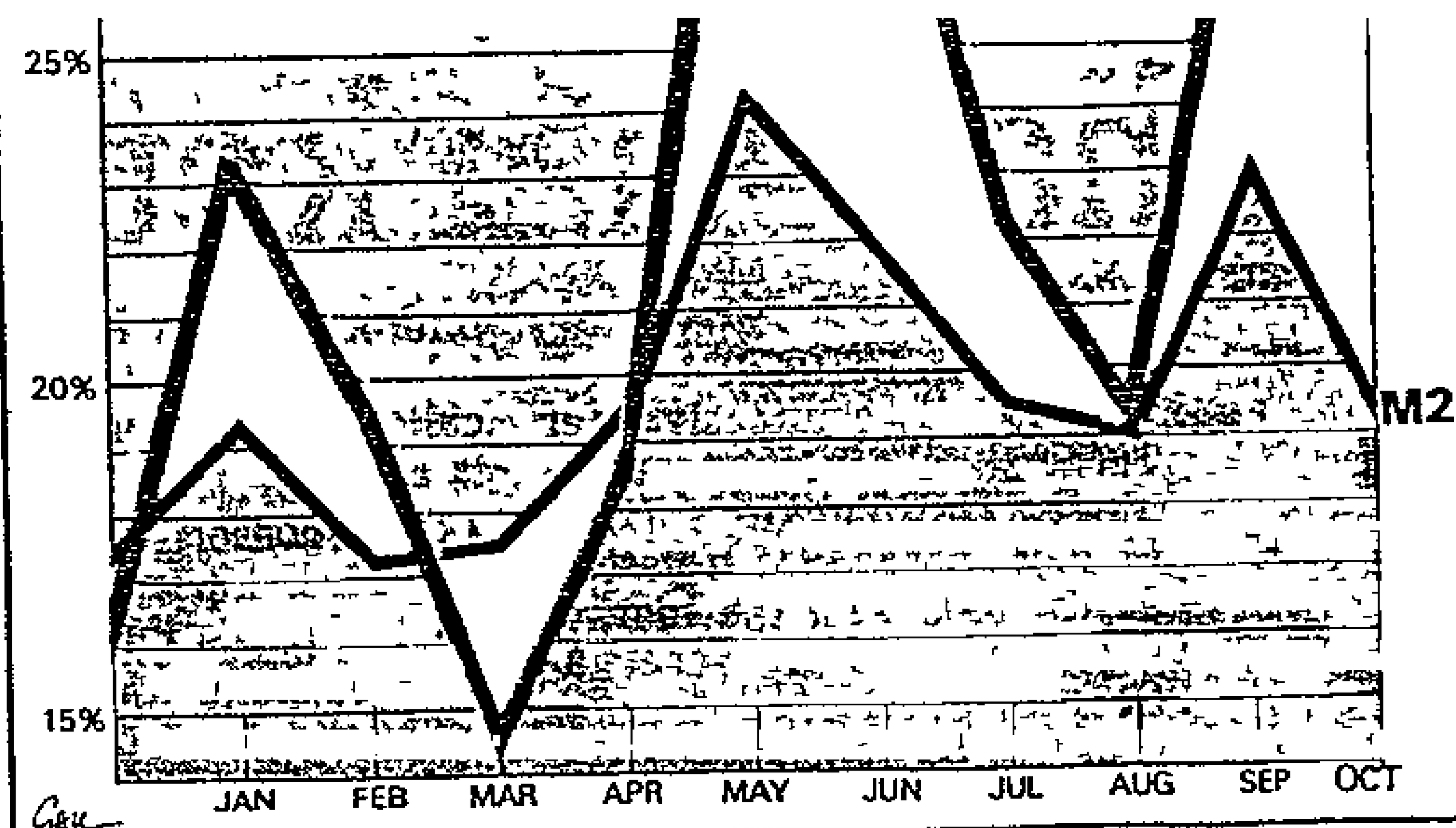
The merger proposals have been approved in principle by the Southern Life board of directors; Anglo American, the Minister of Finance, Mr Owen Horwood; and the Registrar of Financial Institutions, Dr Robert Burton.

Mr Desmond Loch Davis, now chairman of Southern Life, will be chairman of the enlarged group, with Dr Zach de Beer as deputy chairman and Mr Neil Chapman chief executive.



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Mr Chapman was only recently appointed managing director of Southern Life.

Mr Chris Ball, Barclays deputy managing director, said last night the bank had a capital surplus of about R100m in terms of the Banks Act, although on a conservative accounting basis the surplus funds were used as a reserve against foreign liabilities.

There is no requirement for South African banks to hold a reserve for foreign liabilities but, Mr Ball said, it was possible the Reserve Bank would at some stage request the banks to establish such a reserve.

Mr Ball said the rights issue would take place early in the new year and Barclays Bank International would not follow its rights

SA banks controlled from abroad have been requested by the Minister of Finance and the Registrar of Financial Institutions to dilute their foreign ownership to 50% by 1986

The merger will take effect on April 1 but the transformation of Southern Life to a limited company from a mutual association will probably be completed by the middle of the year

One notable implication of the merger and the associated Barclays rights issue will be the dilution of Barclays Bank International's stake in the SA subsidiary

By waiving its rights Barclays Bank International will reduce its stake in Barclays National to 50,4%

19½% bank compromise

By HAROLD FRIDJHON

THE five major banks will raise prime overdraft rate from 19% to 19½% today.

It appears to be a compromise agreed to among the banks, some of which were prepared to raise prime to 20%, the rate which the market expected. Others, however, indicated that their positions were comfortable and they would not go along with a one-point rise.

Trust Bank's Mr John Howell said yesterday that if money-market conditions did not improve prime might move to 20%. Other bankers agree. But a spokesman said yesterday that his bank would do all it could to hold prime down. His argument was that a rise in prime would stimulate an increase in deposit rates and as they increased, new pressures would build up on prime.

This was a vicious circle and an effort had to be made to break it. His bank followed the other banks reluctantly in raising prime.

Barclays was the first to announce the increase and the others followed quickly — one suspects with relief that ranks had not been broken.

Several bankers indicated that the increase was a halfway lift and every sign pointed to the additional 0,5% being added soon. Bankers believe prime rate should be more flexible than it has been in the past Prime, said one, was a short-term rate and it should not be rigid.

Mr Howell said the increase in prime was a reaction to market forces, but his management had been reluctant to raise it because of the effects on business and agriculture Higher overdraft rates could ruin fully borrowed companies which required nursing through the recession Farmers were vulnerable with their high debt ratios and the vagaries of the weather to contend with

Although the money market reacted to the increase in prime rate by cutting the 90-day banker's acceptance rate from 18½% to 18%, the new BA rate is way out of kilter with prime rate Either BAs must come down by at least one point to achieve a correlation between the two, or prime must rise again

The key could lie in the money-market shortage which has soared by R571m to R1,14bn as a result of the first stage of the transfer of Sasol rights-issue money to the Treasury In addition, R1bn is owed to the Reserve Bank in buy-back deals This amount should have dropped by R250m at the close of business yesaterday, but there might have been merely a transfer of debits from buy-backs to straight-forward Reserve Bank accommodation This means that the R1bn could be higher when the figures are released this morning

Theoretically, if the banks can hold out for the next few weeks with a 19½% prime one can look to an easing of prime next year But bankers see 20% prime rate before then.

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RAND DAILY MAIL, Friday, December 16, 1983

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Nat Bolt takeover talks in progress

By PRISCILLA WHYTE

NEGOTIATIONS are in progress for the acquisition of the major shareholding of National Bolts

Mr John Bryant, the managing director, says Form-Scaff is negotiating the deal Grinaker holds 64% of the shares and Anglo Transvaal Industries 12,5% The bid is for the takeover of their shares

The ultimate holding company is Anglovaal Mr Bryant declines to say what the deal is worth According to the balance sheet at the end of June the net asset value was R18,1m with a total of 4 837 500 ordinary shares issued

Mr Bryant expects the negotiations to be concluded early next week

National Bolts shares were suspended from the JSE at the request of the company on December 12 when they were trading at R2 They came back on the market on December 14 with buyers at R2,50 and sellers at R3,50

Conditions in the bolt industry are poor Mr Bryant says there have been no improvements since National Bolts' financial results to June were released

National Bolts had an attributable loss of R1,6m, against 1982's profit of R1,6m The overall tax loss would have been R0,6m higher were it not for a tax credit from the previous year

No information on turnover figures for last year were given It seems almost certain that sales were hit by difficult trading conditions in the fastener market

National Bolts' decision not to disclose turnover figures was almost an admission it was struggling to maintain market share

The R100m to R150m a year fastener industry is suffering from chronic overcapacity

About two and and a half years ago National Bolts, Cut Steel and IFM invested heavily in capital expansion programmes

Last August, Mr Graham Pearson, the chairman of the SA Fastener Manufacturers' Association, said "The fastener industry continues to be in a state of over-capacity and the market is tremendouly aggressive Prices are dropping lower and lower. With the last Iscor price hikes and Seifsa's wage increases, it is doubtful if these inputs will be passed onto the end user This will be a further blow to profitability.

"It is feared the Board of Trade and Industries cannot cope with the crisis in secondary industry It would be far easier and more profitable for fastener manufacturers to close down their factories and import."

He says the Government protects base industries but treats secondary industry like a poor relation The fastener industry is being hammered by imports from all quarters

18/12/83 (232)

Barclays' hap

By Alec Hogg

BARCLAYS Bank emerges as the big winner in the R450-million mega-deal with Anglo American Life and Southern Life announced this week

All parties to the deal agree that the bargaining went Barclays' way Banking observers are full of admiration for the terms that Barclays' new managing director, Chris Ball, negotiated for his group

Said Dr Zac de Beer of Anglo American Life "Barclays did exceptionally well, but they brought a lot along to the party"

The consensus is that the insurance companies needed Barclays more than Barclays needed them

This was because the insurers' biggest rivals were allied to banks, and banking halls are about to become prime selling areas for insurance

Old Mutual has effective control of Nedbank Sanlam has outright control of Trust Bank and Santambank

Standard shares control of Liberty Life and Volkskas has the biggest holding in Legal & General Volkskas

Barclays was thus the only big bank not tied closely to an insurer and could choose its suitors

All the other big banks have close building-society connections, leading to speculation that Barclays might make approaches to either the Allied or the NBS

But Mr Ball denies any such intention "We already have R830-million committed to home loans, so are already a building society of a kind"

The deal was the brainchild of Southern's new managing director, Neal Chapman — once a Barclays general manager He made a proposal to Anglo American Life and the two approached a delighted Barclays

Analysts reckon Mr Ball out-negotiated the hard bargainers at Anglo American Corporation

Barclays will pay R135-million for its 30% stake in the merged Anglo American Life/Southern Life giant It will receive a dividend of R7,8-million in the financial year to March 1985

This means it bought in at a prospective dividend yield of 5,8% Liberty Life commands a 4,2% prospective yield on the market

Barclays therefore bought in at a 28% discount to the most comparable alternative In other words, if it had paid the going rate for its shares in the new insurance giant, the stake would have cost it nearly R40-million more

The pros and cons . . .

Barclays Bank

PROS:

- Good investment in a high-growth industry at a bargain price
- Broadens product range and gives access to unique expertise
- Better utilisation of branch network
- Increased financial muscle
- Boost to staff morale

CONS:

- Loses independence The bank is now linked more closely to Anglo American Corporation and the Southern, but this could alienate other institutions

Southern Life and Anglo American Life

PROS:

- Access to Barclays' branch network
- Competitor becomes ally
- Management and capital resources enlarged
- Stock-exchange listing
- More muscle in all three major metropolitan areas
- Enlarged sales force
- Long-term cost benefits
- Complementary product range

CONS:

- Loss of independence
- Southern no longer a mutual
- Culture gap to be bridged
- Medium-term rationalisation costs

Southern Life Policyholders

PROS:

- R270-million capital injection
- Greater management accountability
- First bite at the public issue of shares
- Guaranteed fair treatment for exisiting policyholders by appointment of independent actuary D J Malan and Associates
- Increased security of investments

CONS:

- Shareholders receive a share of the profits

In addition, the R80-million which Barclays will raise through its rights issue will provide a boost to its capital and enable it to write more banking business

Some analysts have interpreted the deal as an admission of defeat in life assurance by Anglo American, though Anglo hotly contests the assertion

The Anglo name is relinquished, the head office will be at Southern's Great Westerford in Cape Town and both the chairman and the managing director of the merged group are Southern Life men

Anglo ends up with 40% of the shares (compared with 100% in the old Anglo American Life), but only 37,5% of the voting rights, as 2,5% are non-voting shares The public will hold the 30% not held by Anglo or Barclays

Mr Ball said the merger would facilitate one-stop banking and insurance He insisted, as have his rivals, that business will be transacted on an arm's-length basis

While much has been made of the new enlarged Southern's ability to market through the Barclays network, competitors claim not to be shaking in their boots at the threat

As the chairman of the Old Mutual, Jan van der Horst, told Business Times "There is now one fewer competitor, but I must admit that I am rather surprised the Southern decided to demutualise"

Said Fred du Plessis, chairman of Sanlam "We were expecting some kind of rationalisation sooner or later, and this move certainly does not frighten us This is following the international pattern of a one-stop financial service institution"

Adds Liberty Life founder and chief, Donald Gordon "They are going to have their work cut out over the next two or three years to overcome integration difficulties"

The reasoning of the competitors is that Anglo American Life and Southern have served similar markets

While Anglo American Life has sold mainly linked policies, and Southern is more heavily weighted on the conventional side, both have mainly serviced the upper-income, urbanised white market, so there is no obvious complementarity

The recent deal in which Liberty Life co-operated with JCI and Anglo in repatriating control of Premier caused a rift between Anglo American and Old Mutual Many insurance observers expected Liberty and Anglo American Life to be merged

But Mr Gordon says today "A merger with Anglo American Life was at the very bottom of my list of priorities We never looked at it with any enthusiasm"

"Integration problems would have set us back two years I believe the same effort spent on expanding existing operations would have resulted in equivalent asset growth in that time

"Their market is too similar to ours — and to Southern's, for that matter — but if we could acquire a company with a large penetration of the Afrikaans market, that would be interesting"

Prudential chief executive Dorian Wharton-Hood comments "I am glad that I am not handling this merger The problems of integration are enormous

"There are the different corporate cultures The parties are putting together Cape and Johannesburg based institutions, one a mutual and the other a proprietary office Then there is the problem of trying to reassure people whose noses are out of joint"

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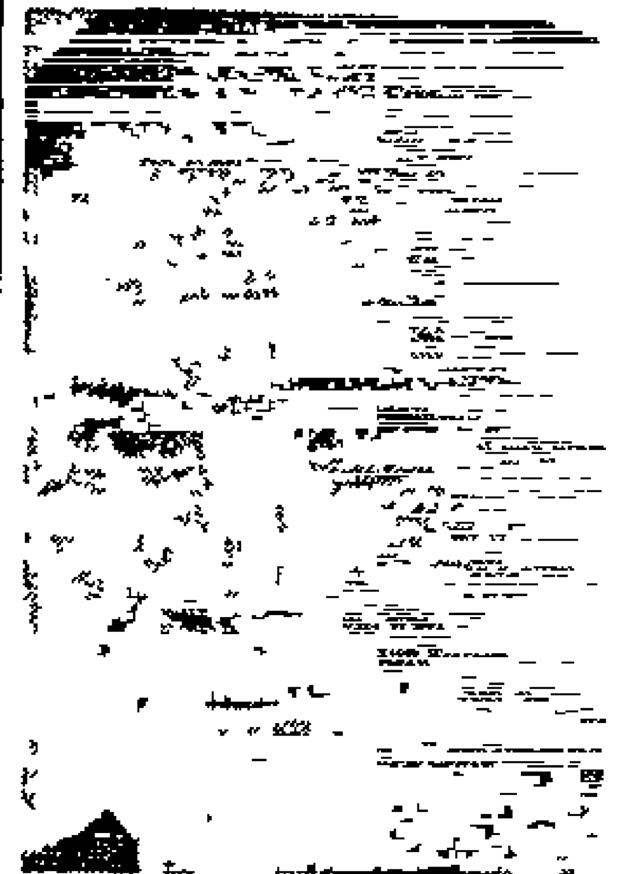

CHRIS BALL

CHRIS BALL, 44, managing director-elect of Barclays has been in a hot seat since Bob Aldworth left suddenly early this year Mr Ball returned prematurely from overseas career development programme to take over as deputy MD

His first challenge was to help settle morale in the bank after the Aldworth debacle Then came the scrapping of the bank cartel and the introduction of interest on credit balances in current accounts

Barclays' Status cheque was seen as a pro-active masterstroke that prevented erosion of its large market share

Next came an unprecedented spate of agglomeration in SA commerce and industry, and new alliances between banks, insurance companies and building societies — culminating in the current deal

S. Times 18/12/83

ppy Christmas

e men behind the deal

NEAL CHAPMAN

ZAC DE BEER

managing Barclays, seat since suddenly Ball re- from an develop- to take n was to in the with de- the scrap- cartel and of interest in current

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Critics are full of praise for Mr Ball's track record and the staff nation-wide are also highly chuffed They reckon Barclays has a worthy successor to Bob Aldworth and competitor for Nedbank's Rob Abrahamsen.

A lawyer and merchant banker by training, Mr Ball established himself as a star of the future first as MD of Barclays Merchant Bank and then by turning around Wesbank His merchant-banking background served him well in this complex deal

He takes over as chief executive of Barclays next year when Colin Waterson retires

Burly, good-looking and impeccably groomed, the quietly spoken Mr Ball is as tough as nails and a workaholic who demands the same from staff.

A self-made man, he worked himself through a legal degree at Wits while doing articles, following this up with an economics degree from Cambridge

□□□

NEAL CHAPMAN, 49, not long ago a forgotten man of South African business, has come a long way in the past two years

After a short spell as chief executive-designate and vice-chairman of Southern Life, he took over the reins following Dudley Williams's retirement just three weeks ago

Mr Chapman resigned as general manager, Western Cape, of Barclays in 1976 after a distinguished 24-year career with the bank. This was shortly after Bob Aldworth had been chosen ahead of him as group managing director. He has maintained links with the bank by re-

□ To page 3

HOW THE GIANTS SHAPE UP

	Policy-holders	Sales-men	Total assets	Premium income	Investment income	Market share†
Old Mutual	900 000	2 000	R7 166m	R1 206m	R658m	30 2%
Sanlam	750 000	1 500	R5 045m	R1 079m	R540m	27,0%
Southern	500 000	1 115	R3 100m	R 500m	R250m	12 5%
Liberty	300 000	500	R3 000m*	R 400m*	R200m*	10,0%

† Based on total premium income received by all life offices
* Business Times estimates for year to end December

Men behind the deal

S Times 18/12/83

From page 1

maining on the Western Cape board.

While group managing director of the Board of Executors, he tried unsuccessfully to arrange the merger between the Board and Hill Samuel.

Exceptionally well groomed and softly spoken, his appointment as chief executive of the merged life office is the highlight of his career.

□□□

ZAC DE BEER, 55, former PFP MP for Parktown (1977-80), is an Anglo American Corporation career man

A trained medical doctor, he preferred business to medicine, practising for less than a year before joining Anglo

This urbane, highly articulate man has made his mark in the tough Anglo camp, heading not only the group's insurance interests but also its construction (LTA) and property (Amaprop) arms

An outspoken critic of the Government, Dr de Beer campaigned actively for a No vote in the recent referendum

One of his more famous quotes: "Free enterprise means free people must do their own thing In South Africa the majority of people are forced to do not their own thing but the National Party's thing"

A splendid orator, Dr de Beer is highly articulate in both English and Afrikaans His diplomacy will be a vital asset in making the merger between the two life offices as smooth as possible He will be deputy chairman of the new group.

EXPRESSCOPE LOOKS AT SA'S GIANT CORPORATIONS

Pace hots up in Monopoly game

By ANGELA GILCHRIST

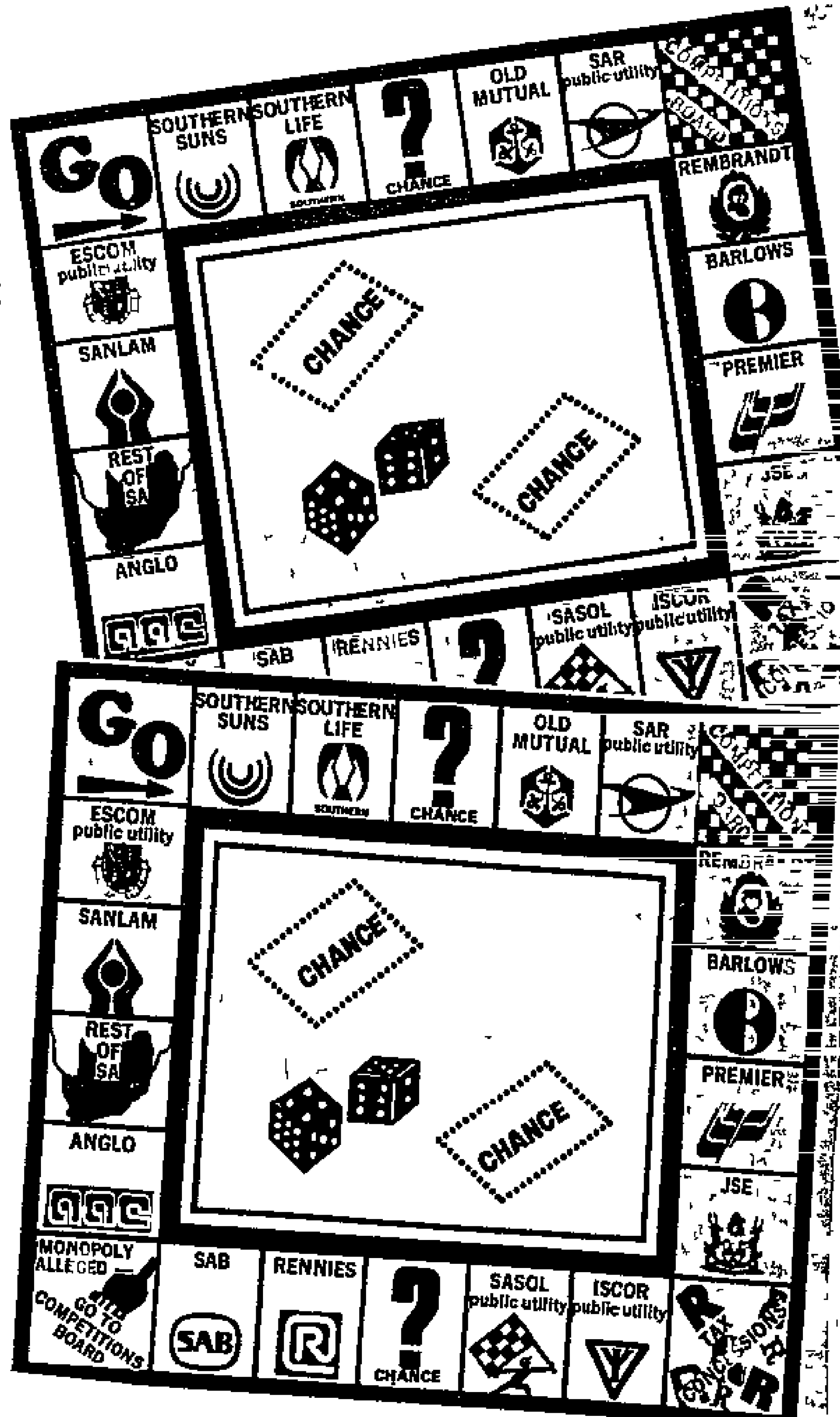
THE MAN who predicted that six corporations would dominate the country by 1990 has dropped a place in the power ranks after this week's R3 500-million merger between Anglo American Life Assurance and the Southern Life Association.

South African mining houses, insurance giants and major institutions are locked in an enormous and increasingly rancorous game of Monopoly. The rules: grab as much as possible

Mr Donny Gordon, the chairman of Liberty Life, hinted last September that three of the super six would be insurance companies, including his own Liberty Holdings

But this week's merger pushes Liberty down one to fourth place among the insurance giants The new-look Southern Life Association is topped only by the Cape giants, Old Mutual and Sanlam

The merger brings together South Africa's biggest company, Anglo American Corporation, Southern Life and the country's biggest banking group, Barclays National Bank — fuelling fears that the trend towards huge concentrations of economic power is continuing



Free enterprise pundits criticise South Africa as riddled with monopolies and cartels and point out that only three groups — Anglo American, Sanlam and Barlow Rand — control 73% of the entire Johannesburg Stock Exchange

The government has ordered the Competition Board to conduct an urgent investigation into conglomerates and the concentration of economic power in South Africa

The board has the authority to investigate any takeover or acquisition, and the government has the power to order the dissolution of any body to ensure the public interest is not jeopardised

However, the board is seen by analysts as ineffectual since the government has been known to overlook its recommendations and the board itself has approved the formation of some monopolies

Mr Gordon, who is obviously unhappy about being pushed out of his number three position, said "I think in a way, this merger is a move towards deconcentration of power Anglo American Life belonged to Anglo, and now it's going to be a public company with Barclays taking 30%

"I don't think they will be a major factor, and in a way, the merger removes one competitor for us I wish them luck with getting the thing together because it's one hell of an undertaking

"It's a matter of two rather pedestrian companies coming together, and whether that will make them run faster I don't know"

Speculation was that Anglo might team up its insurance interests with Liberty, and had it done so, Liberty Life and Anglo American Life would have been in a position to challenge Old Mutual and Sanlam within a few years

This week's re-shuffle of the insurance giants climaxes a year of big business mergers and takeovers involving the country's largest financial groups

The mining houses, the insurance giants and the

in an enormous and increasingly rancorous game of Monopoly, where glory is achieved by grabbing as much of SA as possible while preventing other players from doing the same

Those that raised the most eyebrows this year were

● A South African consortium comprising Johannesburg Consolidated Investments (JCI), Liberty Life and Anglo American created a multi-million rand empire when they bought Associated British Foods' 52% stake in the giant Premier food group, thus returning control of the company to South Africa in June

Once that deal was sewn up, they promptly turned Premier into a 34% shareholder of the even bigger South African Breweries It was one of the most dramatic business moves seen in this country in years

● In the same month, the insurance giant Old Mutual bought control of Rennies Consolidated — the owners of Holiday Inns — in a takeover deal that cost some R212m The Hong-Kong based conglomerate, Jardine Matheson disposed of 75% of its holding of ordinary shares in Rennies to Old Mutual

Market analysts believed the move was an over-reaction by Old Mutual to its preclusion from the Premier-SA Breweries deal

● Hotel magnate Mr Sol Kerzner bought control of the hotel casinos in Southern Sun's portfolio for just over R30m in August. The deal with South African Breweries gave him an independent say over Sun City, Mmabatho Sun, Amatola Sun in the Ciskei, three hotels in Mauritius and R7m in cash

In the same month, he became undisputed casino king of Southern Africa when he clinched a deal which brought the Holiday Inns casinos into his company, giving him control over 13 casino resorts worth at least R150m in Bophuthatswana, Swaziland, Botswana, Lesotho, Ciskei, Transkei, Venda and Mauritius

Newco, the working title for a company in which Mr Kerzner has a 51% interest as against Southern Sun's 49%, was the vehicle into which Holiday Inns' casinos were transferred

Recently, Television and Electrical Holdings (Tedelex) was snapped up at a premium by Gencor, Tongaat minorities were made an offer by controlling shareholder Tongaat, B & S Steel Furniture Company was bought out by Gundle Industries, Xactics moved into the Kohler/Gencor stable SA Druggists was finally integrated into the Fed Volks group

This year has also seen Metal Box merge with Nampak and a virtual flat glass monopoly established by the merger of Pilkington and parts of Plate Glass

The Premier Group sold its biscuit manufacturing division to the Durban-based Anglo-Transvaal subsidiary Bakers Ltd, ensuring a virtual biscuit monopoly for Bakers The deal was approved by the Competitions Board

And all this frantic activity by the powerbrokers means Mr Gordon's predictions have virtually come to fruition

Seven giant corporations are said to currently control nearly all of South Africa's vast business wealth — and some experts believe this is inhibiting job creation and fuelling inflation

Dominating the power pyramid, Anglo American alone now controls a string of listed companies which are said to represent no less than 56% of the R90 000m value of all JSE shares

Sanlam is said to control 9,4% of the market, Barlow Rand 7,4%, Anglo Vaal 3,2%, Dr Anton Rupert's Rembrandt group 2,1%, Liberty Life 1,1% and Old Mutual 0,8%

Even the Old Mutual's relatively small share represents around R750m

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SUNDAY TRIBUNE, DECEMBER 18, 1983

WHAT HAS BEEN THEIR EFFECT ON THE CONSUMER?

Talking monopolies

By Anthony Cadman

THERE has been increasing public debate and some cautious generalisations from politicians about South Africa's dominating monopolies and their effect on the country. There has been very little debate indeed as to their effect on the individual consumer.

Much of the comment seems to have been caused by the recent revelation that seven firms own 80 percent of the shares on the Johannesburg Stock Exchange. Recognition of the monopolistic state of various manufacturing enterprises has caused further disturbance.

The word monopoly in pure dictionary terms means "sole power or privilege of dealing in anything".

To achieve such power does not actually require a company to be the one and only manufacturer of a given product or service because by dominating the market place by holding an enormous market share he can exert sufficient power to meet the dictionary definition.

Small firms have little influence against such a giant. Hence the word monopoly is often quite reasonably applied to the biggest producer.

The history of South African industry over the past 50 years has, as with any relatively new developing country, promoted this monopolistic position.

The population growth is tremendous and each year the blacks in particular earn more money and need more goods.

The tendency has been for manufacturers simply to increase their number of factories and consequently it is in many cases the original manufacturers who turn out to be the giants in a position of domination and often monopoly.

The classical monopolies across the world are typified by nationalised Government monopolies, State enterprises like electricity, postal services, railways, airways, ports and similar cases where not only is there only one supplier but that supplier is protected by law and Government cosseting.

Quangoes

The allegedly independent government organisations or quasi-government nationalised organisations known as "quangoes" are merely another form of the same theme.

These organisations which have a priority and power brought about by being the sole supplier or having government protection in the manner of a nationalised industry or even, like the marketing boards, having a pretensive independence yet being on occasion all too obviously politically influenced, if not controlled.

In the private sectors sole suppliers do still exist in South Africa without any form of competition and they suffer the same strengths and weaknesses as the government monopolies.

However, in the private sector they do at least have the spur of being run by people who must bow to the discipline of carrying on their enterprise in pursuit of a respectable annual profit and with ample public investigation of their accounts and the very real possibility of dismissal of inefficient managements.

Tempting

It has always been tempting, indeed attractive, to politicians all round the world to nationalise, take over or control industry and commerce. It is a great addition to political power and politics is simply the pursuit of power.

Hence the grasping of large enterprises and their submersion in bureaucratic control amenable to politicians remains a recurrent theme of political life from communist, socialist and even Westernised countries where so-called mixed economies are frequently preserved and promoted.

The hollow cry of national interest or strategic necessity is interpreted by the politicians themselves and is frequently heard with ever more vague slogans about strategic necessities. These ploys tend to support the concept of Government control of organisations built originally to produce trade or provide services.

The worldwide record shows indisputably that government control of enterprises is always grotesquely inefficient. It is inevitably a formula for reducing profits and generating losses and usually provides work and jobs which are not really necessary in the sense that the enterprise could be run with far fewer people.

The final judgement on monopolies developed in Britain, America and Europe has been phrased to inquire into the public interest of an enterprise. In simple terms this means: Does the enterprise act against the interests of the consumer? The consumer is not only the taxpayer but he is the person who needs the benefit of choice.

Monopolies in simple terms reduce choice. Due to being sole suppliers such enterprises lack the greatest spur of all, competition.

Classic

One of the classic betrayals of the consumer's interest is to be found in the cartel. The cartel is any grouping of manufacturing commercial or other enterprises which acts against the consumer by activities such as price-fixing, limiting of distribution or other agreements which suit the cartel but inevitably damage the choice and benefits available to the ultimate consumer.

It is interesting to note that among the legislation developed in the Britain to fight monopolies has been a series of laws which actually make it totally illegal, for example, for manufacturers in a given trade to make any sort of price-fixing deal or even to discuss it at their trade association.

Another aspect is that limitation of distribution or deals whereby the principal manufacturer distributes goods which otherwise would be in competition with himself are open to public enquiry by the Monopolies Commission.

There are many commentators outside South Africa who view with considerable alarm the concentration of shares and control within South Africa by such a small number of firms. They point out that it in itself steadily reduces competition and enterprise and reduces the choice that the consumer may have.

It is quite true that the history of South Africa includes a great degree of price control which made it unattractive for overseas firms to come in and put up competitive factories because the rewards were often insufficient.

Example

If one were to imagine for example, that the British Monopolies Commission laws were translated into South African usage then it would mean the inevitable break-up into conventionally competitive firms of dozens of major South African enterprises.

However this could not possibly be introduced unless exchange controls were relaxed to allow those firms to invest their funds overseas.

However these are but two of the areas where financial commentators overseas see great hope for South African industry once the shackles of Government restraint have been released to make another major leap forward.

Such a leap forward would benefit mainly the individual consumer who would be given greater choice and would see greater competition not just in price but in quality, service, availability and range of goods.

The Star Monday December 19 1983

Everite pays R3,2-m for Agriplas group

In its second acquisition in a fortnight, Everite has bought the Cape-based Agriplas group for R3,2 million cash

Everite, which recently acquired Vaal Potteries for R13,5 million cash, announced it would take over Agriplas, makers and suppliers of drip and micro-jet irrigation equipment and polyethylene plastic piping for agricultural uses

These products are compatible with Everite's activities in this field Agriplas will form part of Everite's plastics division, trading as Paxit-Pipekor

Other divisions are fibre-cement, pitch-fibre (Santar), concrete (Viannini) and ceramics (Vaal Potteries)

The acquisition, with effect from December 31, is from "various private shareholders" through the purchase of Ntaba Investment Holdings and Agrifim (Pty)

CONSOLIDATE

Everite's diversification programme has been fairly quiet since 1979 when plastics manufacturer Pipekor was acquired from Reed International and merged with Everite's Paxit, until Saxon Ceilings joined the fold at the end of last year for R3 million

The company's financial director, Mr John Kennedy, says the company will again consolidate "unless something very interesting comes along".

Everite says it does not expect the acquisition of the Agriplas group "will have more than a marginal effect on the group's net asset value or earnings per share in the short term" — Sapa

HLH selling off Blaikie-Johnstone, Wolhuter Steel

Barlows in R96m deal

ROM 19/12/83

By HOWARD PREECE

BARLOW Rand is buying control of Blaikie-Johnstone and the total equity of Wolhuter Steel for R96m cash from Hunt Leuchars and Hepburn.

An offer to the Blaikie minorities will also be made, which will put a final tag of about R105m on the whole deal.

Barlows is acquiring Wolsteel for R50m through Robor Industial Holdings, which is to be listed on the Johannesburg Stock Exchange today

Blaikie-Johnstone (Blajohn) will be put together with Federated Timbers through a reverse takeover.

The Competitions Board has given provisional approval to the various proposals

It appears that HLH made the first approach to Barlows — and that the whole package was organised and agreed to in 10 days.

HLH says it is selling Blaikie and Wolsteel because it wants to "concentrate its resources on fewer activities"

It will use the R96m cash injection to "increase the pace of development in its timber division and to further expand its steel-processing interests."

HLH is an industrial holding company with interests in steel, hardwood timber, building materials, instrumentation and marine engineering

In the 18 months to August 31, the group made a net profit of R20,5m from a turnover of R730m

The sale of Wolsteel — one of South Africa's largest steel merchants — is no great surprise

The division's contribution to HLH net income slumped to 17% in the last accounting period, against 39% in the previous year

But the sale by HLH of its 100% stake in W J Johnstone, which has 84% of Blajohn, is something of a turn-up

Control of Blajohn, SA's largest distributor of building materials, was acquired by HLH only two years ago when it bought W F Johnstone for R39m

Mr Chris Perry, the chairman of HLH and of Blajohn, spoke glowingly of Blajohn in the company's annual reports last month

He said "The blending of professional management with the highly developed trading skills which have existed for some time will ensure the group is even better placed to increase its profitability significantly"

Blajohn accounted for 32% of HLH's group income

However, HLH will certainly welcome the cash proceeds from the sales of Wolsteel and W F Johnstone

In the 18 months to August, the group's gross profit of R61,8m was sharply depleted by interest charges of R20,9m

In any event, everyone concerned seems satisfied with the deal.

Mr John Maree, the chairman of Barlows building materials, steel and paint division, says one great advantage of the deal is that Barlows will have listed companies — Blajohn, Robor and Plascon Evans — heading each section of the division

This overall division will now have net assets of R446m and sales this financial year of R1 353m

Barlows is paying the equivalent of R5,50 a share for Blajohn. Blajohn minorities will have the option of a similar offer or staying with the enlarged company after Federated Timbers has been reversed into it

Federated Timbers has an annual turnover of R354m, against R168m for Blajohn

The total building materials market is put at R3 380m by Barlows

The Wolsteel deal is said to be at net asset value, while Barlows has paid a substantial premium for Blajohn

The test for Barlows will be whether it can make more profitable use of the Wolsteel and Blajohn assets than HLH apparently thought it could

Mr Maree is confident that Barlows is on to a winner. Time, and the economy generally, will tell

Fewer, stronger, units may sharpen competition to benefit consumers

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George Palmer is Executive Director of Guardian Liberty Investment Corporation, and formerly the editor of the Financial Mail for 18 years. This is the first of a two-part feature on the concentration of economic power in South Africa. It first appeared in the journal Leadership SA

By GEORGE PALMER

EVERYONE believes in competition ... at least in principle. After all, unless one advocates central planning and government controls over every nook and cranny of the economy, competition is the only thing that protects the consumer, the wage-earner, the borrower, the tenant and the businessman from those who can exercise leverage in one way or another

Competition in the market place and freedom of entry for newcomers is supposed to ensure that buyers and sellers have a choice between alternatives

Suppliers, who are under pressure to operate efficiently, have to keep costs and prices down, and hold profit margins within reason

Democracy in South Africa, as we all know, isn't exactly a model the rest of the world admires

Political power has been monopolised by one party — in spite of some fraying round the edges — for nearly four decades.

Now the spotlight has been turned on the handful of companies that occupy the commanding heights of economic power and the Government, galvanised by public clamour, has directed its watchdog — the Competition Board (CB) — to see what Big Business has been up to

It is common cause that economic power in South Africa has been going through a period of increasing concentration over the past few years, and this trend has recently accelerated as a result of a spate of take-overs and mergers.

The process had been proceeding quietly until Mr Donald Gordon, chairman of Liberty Life, startled the business community a year ago by predicting that, by 1990, the South African economy would be dominated by a handful of (unidentified) corporations

Which companies he had in mind became clear six months later when, in May this year, Robin McGregor — author of "Who Owns Whom" — achieved instant fame by showing that for 1990 you could well read 1983

According to his calculations, what have come to be called The Big Seven — Anglo American, Barlow Rand, Anglo-Vaal, Rembrandt, Old Mutual, Sanlam and Liberty Life — directly or indirectly control (not own) 80% of the listed companies on the Johannesburg Stock Exchange, ie, some four-fifths of the JSE's total capitalisation of R90 000-million

Anglo, Sanlam and Barlow Rand alone, McGregor claimed, control 73%.

Even allowing for the possibility of some double counting, and the fact that control may not be exercised in every case, there is no doubt that the big battalions, for good or ill, have increased their fire-power enormously over the past decade.

A roll call of recent take-overs and mergers confirms this.

SA Breweries, having earlier absorbed OK Bazaars, Afcol and Amrel, tightened its grip on the retail sector last year by acquiring Edcon and Scott's Stores.

Subsequently, there was a boardroom struggle for SAB itself, in the course of which JCI, Anglo and Liberty Life pooled their stakes in a joint holding of 34% of SAB's equity

This holding was then put into the Premier Group, control of which they had just acquired from its erstwhile overseas parent, Associated British Foods

The Premier Group and Argus Printing and Publishing had together previously acquired the merged CNA and Gallo

Barlow Rand over the past few years has brought C G Smith, Tiger Oats, ICS, Reunert and Metal Box into its fold.

The Old Mutual, which is a major shareholder in De Beers and Anglo American and controls Nedbank and the SA Permanent Building Society, had acquired a controlling stake in Barlows and subsequently bought control of Rennies from Hong Kong-based Jardine Matheson.

Mining house Gencor, controlled by Sanlam, has acquired Xactics, DRG, Tedelex and, with Iscor, joint control of SA Manganese Amcor.

South African casino interests have been consolidated into a single group by Mr Sol Kerzner, and Standard Bank Investment Corporation has acquired an additional 25% of Liblife Controlling Corporation to give it joint control of Liberty Holdings

While there is no doubt these moves have resulted in increasing the influence of a small number of large financial and industrial groups, this in itself is not necessarily against the public interest.

Fewer people may be calling the shots at the top, but it does not automatically follow that the companies involved will become less efficient, will exploit their market power unfairly, will act in collusion, or use illegitimate methods for keeping new competitors out of an industry.

Whereas in the United States the mere acquisition of a dominant market share, however defined, can trigger anti-trust measures, in South Africa legislation provides that the more subjective test of "the public interest" is to be applied in judging acquisitions

This implies a balancing of conflicting considerations and the tolerance of a degree of market domination that would be unacceptable in the United States

The test of the "balance of advantage" to determine whether or not the public interest is adversely affected by a particular merger, acquisition or business practice is made by an independent committee, the CB

This has both advantages and disadvantages.

To begin with, the concept of "the public interest" is itself vague and incapable of exact definition.

Whether a particular business strategy is in the public interest may depend on whether a short-term or long-term view is taken and whether producers' interests or consumers' interests are given the greater weight

The public interest may also have social and political connotations as well as economic ones. Like beauty, the public interest is in the eye of the beholder

Since assessing the public interest involves a much more subjective judgment than measuring market share or corporate size, acquisitions may be viewed very differently depending on the composition of the CB and its staff, the orientation of its members and particularly the standpoint of its chairman.

In the last resort, assessments of what serves or harms the public interest are political and philosophical, as well as economic, judgments.

Indeed, it is finally a politician — the Minister of Industries, Commerce and Tourism — who decides whether the Government accepts or rejects the CB's analysis and recommendations and whether the acquisition or business practice in question should be allowed, modified or prohibited

There is no presumption in the Act that any acquisition is *per se* against the public interest, nor can mere size or accretion of economic power be presumed to be sufficiently detrimental to competition to justify official intervention

We are therefore left with the conclusion that the legislators' intention was that size *per se* (and therefore the potential for exercising economic power) would not be the conclusive test, but only one of the criteria

Nor would it be whether or not an acquisition is calculated to enhance competition.

The only test is actual or potential market behaviour; what has the merged company actually done, or what is it likely to do, subsequent to the acquisition?

It follows, therefore, that there are very few general guidelines as to what might be, and what might not be, acceptable acquisitions Each case has to be investigated by the CB and considered on its merits.

And where an acquisition is still at the "proposed stage" when it comes to the CB's attention, the CB can do no more than go on what it judges to be the balance of probabilities in assessing the expected effects of the transaction and what is likely to be the market behaviour of the protagonists.

Indeed, in some circumstances the CB may actually encourage concentration as being in the public interest.

It is against this vague background of probability and presumption and the highly subjective judgments involved that the recent directive of the Minister to the CB to "inquire into and advise me ... as to the occurrence of interlocking business undertakings, directorships and employees ... and the effect thereof on economic concentration and competition" has to be viewed.

Dealing with complaints of specific restrictive practices is, however, less difficult than making judgments about market structure and corporate size, or about how the parties to an acquisition are likely to behave after a deal has been consummated, and deciding what safeguards, if any, may be needed.

It is a complex task to assess accurately the extent to which, if at all, a particular acquisition will promote or diminish competition or stifle initiative, will enable the new combination to manipulate supplies and prices, exert pressure on buyers and sellers, or make it more difficult for new entrants

So much depends on future behaviour, about which there can be no more than a balance of probability

Even if the new entity has the potential for diminishing competition, there are usually compensating advantages that it will bring that have to be put on the other side of the balance before the acquisition can finally be judged in relation to the public interest.

And even where the structure of an industry appears to be moving in the direction of greater concentration, it isn't necessarily becoming less competitive.

Greater concentration in an industry into fewer, but stronger, units may in fact sharpen competition to the benefit of consumers.

This could well happen, for example, where the merger of two drugs firms resulted in more resources being available for research and the quicker development of new and more effective drugs

The national interest could be served, for example, by a merger which diminished competition between local producers, but which enhanced the ability of the local industry to survive against imports and substantially strengthened its export capability

The relatively small size of the South African market often means that to achieve all the economies of scale that are technically possible only a handful of firms, and perhaps no more than two, can be supported.

The newsprint industry is a case in point Anglo's Mondi and Gencor's Sappi may together constitute a viable and reasonably competitive industry assuming, of course, they don't go in for price fixing and market sharing agreements that deliberately seek to eliminate competition

A third entrant could mean all three would be doomed to uneconomic runs that might end in the insolvency of all or in the survival of only one

Likewise the decision of two weaker units in a three-firm industry to merge, while apparently diminishing competition in the short run, might actually result in greater competition over the long run

One outcome of the growth of strategic investments has been an increasingly clear demarcation of spheres of influence, many of South Africa's leading enterprises can now be labelled as being in the Old Mutual camp, the Sanlam camp, the Anglo camp, the Rembrandt camp and so on

GEORGE PALMER

"Fewer people may be calling the shots at the top, but it does not automatically follow that the companies involved will become less efficient, will exploit their market power, unfairly, will act in collusion, or use illegitimate methods for keeping new competitors out of an industry"

Curb on corporate relationships could undermine SA's competitive strength in world

(232)

ROOM 21/12/93

THE PECULIARLY South African pattern of business concentration has been encouraged by two external circumstances.

Firstly, exchange control has effectively put a wall around South Africa, behind which the pressure of investible funds builds up daily Being excluded from other stock exchanges focuses the full force of institutional buying pressure on the Johannesburg Stock Exchange (JSE)

Secondly, the existence of a large state-controlled sector further limits the availability of equity investments open to the private sector in key areas such as steel (Iscor), energy (Sasol), transport (SATS) and communications (Post and Telecommunications).

Not surprisingly, these two factors — plus the economic recession — have contributed to the fact that, in South Africa, funds seeking quality investment outlets are running ahead of the availability of scrip and this has had the effect of driving up JSE prices to levels that can hardly be justified on fundamentals

Given such attractive price levels, it is understandable that the abolition of the financial rand and the consequent disappearance of the discount has increased the number of foreign parent companies that have decided to dispose of *their* strategic shareholders in South African companies to local buyers.

As the cash flow available for investment by South Africa's big savings institutions continues to rise, so their appetite increases for strategic acquisitions which confer the advantages of control

Their investment strategies have thus come to bear a closer resemblance to those of the mining houses, which years ago saw the necessity for applying part of their income stream to building up strategic holdings in non-mining enterprises

Given the complex pattern of corporate relationships that has emerged, and which extends right across the fabric of South Africa's private sector, it is also not surprising to find a multitude of cross-holdings designed among other things, to safeguard established strategic interests from possible predators.

Add a chronic shortage of executive talent in relation to the size and sophistication of the modern sector of the economy, and the result is that many of the same faces will be seen round the boardroom tables of South Africa's bigger companies and institutions.

This in turn inevitably increases the possibility of conflicts of interest at board level and the difficulty directors may have in viewing each company's interests as separate and distinct from those of the other companies that they

George Palmer is Executive Director of Guardian Liberty Investment Corporation and a former editor of the Financial Mail. This the second of a two-part feature on the concentration of economic power in South Africa. It first appeared in the journal Leadership SA

By GEORGE PALMER

ship, which is one thing, and the exercise of market power at the operational level of management, which is quite another.

The fact that (say) Sanlam can control the appointment of a majority of the directors on the Gencor board does not, in itself, say anything about how the managers of the companies within Gencor use their muscle or whether Sanlam and/or Gencor have or have not used their power and influence in ways that are contrary to the public interest

For the Government, in one way or another, to seek to prevent Mr "A" from being invited to join the board of Company "X" or Company "Y" because he was also on the board of Company "Z" would not only be an extreme interference in personal freedom and private enterprise, it would also exacerbate the chronic shortage of talent available for directing the affairs of South Africa's leading companies

● For South Africa to compete on domestic and world markets, against the giant corporations of other countries, its leading companies have to be large enough to reap fully the economies of scale, to have access to large amounts of capital for financing research and development and keeping abreast of the latest technology, and have the staying power to ride out cyclical downswings in demand

It is obviously an enormous help for a company to be part of a financially strong and diversified group that can provide support when the going gets

For example, the Nedbank Group and Standard Bank Investment Corporation are fierce competitors in the banking industry. Old Mutual controls Nedbank, but also has a significant interest in Standard

Old Mutual also control Barlow Rand. Barlow Rand's executive chairman, Mike Rosholt, is deputy chairman of Stanbic Frans Cronje, chairman of Nedbank, is also on the boards of Barlows and the Old Mutual Jan ver der Horst, chairman of Old Mutual, is on the board of both Barlows and Nedbank.

Cross-holdings and interlocking directorships are related aspects of the contemporary corporate scene that the Competition Board (CB) has been directed to investigate and to advise the Minister of Industries, Commerce and Tourism whether additional controls are desirable. Like bigness, they do not, *per se*, restrict competition and are not, given the realities of the South African economy, *per se* contrary to the public interest

They do, however, place a heavy responsibility on the individuals concerned to act with the greatest integrity and to have a clear perception of where their first duty lies, both legally (in terms of the Companies Act) and ethically (in terms of the trust put in them by each body of the shareholders to whom they are formally responsible).

The CB has yet to conduct its investigation and to consider the evidence that the private sector is to offer. It is, therefore, both presumptuous and premature for anyone to try to prescribe in advance what its recommendations should be.

However, it may be appropriate at this preliminary stage to frame some guidelines that may be useful and to spell out some of the pitfalls to be avoided:

- Firstly, it is essential that the tendency towards greater concentration of economic power should not be viewed theoretically but should be analysed in the context of the realities of the South African market place.

It should be assumed, in the absence of evidence to the contrary, that companies and groups that have become big and powerful have become so because, by and large, they have made the right investment decisions at the right time, responded appropriately to changing market conditions, both domestic and international, and served the needs of consumers

- In trying to determine whether the public interest has been served or prejudiced by corporate concentrations, the appropriate question is not so much whether South Africa's corporate *structure* corresponds to some ideal text book notion, but whether or not corporate *behaviour* has been directed towards exploiting consumers, eliminating competition and reaping monopoly profits? Only where market power has been abused can there be any justification for official intervention.

- A clear distinction should also be drawn between the acquisition of financial control at the level of share ownership and interlocking directorships are thus to some extent inevitable.

- Any attempt to force the break-up of existing financial and industrial groups, on grounds of size alone, would do irreparable harm to the economy, damage the confidence of local and overseas investors and reduce their willingness to take the risks involved in new developments.

- Where competition within a domestic industry clearly provides inadequate safeguards for the consumer, and there is evidence of exploitation, greater use should be made of the threat of reducing or removing import tariffs and/or import control if either are protecting the local industry against foreign competition.

- Since there seems to be some reluctance among businessmen to complain to the CB about unfair trading practices, for fear of reprisals, more should be done to reassure the public that the CB will respect confidentiality. In addition, greater publicity should be given to the CB's *modus operandi*, the results of its investigations, its recommendations to the Minister, and the action taken by Government.

- When a large number of companies come under the control of an industrial gorup, as in the case of (say) Anglo American, Anglo Vaal or Barlows, it does not follow that the degree of competition each one faees in the market place is reduced, or that the elimination of competitors was the motive behind their acquisition.

Rationalisation of facilities, more effective distribution, and access to finance and technical services may have been the driving force, and the overall result may well be to strengthen South Africa's industrial base.

- Finally, any attempt to place a legal limit on the size of the holdings of life insurance companies and other financial institutions in an individual company's equity capital, in order to prevent the possible acquisition of a controlling stake, would represent an unacceptable interference in private enterprise and freely operating capital markets

It would also further restrict the range of investments open to such institutions in a situation in which there are already too few high grade investment opportunities available in relation to the flow of savings-seeking deployment In addition, by effecitvely forcing savings institutions to seek lower quality investments, it would make it more difficult for managements to observe the "prudent man" principle in their investment decisions.

To sum up. The present pattern of business has evolved slowly in response to the realities of the South African economy To disrupt existing corporate relationships or to prevent new ones from emerging freely carries the risk of undermining the country's competitive strength and preventing the most effective mobilisation of its resources. The wisest approach is to continue to focus on corporate behaviour rather than on size or financial structure.

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RDM 21/12/83

Town, Epping, Salt River and Wynberg fight ...ch destroyed two Observatory factories last ... engine from Lakeside stood by at Wynberg
Picture Stewart Colman

...stroys factories

black smoke blew over Observatory while the firemen were fighting the blaze, which started just after 9pm

The fire is believed to have started in a storeroom containing drugs and chemicals in the basement of Heynes Mathew Ltd, a pharmaceutical wholesaling company However, it is not yet known exactly how the fire started.

The heat in the Heynes Mathew building caused a wall adjoining the Plastform, Lennon Petersen Agencies (L P A) building to collapse, and the flames, fanned by a strong wind, quickly engulfed the second factory

Mr Dick Quaile, manager of Plastform, which manufactures styrofoam containers, said his company had been built up steadily in the past three years

The fire was "disastrous", he said "It has destroyed everything. The damage will run to millions"

The managing director of Heynes Mathew, Mr Joe Varkul, said it was impossible to give an exact estimate of the damage to his building.

150 000 hold key in giant insurance deal

CAPE TIMES 21/12/83

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By GORDON KLING

MORE than 150 000 insurance policy-holders throughout South Africa hold the key to a R3-billion deal in the industry and can look forward to being wooed by some of the biggest financial institutions in the country from next week.

Approval by policy-holders with the Newlands-based Southern Life is essential to allow it to go ahead with Anglo American Life and Barclays National Bank in the formation of a new group, the Southern, intended to challenge the reigning insurance giants, Old Mutual and Sanlam

A spokesman for the Registrar of Insurance pointed out that full agreement would have to comply with Section 25 of the Insurance Act which prescribes that each policy-holder must be informed of all steps of the merger

"The crux of the matter is that it must go to court and all parties concerned can fight it out in court"

The chief executive-designate of the Southern, Southern Life's Mr Neal Chapman, yesterday disclosed that the first shots in the battle for policy-holder approval would be fired though the mail next week when key aspects of the deal and its advantages would be spelt out

Main targets in the campaign for approval will be the estimated 80 000 holders of "with-profit" policies who stand to be materially affected by the new deal.

This is because the articles of association of a mutual society stipulate that its policy-holders, and only its policy-holders, are its owners, entitled to all its reserves and profits Technically each policy-holder has a vote at the annual meeting and the majority can determine who runs the business and how it is run, although in fact power is far more concentrated

On the other hand, a proprietary company, listed or otherwise, has shareholders, who may or may not be policy-holders, who earn dividends on their shares

Southern Life would have to demutualize in order to participate in the new combine with

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...gs: Jodie Foster fined

... Jo- ... pos- ... (R120) she ... Monterey ... were ... ates ... ted ... ins- ... be ... d Mr ... cial agent in charge of the customs office in Boston

Miss Foster, 21, a senior on leave from Yale University, arrived on a flight from Paris on the way to the West Coast Agents had found the single gram of cocaine "during a routine customs inspection," Mr Nelson said.

The drug, valued at about R120, was confiscated, Mr Nelson said, but both federal and local authorities declined to press charges.

"Everybody down the line declined because it was such an insignificant amount. She was administratively fined and let go. I have no idea what the fine was," Mr Nelson said

The actress, a star since her childhood role in Bugsy Malone and later opposite Robert De Niro in Taxi Driver, was thrust into the media spotlight when John Hinckley tried to assassinate President Ronald Reagan in 1981, apparently believing it would win him Miss Foster's love.

Miss Foster, who recently finished filming Hotel New Hampshire, missed her connecting flight to the West Coast when she was detained

A Yale spokesman in New Haven, Connecticutt, said Miss Foster was on a leave of absence from the school.

Jody Foster has said her goal is to graduate from Yale with honours She is expected to graduate from next June.

Mr Howard Lamar, Dean of Yale, said the school was undecided if it would take action against her — UPI

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The Facts correction service, ☎ 24-2233 (Mon to Fri) Cape Times, Box 11, Cape Town (Registered at the GPO as a newspaper)

Cape Times 21/12/83 (232)

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its proprietary partners Anglo and Barclays Its policy-holders will have to share its profits and reserves with the new shareholders if the deal goes ahead, and they can expect compensation for this

Old Mutual general manager, Mr Peter Bieber, was reluctant to comment yesterday on the developing battle for policy-holder support and emphasized that he was not knocking the deal without having seen what form this compensation would take

The deal has to be approved in the Supreme Court, probably in Cape Town, but no date has yet been set.

"Maybe they will just offer all their 'with-profit' policy-holders R100," he speculated, "and then try to get as close as possible to what they had before to allow the demutualization to take place

"The policyholders chose to be with a mutual society and it will no longer be the same thing Instead of getting a straight share of the profits in the club, they're going to have to share. But it would be very unwise to prejudge the issue"

Southern's Mr Chapman is confident that existing policy-holders will gain

Critics, including independent Cape Town insurance consultant Mr Isaac Hickman, however, maintain that the deal could take away about 10 percent of profits that should go to existing policy-holders with Southern Life and that it also further increases the concentration of economic power in South Africa by strengthening the vast Anglo American empire in insurance at the expense of Southern Life policy-holders

"The rich shall get richer and the poor poorer," said Mr Hickman

Sources at Liberty Life also believed the offer to policy-holders would have to be quite attractive, and there were doubts on the mechanics of getting all the information across while retaining consensus

"Policy-holders are going to have an opportunity to put their views," said Mr Chapman, and the most important topic of discussion at the boards of Southern Life and the others had been how to entirely satisfy everyone that this new arrangement was in the best interests of serious policy-holders

"We came to the conclusion before we got into serious negotiations that policy-holders' rights could be met, and handsomely"

'In the dark'

Responding to complaints that Southern Life policy-holders, the real owners of the society, had been kept in the dark about the venture, Mr Chapman said "We were in negotiations where confidentiality was vital It simply wasn't possible to consult policy-holders

"We will be advising them of their rights and how they will be protected They will shortly, I would think next week, be getting the necessary details to assess the situation"

The independent Johannesburg-based consulting actuaries B J Malan and Associates had been retained to report objectively on the development

"As far as the Southern Life 'with profit' policy-holders are concerned, no part of the surplus which arises on their business will be paid to shareholders, so the 10 percent (alleged loss) does not apply to them

"The new shareholders are introducing in excess of R250-million in new cash into the Southern and to this can be added the already massive reserves of the parties involved"

Critics, however, maintained that the Southern Life reserves were already technically the property of its policy-holders and the new shareholders were putting money in because they expected good dividends on their investment

Said Mr Chapman "The Southern is in a postion to offer both existing and new policy-holders considerable strength and an excellent return. The benefits of scale from the amalgamation will have an impact on cost and in turn profitability, and it is this profitability which allows a life office to offer an attractive return to policy-holders"

Commenting on allegations that the deal further concentrated economic power, Mr Chapman said the insurance industry was already dominated by Sanlam and the Old Mutual, with about 30 percent each, and Liberty with about 12 percent.

"Look at these three and you have 72 percent of the industry, and each is a part of a major financial group"

"We will be a much bigger challenger and more competitive than before," said Anglo American Life head, Dr Zac de Beer.

But critics of the deal say South Africa is financially carved up into three parts held by Anglo American, Sanlam and the Old Mutual, and the disappearance of Southern Life means less competition, not more

It is understood that the deal has been approved by the Registrar of Insurance and the Minister of Finance, Mr Owen Horwood, subject to policy-holders agreeing

"We know that policy-holders can stop it," agreed Dr De Beer, "and they and everyone else should be made aware of this"

R100m group adds zip to fastener industry

By PRISCILLA WHYTE

A R100m fastener industry group headed by Form-Scaff, South Africa's largest scaffolding and formwork undertaking, has been created

Form-Scaff anounced yesterday it was taking over the IFM group

Last week, Business Day reported that Form-Scaff was buying control of National Bolts from Grinaker The deal was confirmed on Monday

Form-Scaff becomes the holding company of IFM, which will have control of Nat Bolts

This involves a reverse takeover by which Form-Scaff's main interests will be listed on the Johannesburg Stock Exchange through IFM

Full details of the Form-Scaff/IFM deal have not yet been announced Shareholdere in IFM and Nat Bolts are advised to exercise caution

Mr J Liebesman, the managing director of Form-Scaff, says the new group will have just under 50% of the fastener industry

Informed sources believe the new group could end up with as much as 75% of the market

A statement yesterday said the Competitions Board had been consulted about the various Scaff deals

Form-Scaff is acquiring Grinaker's 78% stake in Nat Bolts for approximately R12,3m (subject to audit of net asset value)

In addition, Nat Bolts will acquire the whole of IFM for R13,5m cash

But IFM will acquire the South African Formwork, Builma, Skyhooks and Auto-Scaff divisions — valued at R13,5m — in exchange for the issue of 8 550 000 new ordinary shares to Form-Scaff

IFM will also acquire the Form-Scaff holding in Nat Bolts

The end result is that Form-Scaff, the top company, will hold 52,5% of the aggregate of the ordinary shares and convertible debentures of IFM, which will hold 78,6% of the ordinary shares of Nat Bolts

Shares in IFM rose 20c yesterday to 150c National Bolts shares

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New group in fastener industry

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jumped 10c to 315c after a sharp advance on Monday

The combined assets of the Form-Scaff/IFM/Nat Bolts group will be around R100m

The official announcement says the various deals are "a means of merging the compatible fastener businesses of National Bolts and IFM within National Bolts and constituting the main South African interests of the Form-Scaff group within the listed IFM"

The IFM directors control the company The only significant minority shareholder is Union Steel

IFM had a gross profit of R3,75m last year

The fastener industry — turnover is reckoned to running at R100m toR150m — is suffering from chronic over-capacity and may well be in need of rationalisation

Mr B Kaminer, the chairman of Form-Scaff, will become the chairman of IFM and the deputy chairman of National Bolts

Mr Liebesman, the managing director of Form-Scaff, will become managing director of IFM and the chairman of National Bolts

Fastener takeover holds JSE interest

By MIKE JENSEN

JOHANNESBURG — Interest at the Johannesburg Stock Exchange focused on National Bolts and Industrial Fastener Manufacturers which were involved in a complex takeover deal yesterday

After passing paper worth almost R40m between National Bolts, IFM, and private scaffolding company Form-Scaff, a giant in the fastening industry has emarged with assets of about R100m Form Scaff is the unlisted pyramid which now controls IFM which in turn controls Nat Bolts

Investors showed confidence in the new arrangements and National Bolts reached a record high for the second day running, up 35c on Friday's close at 315c IFM rose 20c yesterday to 150c

Tuckers was the other feature of the day as the share was suspended following renegotiations of the Topaz deal It last traded at 630c

With bullion demonstrating continued support above the $375 level buyers appeared for most gold shares and prices firmed throughout the day

Interest from London was significant, especially in golds and platinums

Of the golds traded only three were down and eight unchanged ERPM shed 25c to R17,75, Egoli 5c to 180c and St Helena 50c to R38 The biggest gains were made by ET Cons up 75c to R29,75, WR Cons 45c to 810c, Kinross 75c to R27,50, President Steyn 150c to R53,50, and Venters 50c to R17

Both Randfontein and Western Areas rose by less than their declared dividends Randfontein declared an 800c div and added 550c, and Western Areas declared a 40c div and added 25c

Platinum counters firmed with Lydenburg up 5c to 945c and Rustenburg 35c to R12,85 on foreign buying

Mining financials ended thinly mixed with only 10 shares showing movement Amgold gained the most, firming 200c to R131 TC Land shed 50c to R42, as did Wit Cons to R19

Trading in industrials was generally lacklustre and shares closed mixed but slightly up — the JSE Actuaries industrial index gained 10 points to 867,7

Investors showed interest in HLH following press reports that the company was cash rich and ready for acquisitions after the sale of Blaikie-Johnston and Wolhuter Steel The share rose 20c to 950c

Messina encountered sporadic profit taking and edged 20c lower to 475c Stores were one of the few remaining sectors actively traded and shares ended mixed with four down and five up Clicks shed 20c to 670c, Kimet firmed 10c to 190c, OK added 25c to R21, and Wool-Tru A's down 50c to R14,50

In transport Safmarine shed 20c to 550c

Court ok's Gencor plan for Xactics

Financial Reporter

THE Cape Supreme Court has approved the scheme of arrangement by which Gencor will have total ownership of Xactics

The scheme gives Xactics' minorities 175c a share after Gencor's purchase in July of the 50% of Cortics, which controls Xactics, it did not already own.

Kohler, a Gencor subsidiary, thus acquires the total Xactics' shareholding. Xactics' JSE listing disappears at the close of business today.

HK gold closes at $381

Financial Reporter

GOLD closed at $380,75/$381,75 in Hong Kong yesterday, about $2 lower than Saturday's closing in the Far East, but a shade higher than the $380,50 close in New York on Friday

The London and New York markets were closed yesterday, and in Tokyo the futures market closed mixed in very quiet trading

The dollar was marginally firmer in Tokyo yesterday, closing at 234,15 yen, compared with 233,50/234,0 at the close in New York on Friday

The only activity on the Tokyo foreign exchange market involved commercial orders, with interbank trading negligible in the absence of trading elsewhere in the world

AECI in talks for Sentrachem 40% Coalplex stake

By JOHN MULCAHY

CHEMICAL giant AECI is negotiating with Sentrachem to buy the latter's 40% interest in the huge Coalplex polyvinyl-chloride (PVC) plant near Sasolburg

The joint venture — AECI already owns 60% of the plant — was commissioned in 1977 at a cost of R230m, which at an average annual inflation rate of 12% puts a replacement value of at least R400m on the operation

A terse statement from AECI and Sentrachem today says that negotiations have reached an advanced stage and that a further statement will be made "in due course"

Mr Denys Marvin, AECI's managing director, said yesterday he would add nothing further to the formal statement "There's many a slip " he commented

Mr Dave Marlow, managing director of Sentrachem, could not be contacted

Neither AECI nor Sentrachem has ever disclosed operating results from Coalplex, other than to say it either contributed to profits or incurred losses

For this reason it is extremely difficult to assess what the value of Sentrachem's 40% might be on an earnings basis, but on the capital cost alone the 40% stake must be worth at least R160m

Such a sum — if the deal is to be a cash one — would provide much needed relief to Sentrachem's heavily-geared balance sheet

At the end of June, the group had long-term loans of R58m, suspensive sale liabilities of R192m, finance lease liabilities of R140m and short-term borrowings of R27m This, offset by cash and bank balances of R58m, gave it interest-bearing debt of almost R360m at the year-end

At the time of its commissioning, Coalplex was hailed as evidence that the high-technology chemical-from-coal industry in SA had come of age But the honeymoon was soon over and although it had reached breakeven in cash-flow terms in 1978, the world subsequently moved into recession, which seriously affected demand

More recently, the SA Government's moves towards de-regulation and a more pronounced free market policy have caused the two shareholders in Coalplex some sleepless nights as to the authorities' intentions regarding protection of the chemical industry

As SA chemical plants — even one the size of Coalplex — do not enjoy the economies of scale of many competitive industries elsewhere in the world, various protective measures are afforded so as to ensure the continued profitability of strategic industries

But the Government has of late taken a considerably more critical view of the definition of strategic industries in SA, and recently accepted the Steenkamp Commission of Inquiry's report on the textile industry

Among other recommendations, the commission advised that quantitative import controls should be removed, to be replaced by tariff measures

The views expressed by the commission were directly in tandem with the philosophy outlined in the Kleu report on industrial development strategy

The Kleu report makes no bones about the fact that industry is likely to be less cossetted in future, with import controls already being dismantled and duties expected to be reduced

AECI has come out fighting, and in a no-holds-barred address in October, Mr Marvin criticised the Board of Trade and the Steenkamp report on the textile industry, which he described as a simplistic view of protecting the domestic market against international competition

Later, he said the Government was taking SA industry down the road to disaster, and again criticised Government academics and bureaucrats "who have never sold a pound of anything"

Sentrachem, which is SA's second biggest chemical group, has taken a more sanguine approach to the Government's hard-headed attitude on protection

A generally more conservative group, with close Government ties through its holding company, Federale Volksbeleggings, and Fedvolks' controlling shareholder, Sanlam, Sentrachem has made no overt criticism of the Government's stand

On the contrary, Sentrachem's chairman, Mr C J F Human, said in the group's latest annual report "Many problems exist when planning a new industrial strategy within a free market economy and with emphasis on exports

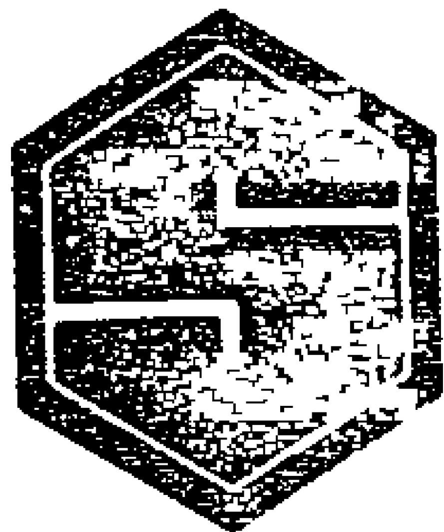
"The Minister of Industries (Dr Dawie de Villiers) is to be congratulated on appointing a standing committee to advise government in this area and for including representatives of the private sector"

Sentrachem is heavily committed to the Karbochem and Afprene synthetic rubber plants near Newcastle and profits are a long way off

Original plans for Coalplex included a second plant — Coalplex Two — which was to have been developed as an extension to the first plant, but with Sentrachem taking the majority interest in the second phase

It now seems that due to a combination of factors — the most important being Sentrachem's substantial commitments at Newcastle and the group's concern that the continuing dissolution of import controls posed a serious threat to future profits from Coalplex — Sentrachem has become disillusioned with Coalplex

Whether AECI will expand Coalplex on its own is a moot point It seems highly unlikely that such a move will materialise until the present state of flux in the chemical industry is resolved



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EGYPT CUTS CRUDE PRICES

CAIRO — Egypt said yesterday it would cut most of its crude oil export prices from January 1, reflecting pressures in the surplus-laden world market for a general lowering of prices

The reduction announced by a spokesman of the Egyptian General Petroleum Corporation was 50 US cents off the price of benchmark Suez blend, bringing it to $28 a barrel

The spokesman said only 25 cents had been taken off the price of inferior Balayim crude oil, bringing it to $26,50, while the price of yet heavier Ras Gharib was actually raised by 25 cents, to $24,75, apparently reflecting a more buoyant market for that type of oil

Egypt pumps about 750 000 barrels daily of crude oil and exports about one-third of that, a bigger export volume than some smaller members of the Organisation of Petroleum Exporting Countries to which Egypt does not belong — Sapa-Reuter

Duro to pay out

Financial Reporter

DURO Industries — in which Central Merchant Bank recently acquired a 59,2% controlling interest at 435c a share — is to pay a special dividend of 357c a share to minority shareholders registered on January 20, 1984

The dividend will not be paid to shareholders accepting the offer by Nortrusco Nominees which opens today until January 16, to acquire all or part of minority shareholdings for 435c a share

At a general meeting on December 20, Durowin shareholders agreed to the disposal of the company's assets other than cash and loan levy

This will leave the net as-

For the Connoisseur's Cabinet

For the Connoisseur's Cabinet

g Limited

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is running at a rate of 24% the previous year, and might the budgeted R19bn
- eight months the deficit be- rowing and before repaying loans was R2,199bn This comfortably financed with being raised by stock issues maturities amounting to In addition to R463m accrued treasury bills R130m was re- from the International Mone- und
of the November receipts Treasury are not yet available, figures, however, have been
produced R2,205bn in the first months of the year against a R3,955bn
mond export duty earned against R15,1m the previous a budgeted R27m for the full
duties, reflecting buoyant in the property market, brought in R186,8m in the seven against R106m in the pre- year and a budget estimate of

nterim

surprisingly drifting at 190c sellers with a bid price of 175c — light years away from the year's peak of 310c Given an eventual revival in demand and no more thefts the share might be classed as a longer-term recovery stock
But with the generally depressed state of the stock market, interest rate levels and the drain that the move in HQ will no doubt have on the group's books, bargain hunters can find better value around

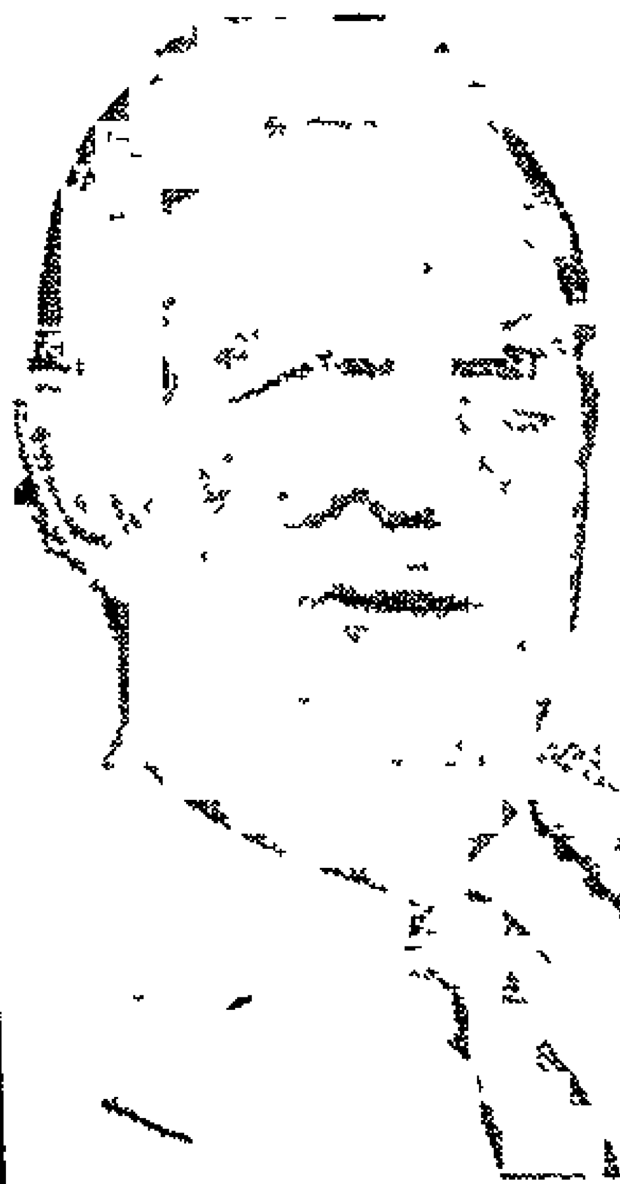
Sanlam bonus 'highest ever'

By PAUL DOLD

ABOUT 350 pension fund clients invested in Sanlam's Alpha Plan are receiving up to a 21% bonus bringing the increase since 1978 to 65%
The first bonus was 12,7%
Some R270m has been invested in Alpha — Sanlam's guaranteed portfolio with a spread of equities, fixed interest and property
Sanlam says this is probably the highest bonus yet declared in South Africa on a guaranteed portfolio of this nature
The initial bonus on investments made under the Alpha Plan in 1983 amounts to 18%
Mr Johan Neethling, gen-

Mr Eldred Taylor has been appointed executive director and general manager of Osborn Coalequip Engineering (Pty).

Ms Barbara Palframan has been a public relations executive of Barlow Rand.



Mr Dick Goss has accepted an invitation to join the board of Saflcon Investments

Japan growth forecast

TOKYO — Two major Japanese city banks and a research body have predicted Japanese real economic growth of between 3,8% and 4,5% for the new year

Safmarine details Sun Hotels deal

By JOHN MULCAHY

SOUTH African Marine Corporation (Safmarine) paid R36m in cash for its effective 18,75% stake in Sun Hotels International, the vehicle for the control of most casino resorts in Southern Africa
According to a circular to Safmarine shareholders the decision to participate in Sun International was a logical extension of the group's travel, passenger ships, aviation and shipping interests
"Furthermore, Safmarine's intention to develop its interests in the tourist industry, hotels and resorts, and activities related to those interests, will render its profits less susceptible to international trade cycles"
Safmarine's participation in the new leisure grouping, which involves Southern Sun, Rennies (and Holiday Inn) and Mr Sol Kerzner, triggered a swift reaction from the Government which ordered the Industrial Development Corporation to dispose of its stake in Safmarine
Details of the sale of the IDC stake are now being worked out, and the sale is expected to take place in March 1984, after the group's interim results have been released
The acquisition of the Sun Hotels International stake is expected to increase Safmarine's earnings by 3c a share for the year to June 30, 1984 Earnings for the year to June 1983 were 46c a share
The effect on Safmarine's net asset value will be minimal, according to the circular
Sun Hotels International acquired the following assets from Southern Sun
- 50% of Southern Sun Hotels (Bophuthatswana) (Pty)
- 50% of Ciskei Southern Sun Hotels (Pty)
- 15% of Sun Resorts Ltd, incorporated in Mauritius
- 20% of Bophuthatswana Commercial Radio (Pty)
- Shares in the financing and management companies related to the operations sold by Southern Sun

Also, Sun Hotels International acquired these assets from Rennies Consolidated Holdings
- 80% of Holiday Inns International (Pty)
- 75% of Wild Coast Holiday Inn (Pty)
- 50% of Swazispa Holdings
- 50% of Holiday Inn of Lesotho (Pty)
- 50% of Venda Holiday Inn (Pty)
- 46% of Mzamba Development (Pty)
- 33,75% of Transgames (Pty)
- 33% of Casino de Maurice Ltd

Wholly-owned subsidiaries of Swazispa Holdings include the Royal Swazispa Hotel, the Ezulwini Holiday Inn and the Lugogo Holiday Inn Nhlangano Holiday Inn is a 51% subsidiary
A key point in the Safmarine circular concerns Mr Kerzner's restraint of trade agreement
"Consequent upon the imposition on Kerzner of a restraint prohibiting him from being interested or engaged in the hotel industry in the Republic of South Africa at any time before April 1, 1985, the business of Sun Hotels International will initially be restricted to hotels, resorts and related activities elsewhere than in SA, but upon the lapse of that restraint, there will be no limitation on the geographical areas within which hotel and resort interests may be operated"

Another quiet day on JSE

By NORMAN CUTHBERT

TRADING was quiet and firm on the Johannesburg Stock Exchange yesterday, marked by a continued reluctance of sellers
Any small buying — as investors dressed up year-end balance sheets — tended to push up prices
Turnover was light
Gold shares finished firm in particularly active closing trading Industrials were firm through the day
Golds opened firmer in fairly active trading, sparked by overnight interest in New York, as the gold price hovered around $380
Counters tended to ease from early highs around midday as the initial rally was not immediately followed through But in the afternoon prices of better quality stock were pushed better by steady London buying
At the close, 18 golds were ahead, 16 posted losses and eight were unchanged
Heavyweight gains included Harties up 300c to R90 and Buffels 150c firmer at R69,50 after R70
Gains among lightweights and marginal producers were limited to around 10c.
De Beers was unchanged at 905c
Platinums were easier, with Impala down a further 15c to R16 and Rustenburg off 20c at R13,20
The industrial board finished with 51 shares firmer and 11 easier, led by sector leaders Barlow Rand, up 35c to R13,85, and Sa Breweries, 25c better at 800c
Banks were firmer, with Bankorp up 25c at 595c and Trust Bank closing 27c ahead at 267c after 280c
Liblife added 100c to R55
Interest was shown in Picbel, unchanged at 700c, and Picfin, up 120c to 760c, in view of the impending sale by Picfoods of its stake in Kanhym to Gencor

Six US Steel plants to be closed down

PITTSBURGH — US Steel says it will close six of its money-losing domestic steel plants and reduce operations at 24 other facilities, eliminating about 15 400 jobs
It was announced earlier four plants would be closed and an undetermined number of other plants affected
The six plants to be closed are Lorain-Cuyahoga in Ohio, three plants in Pennsylvania, a plant in New York and another in New Jersey
Other plants, including the South Works near Chicago, would be mostly shut down, the company said
The closings would eliminate the jobs of 4 590 active
US Steel lost $497m in the first three quarters of this year Last year, US Steel's steel segment reported an $852m operating loss
US Steel has also dropped discussions to import steel from Britain
It was reported earlier a deal with British Steel Corporation had been cancelled for "purely economic reasons"
Discussions had ended so that the two companies could pursue "other options," US Steel's chairman, Mr David Roderick, said
US Steel and the state-owned British company had

US slashes foreign catch quotas

TOKYO — The United States, in a move apparently aimed at bolstering its fishing industry, has slashed catch quotas for foreign vessels operating in its 200-mile fishery zone in 1984, Japanese officials said
The officials in the Fishery Agency said a total quota for foreign fleets in the first half of next year had been cut by 14% from the current year to 1,363-million tons
Japan would be given 71% of total catches but its share will also be slashed 15% to 486 000 tons

BUSINESS BRIEFS

The Star's Foreign News Service

PARIS — Peugeot, France's financially troubled private car company, expects to report group losses of more than R215 million this year and to see its debts increase, largely as a result of the three-week strike at the group's Talbot plant at Poissy, near Paris

NEW YORK — Pennzoil, a medium-sized Houston oil company, is to spend up to R1,9 billion in an attempt to buy a stake of up to 20 percent in Getty Oil, the 14th biggest US oil company

LONDON — Britain's biggest car export contract — the supply of car kits worth R262 million a year by Talbot UK to Iran — seems secure for 1984 Talbot says the Iranians have asked for 120 000 kits to be shipped next year

NEW YORKAmerican Telephone and Telegraph is to acquire for $260 million 25 percent of Olivetti, Europe's leading data processing equipment company

The aim is to form "an industrial, commercial and financial alliance" that will involve joint product development, distribution and technological co-operation

AT & T has agreed to buy $250 million of Olivetti products during the initial 12-month period that will commence in mid-1984

LONDON — A modest recovery is forecast by Rolls-Royce Motors in its car operations next year, after one of the most turbulent periods in the company's history Rolls-Royce is looking for world sales next year of about 2 400 cars

NEW YORK — Eastman Kodak, the world's biggest photographic products group, plans to enter the fast-growing US amateur video camera market with the help of Matsushita, one of the Japanese groups which dominates the market

Kohler to pay Gencor R20-m for Xactics

By Peter Farley

Kohler is to pay parent Gencor an effective R20,8 million for plastics packaging specialist Xactics, to be funded almost entirely with convertible and redeemable preference shares

The details of the final stage in the change of ownership of Xactics also offers Kohler minority shareholders the chance to raise their stake in the company

But the fact that Gencor is generously offering this suggests the parent company is not overly keen on increasing its stake in the packaging group from the current 68 percent

The deal comprises the acquisition by Kohler from Gencor of Cortics, which owns 67 percent of Xactics and the 33 percent of Xactics Gencor holds directly.

But less than R200 000 will be paid to Gencor in cash at this stage The share issues account for the balance Kohler is issuing to Gencor a package of 173 800 linked units at R119 each — total R22,68 million

Kohler will have to repay an interest-free loan from Gencor of R4,0 million at end-1987

Each linked unit comprises nine automatically convertible pref shares of 50c each and five redeemable convertible prefs of 50c The terms of the two prefs are an issue price of 850c, an annual 85c dividend and conversion into a Kohler ordinary at 850c or redemption at 850c

The automatically convertible shares will be converted half on January 1 1986 and the rest a year later Kohler will have the right to convert the redeemable shares in the same way

Gencor apparently seeks to offset some cash already laid on the Xactics purchase and is making available 32 percent of its linked units to existing Kohler shareholders on the basis of two for every 100 Kohler ordinaries held at the same R119 per unit

Minorities have until the special general meeting on January 20 to decide on whether to take up the offer Given the current sluggish growth prospects offered by Kohler and the slight premium of the conversion price over the current 830c it is unlikely many will accept

In the offer document Kohler says if the Xactics acquisition had been in force since last January 1, it would have reduced earnings by around 4,5c per share and pushed net worth down by 101c, or 14 percent

Hardly the kind of performance to inject some life into Kohler, bogged down by the recent purchase of DRG the flexible packaging division of Wiggins Teape

Sandton office rents could rise by 30%

By Frank Jeans

Office rents in Sandton, still the centre of sustained commercial build-up, are expected to move ahead by more than 30 percent over the next 18months

With very little space available to let and no new building projects coming on to the market before 1985, rents which now average R14 a sq m will increase to between R18 and R20, predicts Mr Kevin Jordaan of Divaris Real Estate

"Except for Liberty Life's Twin Towers development — part of the Sandton City extensions — which is probably more than 70 percent let now and the Unilever building in Pybus Road, there is no large space left to let," says Mr Jordaan

"Demand for industrial property in

New company will service power stations

Financial Staff

A joint venture service company specialising in power-station maintenance has been formed by International Combustion Africa (ICAL) and a US manufacturer of power generation equipment, Combustion Engineering Inc (C-E)

The new company, Combustion Services Africa, will provide services for the maintenance of fossil-fired steam generating equipment used by electric utilities in Southern Africa, including Escom and the Electricity Supply Commission in Zimbabwe

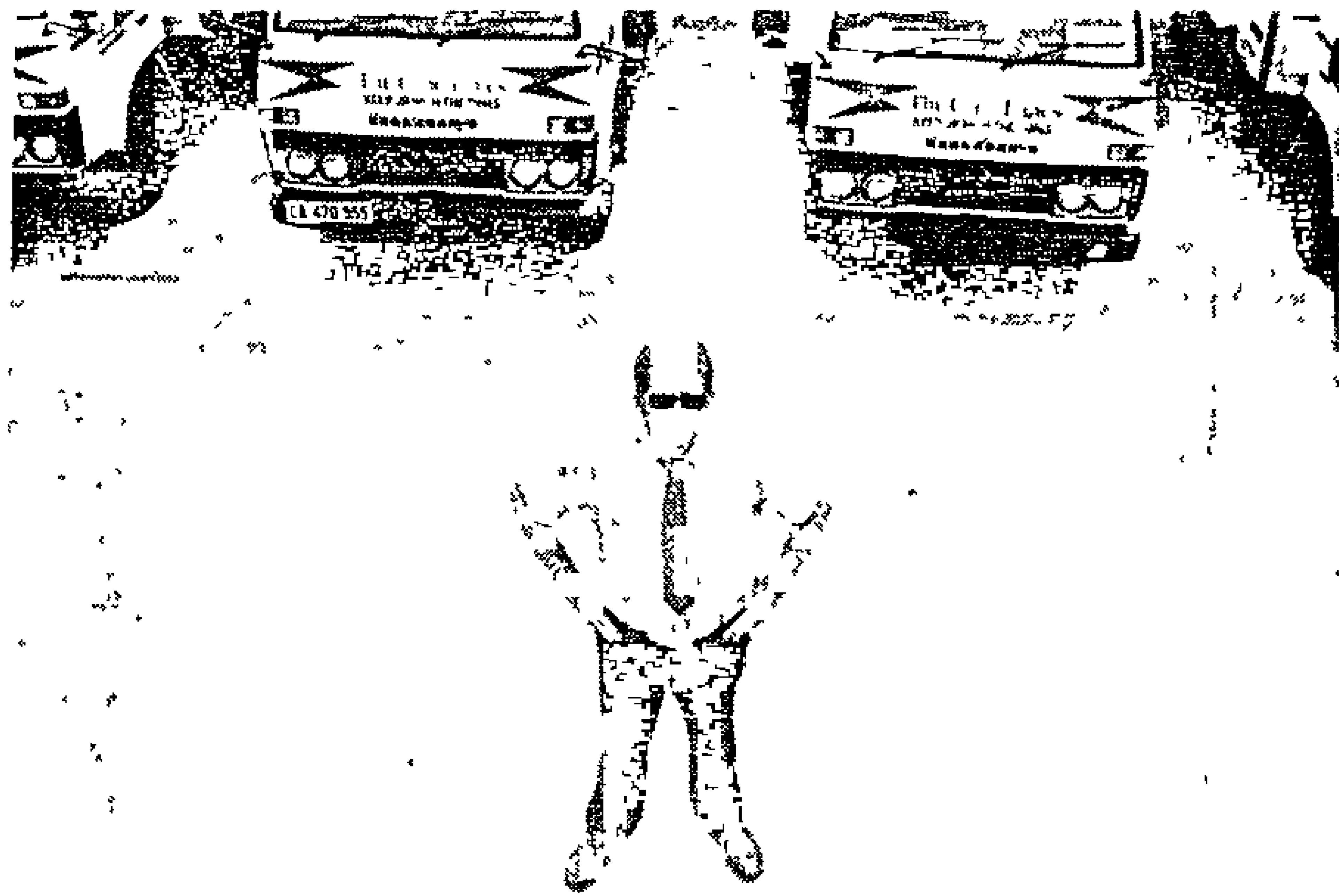
Last year Escom, which generated more than 90 percent of the electricity used in South

Mr Donald Lyons, president of C-E Power Systems, says there is a world-wide demand for specialised maintenance services in support of the more sophisticated power generation systems now being installed

"C-E is committed to working with ICAL to support Escom's effort with assistance in engineering design, manufacturing technology and equipment.

"Providing electricity is a long-term business, and South Africa anticipates great demand for electrical energy over the next few decades," he says

"With Combustion Services, we are making the commitment necessary to assist in meeting



Mr Tony Marshall, who will be responsible for maintaining SAAN's fleet of 30 vehicles.

Cape Times 31/12/83 232

SAAN — new news circulation

Staff Reporter

THE early copy of the Sunday Times you buy tonight will not just be the last newspaper of 1983 — it will also be the first to be distributed by South African Associated Newspapers' dynamic new circulation organization.

The new organization will take over the publication and distribution of the Cape Times, the Sunday Times and the Financial Mail throughout the Western Cape from Allied Publishing Limited, from tonight onwards

More than R1-million has been poured into a highly-sophisticated circulation organization which is fully computerized and has a fleet of 30 brand-new vehicles

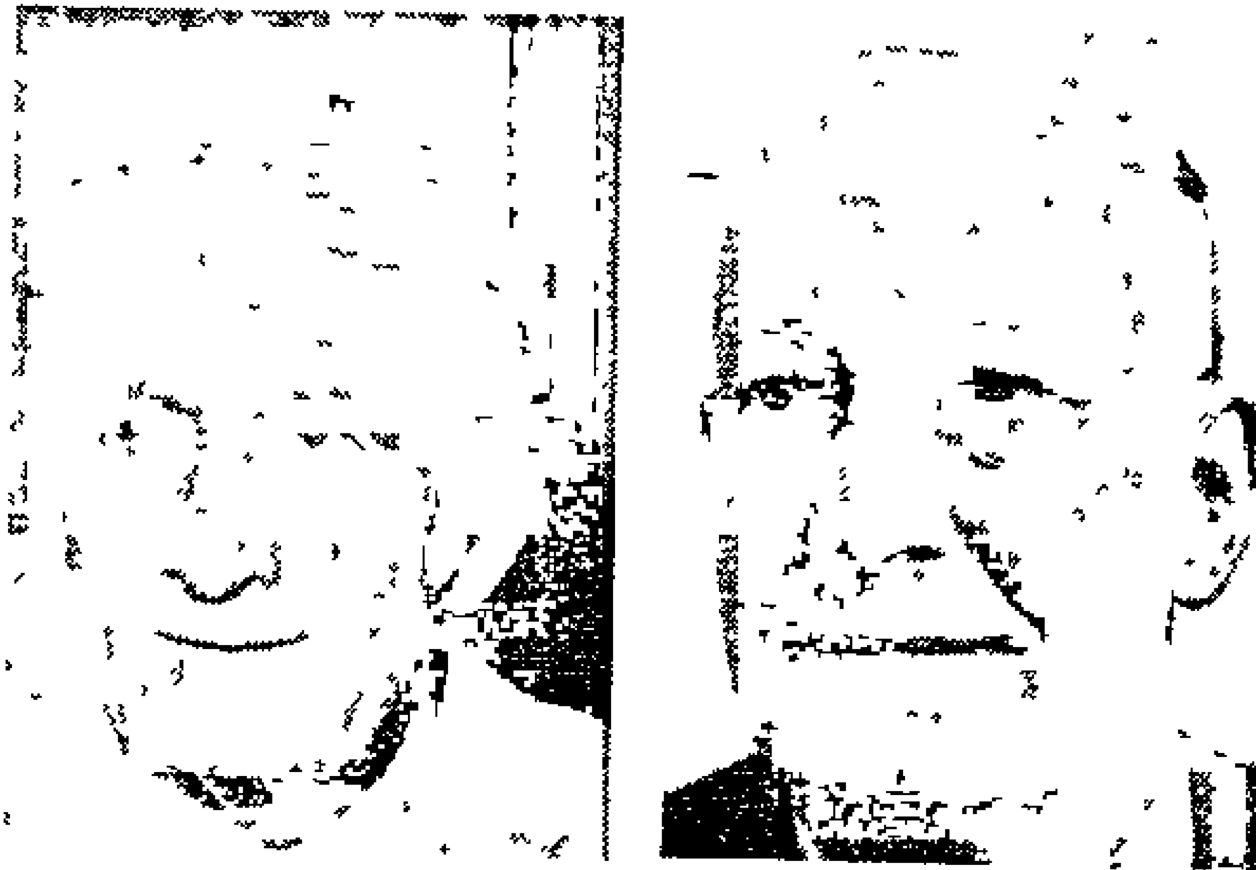
SAAN Limited's circulation manager, Mr Pat Hendry, says the idea is to provide readers with a streamlined and much more efficient service

"Readers will still take out their subscriptions in the usual way, but the computer service has made it possible for us to improve on the speed of the delivery service Delivery of a new subscription should now take only about 24 hours," he said

Mr Hendry's operation has its headquarters at 10 Shannon Street, Salt River, and the telephone number is 47-6134

All inquiries in respect of delivery of the Cape Times, Sunday Times and Financial Mail should be directed to this number

Cape Times Management Board



Retiring directors of the Cape Times Ltd, Mr D A St C Hennessy, chairman, left, and Mr G K Lindsay.

SOUTH African Associated Newspapers have announced a restructuring of their interests at board level in Cape Town and Port Elizabeth. This follows the recent purchase by SAAN of all the shares in Eastern Province Newspapers Ltd and steps to achieve closer integration of SAAN interests throughout the country The Cape Times became a wholly-owned subsidiary of SAAN in 1973

The local boards of the Cape Times Ltd and Eastern Province Newspapers Ltd are to be disbanded from January 1, 1984, and in future the companies concerned will be run by four-man management boards The members of the Cape Times management board will be the chairman of SAAN, Mr Ian MacPherson, the managing director and deputy chairman of SAAN, Mr Clive Kinsley, the former managing director of SAAN and a director of SAAN, Mr Leycester Walton, and the managing director of the Cape Times, Mr Walter Judge

Two Cape Times directors, Mr D A St C Hennessy, chairman, and Mr G K Lindsay, having reached retirement age, will retire from their positions as from December 31, 1983, but their services will be retained on a consultancy basis for a number of years. Both Mr Hennessy and Mr Lindsay have had long associations with the Cape Times as directors Mr Hennessy has for nearly eight years been chairman of the company, and he also served on the board of SAAN for a number of years His father, the late Sir Alfred Hennessy, was at one stage also chairman of the Cape Times Mr Lindsay is currently a director of SAAN

Mr Kinsley commented "This move will integrate SAAN interests at top level in Cape Town and Port Elizabeth more closely with SAAN headquarters in Johannesburg, and thereby strengthen all concerned But it will in no way interfere with the close contact which the newspapers concerned have established so successfully with their local communities over more than a century"

OWNERSHIP AND CONTROL
1984

JANUARY — DEC.

Scene set for bitter fighting over beer

By PATRICK MCLOUGHLIN
Deputy Financial Editor

A GOVERNMENT promise this week to prevent monopolisation of the sorghum beer industry has set the scene for a fierce battle in the R250-million-a-year market.

The sell-off would be implemented in such a way that no monopolies would emerge — at least initially — a senior government official disclosed this week.

The disclosure comes after an announcement that the government is to sell its sorghum beer business to the private sector. The terse statement triggered speculation about the basis and criteria that will operate in one of the biggest sell-offs since the Sasol rights issue.

● Dr Gerrit Viljoen . . . the sorghum seven

Dr Gerrit Viljoen, Minister of Co-operation, Development and Education, has said the sorghum industry will become seven companies whose shares will be available to private interests.

The industry was recently consolidated into a number of consortiums under control of 13 development boards.

The beer is produced in 24 breweries throughout South Africa and brings in tax-free profits of more than R50-million on turnover of R250-million for the development boards (known as administration boards until a name change on April 1 this year).

About 1-billion litres are produced annually by these breweries in South Africa and the statement said black entrepreneurs would be especially encouraged to participate in the privatisation.

The goverment announcement prompted speculation that the industry could be fought over by the two major private producers of sorghum outside South Africa, Kirsh Industries and SA Breweries.

Scenario

However, a statement released to Business Express by the chairman of the central management committee for the sorghum beer industry, Professor Tieme van Vuuren, seems to have scotched that scenario, for the short term at least.

"The transfer of shares in the multi-million rand sorghum beer industry to the private sector will, from the beginning, be controlled by measures to prevent a certain group or single company from monopolising or completely taking over the industry," Prof van Vuurren said.

Prof van Vuuren added that a single group might in time obtain a larger shareholding than others as the seven new companies would conduct business independently, thereby promoting free competition.

"Provided such developments take place within the present legislation on monopolies, there can be no objections to this," he said.

"The statement said that as the industry had for many years been an important source of income to the development boards, it could be expected that it would be several years before the government found "alternative sources of income" and the industry was taken over completely by the private sector.

Under the Sorghum Beer Act, production of sorghum beer in South Africa is conducted by the 24 breweries run by the development boards.

However, outside South Africa, in the homelands and independent states and across the national borders, companies are allowed to participate in the profitable industry which, some indus-

● To PAGE 2

Scene is set for a bitter beer battle

● From PAGE 1

try experts say, produces about 2,6-billion litres (both brewed and home beer) in South Africa and the homelands alone.

This compares with annual production of about 1,1-billion litres in the lager industry.

Kirsh Industries owns three breweries in Bophuthatswana and Transkei under its subsidiary King Foods, while SA Breweries manages a brewery in the Ciskei, where it holds 50% of the equity. It also has 50% and manages the Vendaland Brewery and the Gazankulu Brewery. In addition it has big holdings in Zimbabwe, Botswana, Swaziland and Lesotho sorghum beer breweries.

Altogether, SAB is involved in 28 sorghum breweries which produce 550-million litres annually.

Mr Arnold Levy, a director of Kirsh Industries and chairman of King Foods, said the concept of privatising the industry had been talked about for some time but the timing of the announcement nevertheless had caused some surprise. He had no idea how the government was going to sell its sorghum beer interests.

"They are talking very theoretically," he said. "My impression is that they will sell their interests piece by piece because the profits from the industry are used by the development boards for infrastructural development and they will have to substitute the considerable income from other sources.

"The big question is where they are going to get that money from, and I think that they do not know themselves.

"We are dealing with a vast industry," he said. "If you do not give it to one of the majors (companies), the smaller man will get smothered because you have to develop in brand names and advertise as well as run the whole show."

Mr Levy said "very few" companies were capable of handling the job — possibly only SAB and the Kirsh group.

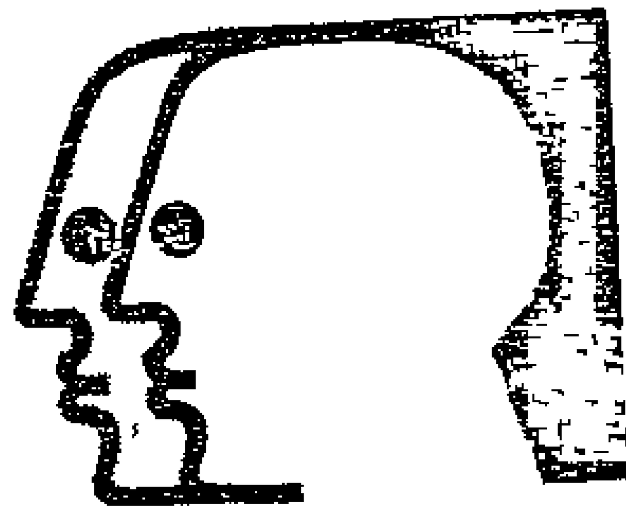
Partners in the future — Govt and big business

Jan 1984

RDM

232 1401

In a R100-million deal in the final days of 1983, Barlow Rand took control of Blaikie-Johnstone and the total equity of Wolhuter Steel. The man behind the take-over was John Maree, a director of Barlows and chairman of the group's building and construction division One of the few South Africans who straddles the gap between big business and Government, Mr Maree spoke to PETER BUNKELL



PROFILE By PETER BUNKELL

THERE is an urgent need for big business in South Africa to work closely with Government if it is to compete successfully on the international market.

This is the view of Mr John Maree, who says that the economy, in the future, will have to be export led and that co-operation between the private and public sectors is essential for a clear understanding of world markets.

"We will have to pull together all our resources, and I believe this is what is going to happen."

Mr Maree is particularly well qualified to comment on the relationship between the central authority and the business community He is one of just a handful of South Africans who commands respect in both arenas

In 1979, at the request of the Prime Minister, he was seconded for three years to the Ministry of Defence as chief executive of Armscor.

Speaking at Barlow Park in Sandton, Mr Maree said it was easy to understand why there was a chasm between the private and public sectors

"Historically, the Government has been Afrikaner-rural in its whole support and structure It has been linked to Pretoria, whereas big business has tended to be English and concentrated in the city of Johannesburg

"That is what makes our position different to the French and British systems, where both business and government are sited in the same cities

"There is, of course, a situation similar to ours in the United States, where you have Washington and New York, but in South Africa it is not just Pretoria-Johannesburg there are language and cultural differences as well"

Exacerbating the problem was the fact that Johannesburg was run very differently to Pretoria

In Johannesburg, people were motivated by a certain set of stimuli business, growth, development and what was being reported by the financial Press

In Pretoria, people thought differently and were not subject to the time scales which dictated the need to speak to shareholders every six months

They were busy with macro projects — what was good for the country — and this made them different

"Before I went to Armscor I was told by a friend of mine that my secondment was going to be the most fascinating three years of my life, that after working with Government officials I would soon realise that they approached things differently

"There is no doubt that there is a gap between us and it is one that is not going to be easy to bridge"

Mr Maree believes, however, the Mr P W Botha is determined to bring the two sectors closer together This, he feels, is something that will be reflected in the result of the referendum

"The Prime Minister has picked up a new Left He is sitting with a different constituency from the one he had and, in that sense, I believe that closer co-operation between the private and public sectors is going to be facilitated

"With Mr Botha setting the pace there will be a better understanding which will eventually be beneficial to the country as a whole

"There must be an understanding on the part of big business that it has a role to play but that it does not have all the answers

"Those answers will have to be worked out with civil servants and politicians In that way it will be easier to draw on all the skills available in this country"

An imposing figure at almost two-metres tall, Mr Maree has compiled an impressive business record since graduating from the University of the Witwatersrand and the Harvard Business School in the United States

He started his career with Union Free State Mining and Finance Corporation and currently serves on the boards of 10 major organisations In 1981, he was selected by the Sunday Times as one of the country's five top executives

He is a keen golfer and gardener and makes a point of keeping himself physically fit.

While serving as executive chairman of Rand Mines Properties in the early Seventies, Mr Maree arranged for RMP to to donate the historic village of Pilgrims' Rest to the Transvaal Province

"'Pilgrims' Rest was never proclaimed as a town It belonged to RMP

"The Administrator of the Transvaal at the time was Mr Sybrand van Niekerk and I got hold of him, took him to the town and asked him if he would like to take it for the country.

"He accepted the offer, and since then a lot of money has been spent preserving and restoring the place."

Referring to South Africa's growth potential, Mr Maree said he believed the country — because of its raw material wealth — had the ability to grow faster than any other country in the world

However, there were two major problems which had to be overcome

The first was the need to increase productivity

"For human and social reasons, it has always been believed in this coun-

JOHN MAREE .. "We'll :

"How do you change that? People will just have to realise that you have got to work to eat and that higher income comes only out of higher effort"

The other major problem identified by Mr Maree is inflation

If South Africa continued to have higher inflation than its trading partners, if it continued to have escalating electricity costs, transport costs and wage costs, it was go-

By ...ER ...ELL

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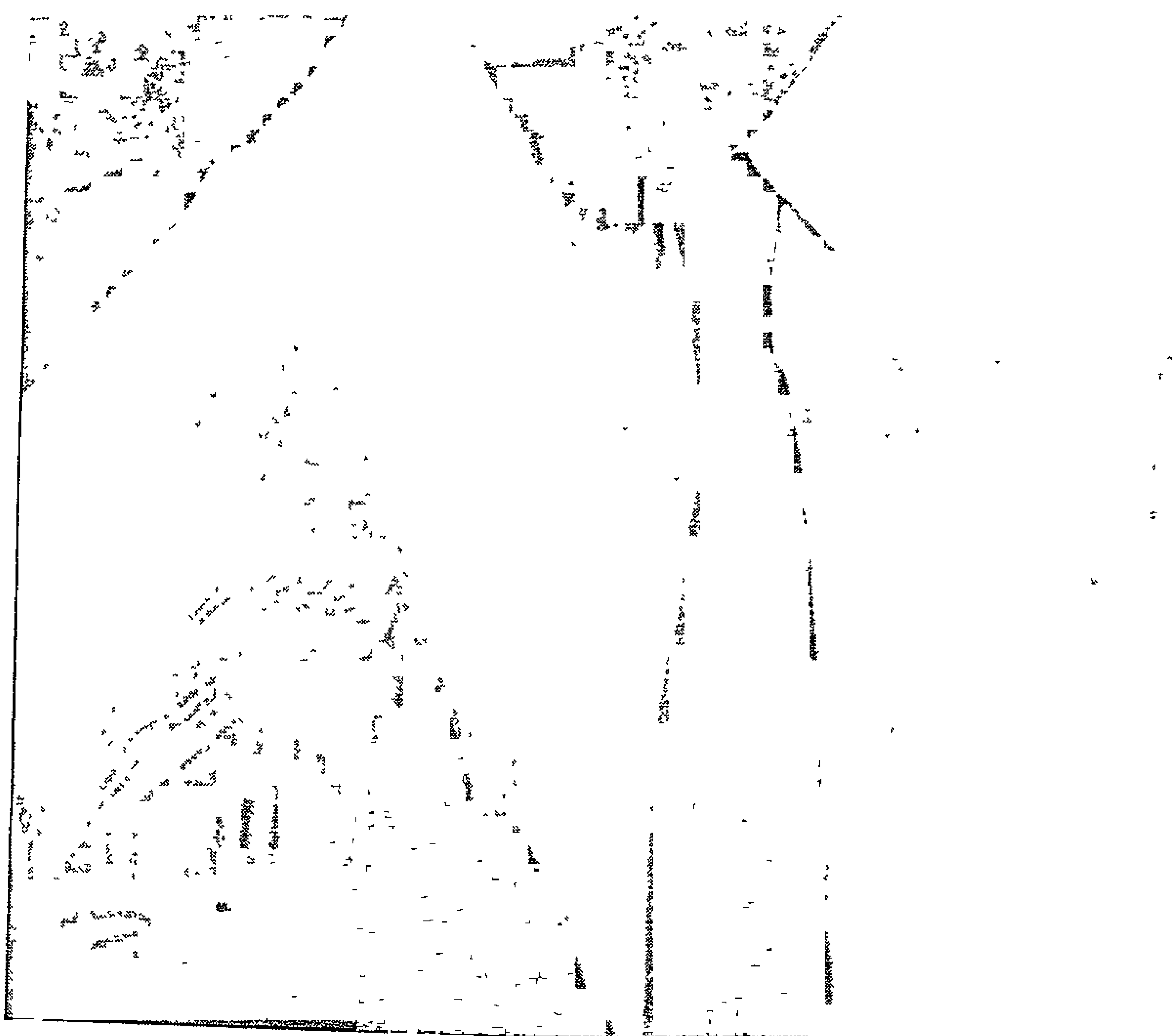

JOHN MAREE . . . "We'll have to pull together all our resources, and I believe this is going to happen"

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However, there were two major problems which had to be overcome

The first was the need to increase productivity

"For human and social reasons, it has always been believed in this country that a man should earn a good wage

"One of the most serious errors ever made in South Africa was the introduction of job reservation, because it has protected the white worker and assured him of a standard of living not necessarily due to him and one which many would not have if there was a truly competitive situation

"What worries me is that this has set the standard for the non-white worker and we have lost the correlation between the amount of work you produce and the amount of money you draw

"How do you change that? People will just have to realise that you have got to work to eat and that higher income comes only out of higher effort"

The other major problem identified by Mr Maree is inflation

If South Africa continued to have higher inflation than its trading partners, if it continued to have escalating electricity costs, transport costs and wage costs, it was going to price itself right out of the world market

"I have a concern that the Government is not going to be tough enough to take the steps really required to curb inflation

"They are the only ones who can do it, but the measures they will be required to introduce have serious political implications like unemployment and the detrimental impact that tough, anti-inflation measures will almost certainly have on the black workforce"

On the question of a handful of major business conglomerates controlling most of the financial and industrial activity in South Africa, Mr Maree said he was aware that there was concern about the development of certain organisations which got bigger and bigger

What had to be understood, however, was that while in some instances one could say that to become bigger could have a negative effect on competitive situations, there were other areas where the big corporation played an important role in the development of the country.

"If you are going to start a gold mine or a Sasol you have got to be big

"While we must ensure that the competitive situation in the country is not being detrimentally affected, there must be an understanding that we need big business

"They are the only people able to generate the capital and skills required to do big things"

Mr Maree said he believed there was a general shortage of skilled people at the same time that the country was experiencing a flood of black matriculants

This was material that would have to be used to fill the skills gap and when this happened the composition of the total workforce would change rapidly

"It is essential that we bring non-white people quicker and further into our management structures, and we will also have to devise, managerially, new ways of tapping all the skills that are available

"At the higher level we tend to do this We get people together, we plan together and we think together. But I believe that we have to take this process a lot further than we do at the moment"

One way of doing this, Mr Maree said, was to make use of Japanese management techniques and start involving the worker, skilled and semi-skilled

This was a source which could provide a great deal of input, but to achieve such an objective a different atmosphere would have to be created

It was vitally important, particularly where an advantage was held on a particular commodity, that methods were devised to utilise every conceivable skill that the country possessed

"Generally speaking, I believe South Africa is on the point of moving down a completely new track When you get a fork in the road, initially the two roads run very close together

"But we have now passed the fork and the changes are going to come very quickly a lot faster than either we or the Government realised

"For example, if we are going to give the vote to coloured and Indian people, how can we possibly restrict them in other areas?

"There is no doubt that we will see a rapid dismantling of apartheid in so far as it affects those two groups"

'Essential we bring non-whites quicker, further into our management structures'

Business Day

Real profit in artificial

THE Competition Board has recently been beefed up in terms of personnel and resources and given new, exciting tasks to perform.

The Minister of Trade and Industries, Dr Dawie de Villiers, gives every indication that he is seriously concerned about competition (or lack of it) in the South African market-place

He believes that the Government needs a coherent policy regarding competition and views the Competition Board as an important weapon in the battle to achieve a more efficient economy

This concern is all to the good South African politicians have not always been remarkable for their commitment to free enterprise or economic efficiency, nor have they often had clear ideas about the true sources of economic growth and progress

Dr De Villiers is something of an exception in this regard and deserves more public support than he is receiving Understandably, though, his latest moves are viewed with concern by some members of the business community

It is also worth noting that the Competition Board is technically a body of highly-competent men The recent report on the liquor industry is a model document which shows the uses to which economic analysis can be put in cutting through a thicket of pleading by special interests

Economic theory is a tool of some precision The message is clear Parties who wish to argue their case before the Competition Board in future had better hire themselves a smart economist Failure to do so may turn out to be very costly indeed because the new Competition Board shows a distinct disinclination to be convinced by the old tried-and-tested formulae which have worked so well in the past

The creation-of-employment argument, the infant-industry argument, the strategic-necessity argument, the financial-responsibility argument and the saving-of-foreign-exchange argument are all up for critical review and, in principle, competition policy in SA is a new ball game

In practice, unfortunately, things may work out differently, for reasons that are fundamental but perhaps not generally understood For decades students of economics have been taught about monopolies and their consequences and deleterious effects

Monopolies have been compared with the alternative (highly theoretical) competitive situation and, with the clarity that only diagrams can provide, the social disadvantages of monopolies have been elucidated This technical argument against monopolies forms the intellectual basis for anti-monopoly policy in most countires, including South Africa

The model is neat and tidy It illustrates fundamental truths about how markets work It provides undergraduate students with a useful exercise in optimisation theory and provides the intellecutal construct that underpins the recommendation of the Competition Board It fails, however, to answer one big question

This question concerns the ultimate source of monopolistic power in the market place Market forces, left to themselves, tend to destroy monopoly profits The existence of supernormal profits attracts competitors who, in turn, erode the profits of the monopolist This process is inevitable unless there are effective barriers to entry Many of these barriers are natural and unavoidable

One of the major forms of protection received by SA manufacturers is the geographical distance between SA and competing suppliers overseas The argument for import tariffs is then a statement that even the protection provided by the costs of transportation is insufficient to make local manufacture profitable Nothing can be done about natural barriers to entry, not even by the Competition Board

The problem is that the monopolies in SA that the Competition Board can do something about are those protected not by natural barriers but by artificial constraints on trade Liquor licences, import tariffs, racially-discriminatory legislation, standards of safety and zoning regulations are all barriers to entry

DR DAWIE DE VILLIERS

This article, by Mr David Rees, a senior lecturer in economics at the University of Cape Town, is reproduced by kind permission of the publishers of Businessman's Law It first appeared in the December issue of that publication

They restrict trade and serve to perpetuate monopoly profits for certain interested parties and any investigation that the Competition Board chooses to undertake will boil down to an assessment of these restrictions The trouble starts because these laws, regulations and restrictions did not arise by chance They are a manifestation of the interests of certain parties who find regulations obtained through the political process the least costly way to increase their own wealth, to the disadvantage of the rest of the community

Recently a prime source of public concern has been the increasing concentration of ownership of public companies and the obvious muscle of a few large financial institutions Some of this concern is justified, some of it

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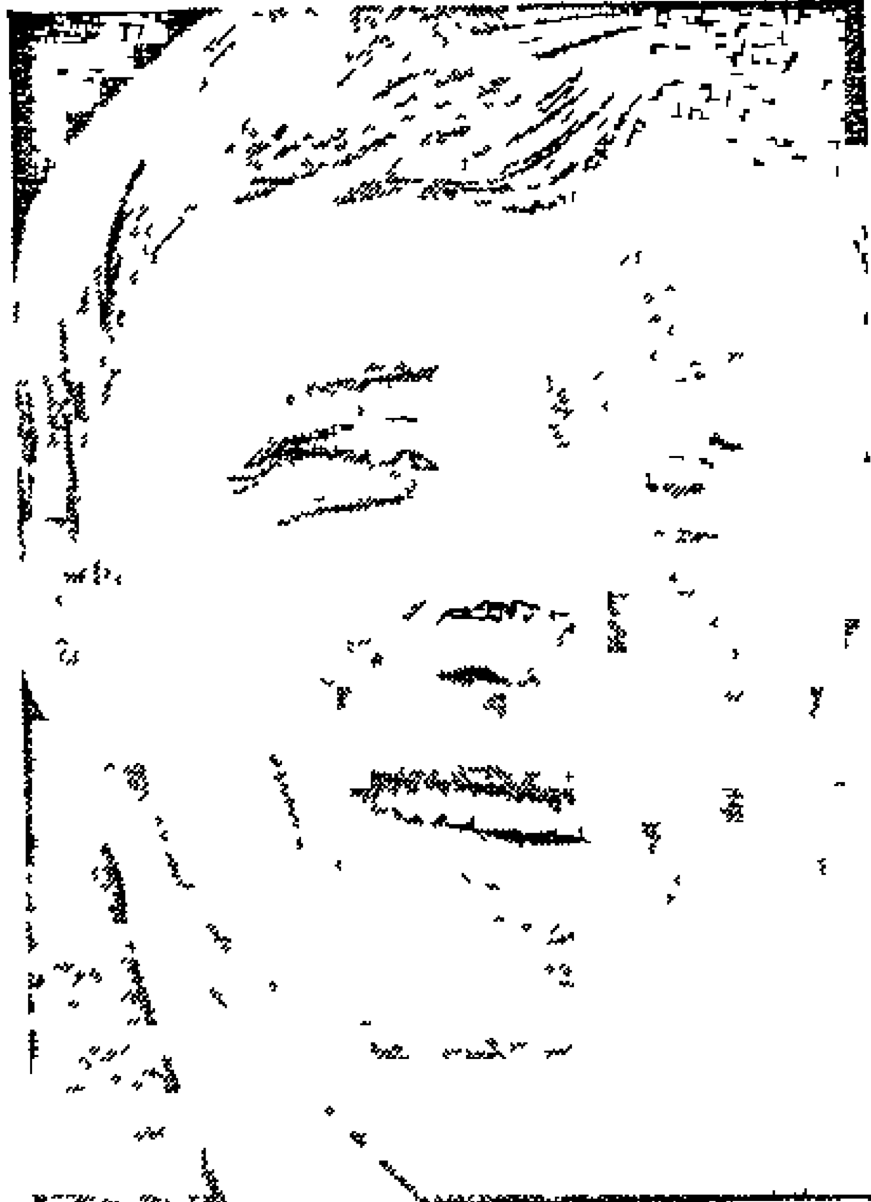

DR DAWIE DE VILLIERS

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Recently a prime source of public concern has been the increasing concentration of ownership of public companies and the obvious muscle of a few large financial institutions Some of this concern is justified, some of it misplaced

High concentration ratios in themselves prove little about the degree of competitiveness or otherwise of a particular market Financial institutions must still compete for the saver's rand, and that rand has many uses It can, for example, be used for current consumption The key variable to examine is not the concentration ratio but the existence of barriers to entry

In SA exchange control and favourable taxation arrangements account in large measure for the apparent power of a few large institutions SA savers are faced with a limited set of choices The financial institutions have benefited from the reduction in competition that exchange control affords them Current Government policy is to move toward a gradual reduction in exchange control We can expect that financial institutions, never at a loss for an argument, will benefit from this move, too

They will argue that, while foreign investment is desirable, it should be carried out through responsible hands (namely, theirs) South Africans who wish to diversify their portfolios overseas, as many do, will have to channel their funds through existing domestic institutions

Concentration ratios, though of limited usefulness for the assessment of the degree of competitiveness of particular markets, are useful indicators for another purpose They indicate the relative ease or difficulty with which an industry-based lobby may be organised to obtain desired regulations or benefits An industry with a high-concentration ratio is likely to be a well-organised one, conscious of its own identity and its own financial interests It is likely to be able to mount an effective campaign, public or private, to obtain what it wants and to overturn what it does not want It is the sort of industry the Competition Board should worry about

Any recommendation to increase competition or reduce barriers to entry flies directly in the face of the interests of the parties who lobbied to obtain these regulations in the first place These lobbyists are influential They must be The existence of these regulations is prima facie evidence of their influence Indeed, the enthusiasm with which monopolists will oppose the removal of barriers to trade will be even greater than the enthusiasm with which they supported it in the first place

Consider a manufacturer who knows that he can make good profits if he sets up production behind a tariff wall He may lobby to obtain the desired tariff Up to the time the tariff is imposed, however, he has little to lose He has committed no funds to the venture beyond the resources devoted to convincing the Government of the desirability of his scheme Once he has erected his factory and commenced production, however, his commitment to the tariff is much greater

Its abolition may mean that his entire investment is wiped out He will fight tooth and nail to oppose the recommendations of the Competition Board, and with good reason At the time he established his operation there was at least the implicit understanding that protection would continue Now, he can argue with some force, the Government is changing the rules of the game

Dr De Villiers can expect to find himself frequently in the same bind that he was in at the time of the recommendations of the Competition Board on the liquor industry The problem is that of reconciling economic rationality with political reality, perhaps the most difficult kind of problem a politician ever has to face Dr De Villiers is the man in the middle, and the contest should be an exciting one Punters can be wrong, surprises will happen Nevertheless, on a realistic assessment, the odds against the success of the Competition Board must be slightly stiffer than those recently faced by Gerrie Coetzee Perhaps the best we can hope for are a few good rounds before a knock-out

Economics is the dismal science, and this is a bleak scenario In the formation of an assessment of the decisions to be made by Dr De Villiers, however, it is important to know the difficulties he will be up against because, to paraphrase the words of the Greek poet, the Competition Board knows many things, but monopolists know one big thing

More boardroom battles for succession expected

ARGUS 4/1/84 • 232

By PETER FARLEY

THE emergence of corporate South Africa into a 1984 fraught with economic uncertainty poses more far-reaching questions than those offered by the world economy and the gold price

A subject close to the hearts of many JSE-watchers is the question of succession in the country's leading business giants

The withdrawal of Mr Harry Oppenheimer from centre stage in August 1982 presented easily the most significant shift of power, but many more undercurrents of change are beginning to surface

With the stakes so high, given the increasing consolidation of power in local business circles, there are likely to be many casualties in the next few years

PECKING ORDER

The position at Anglo American is probably the most important, due to its dominant role And although to an outsider the pecking order may appear clearly established, it is far from cut and dried

It is no secret that Mr Oppenheimer would like to keep the family name at the head of the corporation With this in mind his son, Mr Nicky Oppenheimer, has been groomed for the task But the days of an Oppenheimer back in the hottest seat on the South African business scene may be a long way off

Mr Gavin Relly has taken over the reins at 44 Main St, and it was at first thought that his would be only a caretaker role until Mr Nicky Oppenheimer had learnt the ropes well enough to take over But two question marks hang over this

The new guard at Anglo is anxious for Nicky to prove himself in the corporate battlefield

Mr Gavin Relly

Mr Nicholas Oppenheimer

Mr Mike Rosholt

before taking control of one of the world's biggest conglomerates

His experience in the nitty gritty has, until now, been fairly limited But, more important, it has been suggested that he is not so keen on taking father's place

Mr Relly and Mr Graham Boustred, chairman of Anglo's industrial arm AMIC, are firmly in the driving seat

But both are fast approaching 60, and a longer-term solution must be found The man tipped to take over is Mr Julian Ogilvie-Thompson, deputy chairman of De Beers

Known in the Anglo empire as JOT, he is regarded as the best candidate because of his keen business acumen and the way he lives up to the established image of an Anglo chairman But even for someone of his standing it will be no easy task Mr Harry Oppenheimer's is a difficult act for anyone to follow

Anglo's big competition, the combined General Mining Union Corporation group, has probably even more boardroom problems to surmount

Already firmly split after last year's torrid infighting between major shareholders Sanlam and Rembrandt, the Afrikaans business giant is thought by many observers to be openly courting disaster with its apparent plan to rule by committee

Executive chairman Mr Ted Pavitt, while remaining at the head of the group, is shifting out of the firing line and leaving the day-to-day business in the hands of the heads of the five major divisions

Gold and Uranium chief executive Mr Johan Fritz will be one of the strong men in this group, while industrial division chief Mr Basil Landau will also be a strong contender

With both these men in their mid-fifties, and other potential candidates a good five years older, it is likely a new chairman will emerge from these two as Mr Pavitt, now 65, must shortly leave the scene

Another interesting scenario is that presented by the changing face of the executive team at Barlow Rand Chairman Mr Mike Rosholt has signalled his intention to retire in the next two years with the appointment of Mr Warren Clewlow as his number two

Loosely titled chief executive officer, Mr Clewlow is in a newly created position which effectively forms a buffer between Mr Rosholt and the heads of the various operating divisions While he is not yet confirmed as chairman-designate, the signs are clearly there

But a question mark hangs over Mr Clewlow's ability to hold together a corporate structure which is strengthening through the growing stature of its individual components

There are several ambitious men at the helm of some of the most successful group subsidiaries who also have their eyes on the top job

The growing influence of insurance giants Old Mutual and Sanlam also places the question of succession in the balance The men at the helm, Mr Jan van der Horst and Dr Fred du Plessis respectively, are nearing retirement No obvious successor to either comes to mind

Both companies clearly reflect the philosophies of their chief executives, but both companies have to some extent lost their investment direction in the past year or so

A firm hand will need to take control if these two are to become the driving force in business that their size suggests they ought to be

HAZY PICTURE

Overall, there is a rather hazy picture as to who will emerge at the top of the business heap in the next couple of years But, apart from the apparent problems in filling the chief executive roles, their is no obvious heir to Mr Harry Oppenheimer as the doyen of SA business

In the past year Mr Mike Rosholt has taken on the mantle of the dean of the English-speaking business commmunity, but with his days also numbered there is no strong candidate who stands out above the others

These uncertainties make for a lack of cohesion in the business community which, if not resolved without too much blood being spilt, could prove more difficult to surmount than the economic problems all businesses now face

'llars which ha... that US interest rates might start to fall by the end of 1984

One foreign exchange dealer said "The dollar may be running out of steam somewhat at the end of the week but it is certainly not set for a significant profit-taking-generated downturn, and can be expected to continue trading near its highs"

Fidelity Guards takes to Cape

Financial Reporter

FIDELITY Guards, a member of the Rennies group, has taken over the Cape Town subsidiary of Callguard to expand its operating base in the Cape, the last major centre where its guarding services have not been represented.

Fidelity, which has about 90% of the cash-in-transit market, with a countrywide annual turnover of about R40m, aims to increase its share of the guarding services sector

"We plan to capture 30% of this market in Cape Town within 18 months," says Mr Colin Fourie, the financial director of Fidelity "We are going full tilt to develop this area"

Fidelity, which employs 6 000 people, has taken over Callguard's existing management. With its own management training and development facilities, plus access to Rennies' high level expertise, Mr Fourie believes Fidelity's marketing techniques will be strengthened

Guarding services are used by major oil companies and key point industries as well as by other businesses

comes back

... increase over 1982 Sales are also up in West Germany, the Middle East, Australia and Japan

In Britain, Jaguar has had its best sales year since 1979, doing £120m worth of business

Jaguar, which nearly faced liquidation in 1980, is being eyed as the first privatisation candidate from the State-owned British Leyland car and truck business — UPI

Mr Chris Beck has been appointed senior manager (marketing), Barclays Industrial Bank, project finance division

Africans

HARARE — More than 130 delegates from Southern African Development Co-ordination Conference countries and donor agencies will meet in Harare next week to discuss industrial development projects

Organised by SADCC's industrial co-ordination unit in Tanzania and the Commonwealth Secretariat, the three-day workshop will be a follow-up to the Maseru donors'

...times looming for Opec

...fourth quarter 1983

Oil consumption by Western industrialised countries increased in the last two quarters of 1983, boosted by faster economic growth, mainly in North America

However, the increase was not as much as expected Preliminary IEA estimates now indicate consumption only rose 0,6% in the fourth quarter of 1983, compared with the same period in 1982

Last month the agency predicted a 2,2% rise Non-Opec supplies in the same period were 0,2-million barrels a day higher than the forecast 26,4-million

Meanwhile, Opec producers maintained output, excluding natural gas liquids, at 18,8-million barrels a day through the fourth quarter, the report says

A month ago the IEA predicted Opec would cut back output to an average of 18,2-million barrels a day in the fourth quarter of 1983 after producing an average 18,8-million in the third quarter

The resulting oversupply problem was exacerbated by oil companies running down stocks at a rate of 0,3-million barrels a day in the last three months of 1983, the figures show Company stocks on hand in Western countries on January 1, 1984, were estimated at 79 days of forward consumption, compared with 88 days at the start of 1983

The overall outlook for Opec in 1984 is, however, less alarming than a year ago when spot market prices collapsed and the organisation was forced to cut its official price by $5 a barrel, IEA sources say

Non-communist oil demand is expected to grow in the first quarter by 3,2%, compared with the first three months of 1983 to 46,4-million barrels a day, as economic activity quickens

Though demand for Opec oil is likely to be reduced sharply by a possible stock draw down of as much as 2,5-million to 3-million barrels a day in the first three months of 1984, it should pick up later in the year, the sources say

In the first quarter of 1983, Opec was forced to cut crude output to an average of 15,3-million barrels a day and cut prices in a move to keep the cartel together — Reuter

MARKETS AT A...

Trade volume

A TOTAL of 2 266 035 shares were traded on the Johannesburg Stock Exchange yesterday, valued at R12 901 23... compared with 2 054 53... shares (R9 952 247) on Thursday and 921 547 shares (R5 207 332) on Friday last week

Sugar price

THE London daily raw sugar price fell to £124,50 (£126) ton yesterday

Reuter's index

COMMODITIES 1 982 (1 977,7)

Metal prices

YESTERDAY'S London Metal Exchange prices a metric ton and quoted by ... Reuter (with previous prices in parentheses) were

Copper higher grade Cash buyers £1 018 50 (£1 003) Sellers £1 0... (£1 003 50) Three months buyers £1 043 50 (£1 029) Sellers £1 0... (£1 029 50) Turnover 11 450 tons **Republic copper price** (for ... borwa) for January R1 721 80 (December R1 650 10)

Tin (standard) Cash buyers £8 ... (£8 560) Sellers £8 595 (£8 565) Three months buyers £8 760 (£8 735) Sellers £8 765 (£8 740) Turnover 320 tons **High grade** Cash buyers £8 ... (£8 595) Sellers £8 680 (£8 596) Three months buyers £8 790 (£8 750) Sellers £8 791 (£8 755) Turnover 265 tons

Lead: Cash buyers £292 50 (£288) Sellers £293 (£288 50) Three months buyers £302 25 (£298) Sellers £30... (£298 50) Turnover 2 675 tons

Zinc: Cash buyers £668 (£676 50) Sellers £669 (£677) Three months buyers £670 (£674 50) Sellers £671 (£...) Turnover 15 600 tons

Nickel Cash buyers £3 355 (£3 ...) Sellers £3 357 (£3 335) Three months buyers £3 432 (£3 422) Sellers £... (£3 425) Turnover 198 tons

Brass and copper (Copalcor rep...) basis price brass rod R2 73 a kg ... rod R3 46 a kg rolled brass R3 61 ... rolled products R4 04 a kg denva ... GP R4 56 a kg denva bronze PBI R... kg ... Free-market price C...

Japan leads in competitiveness

Geneva — Japan and Switzerland have been named for the fourth consecutive year as the world's most competitive industrial nations

The US and West Germany yesterday retained third and fourth place in the annual survey conducted by the European Management Forum, a foundation promoting contacts between world businessmen

It said the US would have been first but for poor showings in three fields — industrial efficiency, state interference and outward orientation

West Germany, although retaining fourth place, slipped back significantly in its overall performance because of a poor showing in labour costs, productivity and profitability

The report listed 22 countries with ratings based on 284 criteria grouped in 10 principal factors Rankings in order were

- Japan, Switzerland, the US, West Germany, Sweden, Finland, Austria, Norway, Denmark, the Netherlands, Canada, Australia, Belgium-/Luxembourg, the United Kingdom, France, Ireland, Italy, New Zealand, Spain, Turkey, Greece and Portugal

The survey said Japan and Switzerland, which have to compensate for poor indigenous resources, "have proved the most able to weather the protracted economic crisis"

New branch

Financial Reporter

EIMCO, the mining manufac-...

Tokyo sets records

GYM

R17,95

R17,95

R29,95

R17,95

Three giants control packaging

12/1/84

By PRISCILLA WHYTE

RECENT mergers in the packaging industry mean that three giants now control 70% of the turnover.

But Mr Johan Grobelaar, the director of Business Marketing Intelligence, says although the Metal Box/Nampak group, the Kohler/DRG/Xactics group and Consol account for 70% of sales, there is still room for smaller companies

He believes there are some unquoted companies that are ripe for takeover

The casualty rate over the last four years has been about one liquidation a year of which the last three were in plastics packaging.

He is not optimistic about real growth in the industry for 1984 and sees turnover only increasing to R2,4bn from its current R2,3bn

Over-capacity is a problem Sack manufacturers are only using 52% to 55% of capacity

The packaging industry is expanding at a factor of 1,1 to 1,2 above GDP Four years ago, it was growing at a factor of 1,5 above GDP

He says the packaging industry may be segmented as follows

	% tonnages	% turnover (rand value)
paper/board	38	32
plastics	9	22
metal	18	25
glass	21	8
sophisticated	2	7
other	12	6

Market research shows that sophisticated packaging (high protection cellulose packaging for increased shelf life) is growing at 6% to 7% a year in real terms

The paper/board sector has the lowest growth rate at 3% to 4% a year

Plastic packaging is growing at 4% to 5%, with the metal and glass markets notched at 5% to 6% a year

Other packaging (hessian, jute, cotton) is growing at 2% a year The growth of this market is being stifled by replacement materials

Although the SA packaging market has reached maturity, per capita consumption is lower than that of developed countries

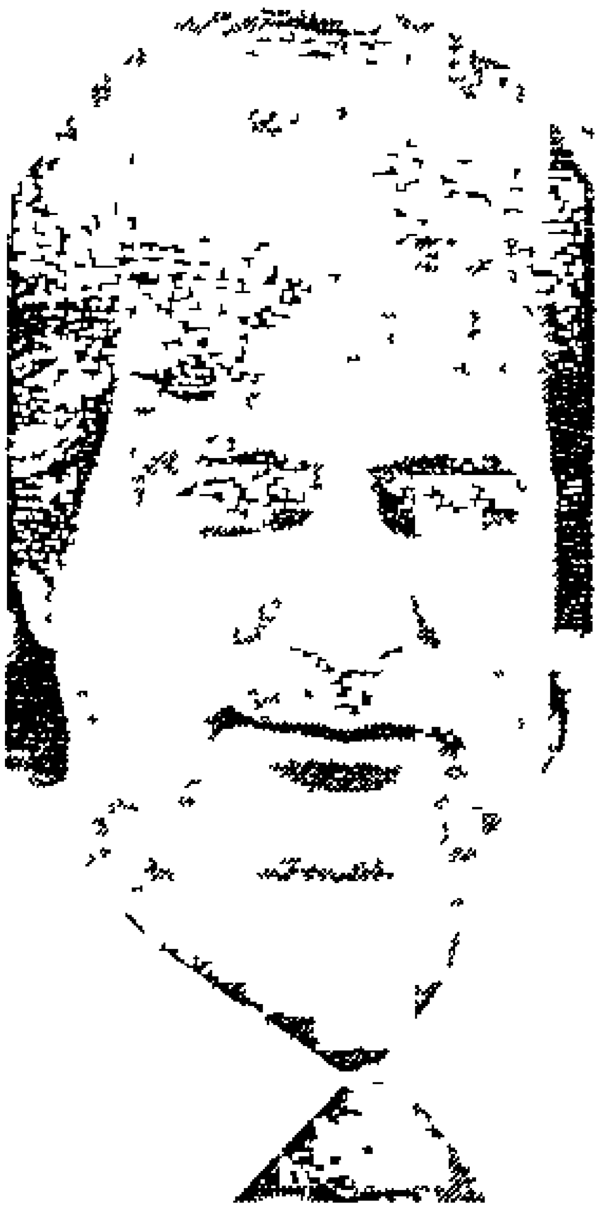
The raw material price structure is escalating proportionately more in the paper and board sector, but Mr Grobelaar believes measures are being taken to eliminate steep rises in prices Other sectors are moving in line with inflation

There is a glut of soda ash, a vital constituent in the manufacture of glass

Mr Grobelaar believes the packaging industry has an exciting long-term future and that many technological advances will reach SA

The trend towards bar-coding, for instance, is putting new pressure on the industry

The move towards semi-bulk, that is using one container instead of 10 sacks, is another trend



Mr Owen Dinsdale, managing director of Barlows Manufacturing Co, has been appointed to the board of Barlow Rand Industries Earthmoving, Motor and Appliances division

JCI lifts profits — interim div up 38%

CAPE TIMES 17/1/84 (232)

By BRENDAN RYAN

JOHANNESBURG. — Johannesburg Consolidated Investment's (JCI) attributable profit is up 15,2 percent to R56,1m (previously R48,7m) for the six months to end-December.

However, the group's directors say it is unlikely a similar increase in attributable profits will be achieved in the second six months of the financial year to end-June

JCI has increased its interim dividend by 38 percent to 180c a share from the previous interim of 130c a share

Key factors in the group's improved performance for the first six months of its 1984 financial year were the dividends from Randfontein Estates gold mine and Rustenburg Platinum Holdings

JCI's profit before preference dividends rose to R60,3m from R53,0m of which the major contribution came from investment income

Investment income

For the six months to end-December investment income was R46,7m compared with R35,3m previously

In the year, JCI received 532 842 new shares in Randfontein for the mineral rights it sold to the mine to set up a mining operation in the new Doornkop section

Randfontein paid dividends totalling R12 last year bringing in an additional R6,466m to JCI

The increased final dividend from Rustenburg last year was brought to account in the first half of JCI's 1984 financial year and contributed another R4,1m in additional income

These two sources together totalled R10,566m in extra income and the remainder of the R11,4m improvement in dividend income came from better payouts from Western Areas and also a dividend from antimony producer Consolidated Murchison which contributed nothing to JCI's previous interim results

Subsidiaries

JCI's attributable earnings from operating subsidiaries rose slightly to R7,6m from R6,3m previously

According to the general manager of JCI's finance division, Mr Vaughn Bray, the improvement came from the group's Lennings industrial arm which has remained profitable

Lennings lost money in the previous interim period but the group was restructured, recapitalized and returned to profitability in the second half of the year to end-June 1983

Mr Bray said income from Tavistock colliery was down this year compared to last year, reflecting the overall depressed conditions in the international coal markets

JCI's other net revenue dropped sharply to R6,0m (previously R11,4m) This was a major source of income to the group in the previous financial year when it was particularly succesful in its money market operations

Mr Bray said the drop was the result of a lower level of interest received, certain exceptional costs associated with investments including the group's acquisition of its stake in Premier, and a R2m provision for tax

Mr Bray said JCI had worked off the tax loss on its own operations and would soon have to pay tax on its income from interest and management fees

The R8m (R6,1m) tax paid by JCI in the six months relates to the operations of the group s subsidiaries

He said the increase in the interim dividend was intended to reduce the difference between the levels of the interim and final dividends

JCI's investment in SA Breweries is now held through its stake in the Premier group which pays out more at the interim stage compared with the final dividend than SA Breweries used to

"I believe that JCI's earnings for the year to end-June will show a modest improvement on those of the previous year but not as much as the 15,2 percent of the first half

Final dividend

"I cannot say at this stage whether the final dividend will be maintained, but we are looking for second half results to be better than those of the second-half of the 1983 financial year," he said

JCI's net asset value at December 31 was R253 a share compared with R213 at June 30 and R180 on December 31, 1982

Comment. A repeat of last year's second half for JCI would yield earnings of 739c to make a total of 1 505c for the year to end-June, seven percent up on the previous year's 1 405c

Given this outlook and the expectation that JCI could do better, the maintained final looks a safe bet with a chance of some improvement to the final depending on the gold price and the platinum market.

AECI declines comment on R20m speculation

Hanhill's explosives challenge fizzles out

18/1/84 RDM 232

By JOHN MULCAHY

HANHILL Industries' much-vaunted assault on the explosives market seems to have ended.

It is believed a deal was concluded yesterday by which AECI will acquire National Explosives for R20m.

The deal is subject to approval by the Competition Board which, by late yesterday, had not been formally approached on the issue.

An AECI spokesman said he could neither confirm nor deny a deal had been done and Mr Oliver Hill, Hanhill's managing director, declined to comment.

Hanhill has a 25% stake in National Explosives with the remaining 75% held by the unlisted National Process Industries.

Sources in the chemical industry said the sale to AECI came after several weeks of hectic bargaining, during which Protea Holdings emerged as an outright bidder for Hanhill.

They described R20m as a "most favourable" price for National Explosives and said that, even if the company were offered to others in the chemical industry at this price, it would be unlikely to attract a buyer.

"The others (in the chemical industry) have enough problems without paying a premium for an infant in the explosives industry."

The sources claimed that AECI was forced to react to Protea's presence because, with Sanlam's backing, it could have presented formidable competition in the explosives field.

It is likely that, if the AECI deal is successfully concluded and the bulk of the proceeds flow through to NPI, the latter will apply its funds to assist Hanhill.

Mr Hill rejected Johannesburg Stock Exchange speculation that Barclays Bank had threatened to foreclose on Hanhill's overdraft.

Over many years Mr Hill battled to break AECI's stranglehold on the lucrative explosives industry but was thwarted until 1982 when the Competition Board ruled that AECI's explosive supply agreement with the Chamber of Mines was illegal.

Hanhill's share price soared to 230c from 145c on the day the Competition Board released its ruling on the explosive supply agreement, and reached a high of 270c, but the subsequent drought led to a collapse in the fertilizer market, from which Hanhill draws the bulk of its income, and the share price slumped to 80c at one stage last year, before recovering to 145c in the first week of this year

Speculation surrounding Hanhill yesterday ranged from imminent foreclosure by its bankers to the impending sale of its entire fertilizer stock The share price plunged to 75c from 125c.

Mr Hill said he had had discussions with Barclays and the conclusion reached was that Hanhill was overgeared This had left only two options open to the company a rights issue to raise funds or the sale of some assets.

"Trying to raise money for a fertilizer producer in this economic climate is impossible, so the only route left open to us was the sale of assets"

Fertilizer industry sources said yesterday Hanhill had attempted to sell its stock of urea and potassium, and had met with limited success through the sale of some product to agricultural co-operatives in the Western Transvaal.

But estimates of Hanhill's fertilizer stocks suggest the company still has urea and potassium worth about R18m on its hands, and in a soft market there are few interested buyers.

Bester takes Tuckers in R58m deal

232 RDM 18/1/84

By HOWARD PREECE

BESTER Investments is taking over the controversial Tucker's Land Holdings for 890c a share — putting a R58,7m tag on the deal

This will mean an approximate R44m bonanza for the controlling shareholder, Mr Hymie Tucker, who has accepted the offer.

Payment, however, will be on an effective deposit-and-instalment basis, which will reduce the real value of the offer on a discounted cash flow basis to not much over R8 a share

Bester is a listed construction, property, industrial and farming group

It made a gross profit of R12,2m in the six months to last August.

Tuckers is a township property development company with large amounts of proclaimed and unproclaimed land.

Its net assets have been estimated as high as R100m but the arithmetic is immensely complicated by the values assigned to the unproclaimed land and by potential charges to the group on that land.

According to a joint announcement by Senbank and Mercabank, Bester will pay R5,30 in cash on May 18 this year and the balance in instalments of R1,35, R1,20 and R1,05 in March 1985, September 1985 and March 1986 respectively.

Bester will issue debentures in respect of the three instalments and will apply to the Johannesburg Stock Exchange for these to be listed.

Tuckers has been the subject of intense litigation, its accounts have been frequently qualified by the auditors and it has been involved in a number of previous on-off/on-off take-over deals

In September last year, Gencor announced that it was not exercising a R7,50 a share option on Mr Tucker's controlling interest in the group

Mr Tucker was then quoted as saying. "The company is no longer for sale"

But in November, he announced that another bid for control of the company had been made.

The next act was in December when Mr Tucker reported that he had sold 60% of his holding in Tuckers to a mysterious Topaz Industrial, supposedly a consortium of British and US property interests, "in partnership with substantial South African investors"

This sale was, however, subject to certain qualifications

Ten days later, Mercabank said the British element in Topaz had fallen away.

Tuckers shares closed at 715c on the JSE last night. They should logically move up firmly today.

But the Tuckers saga has been so long-running and so complex that investors generally, and minority shareholders in particular, will no doubt be still wondering if there are any further developments in store.

The fact, however, that Bester — with its solid recovery record from the painful period of the mid-1970s — has been clearly identified this time as the buyer of Tuckers, suggests that this is indeed the end of this aspect of the story

Last night's announcement said: "The immediate effect of Tucker becoming a wholly-owned subsidiary of Bester on the earnings and net assets of Bester will not be material

"However, Bester is of the opinion that as a result of the transaction, it will have acquired a valuable property portfolio and that in the medium to long term, the transaction will have a beneficial effect on its earnings and net assets"

Business Day

Otis and Airco seem ripe for a merger

232 ROM 18/1/84

By JOHN MULCAHY

DEVELOPMENTS at Metair Investments, one of which is the sale to Wesco of a 25,1% interest in Airco Engineering, has prompted suggestions of a rationalisation within United Technologies' SA interests.

United Technologies, one of the biggest US multinationals, is the ultimate holding company of Airco and Otis Elevators so a logical rationalisation would seem to be a merger of the two companies

A closer link does not seem to be under immediate consideration, however, and Otis managing director, Mr Elton Moller, points out that there is already a high degree of co-operation between the two associates

Mr Moller is also a director of Airco and the two companies share intelligence on such area as marketing

Mr Fred Nash, managing director of Airco, said there was an important obstacle in the way of a closer alliance between Otis and Airco — the SA minority shareholding in each would complicate a merger

There were advantages in having local shareholders and United Technologies would be unlikely to change this

Up to March last year Airco was a 74,9% subsidiary of Metair but Carrier Corporation then increased its holding in Airco to 74,9%, at a cost of R1,25m, leaving Metair with the remaining 25,1%

As Metair is now well on its way to becoming a motor components manufacturer, it was decided to switch the Airco stake into Wesco

Wesco has given no hint of a willingness to dispose of the Airco stake but, with its interest in the future likely to be concentrated mainly on the motor sector, Airco will increasingly become an enigma in the Wesco profile

Wesco will be needing all of its resources to apply to the expansion of Metair and a sale of the Airco stake — at last March's value the 25,1% would be worth about R600 000 — would simply add to Wesco's available cash resources

By acquiring the remaining 25,1% in Airco, Carrier Corporation would then create the environment for a merger between Airco and Otis in SA

Otis is a 70% subsidiary of Otis US, while Otis US and Carrier Corporation are subsidiaries of United Technologies

Mr Moller agreed there were areas where Otis and Airco could rationalise their operations in SA

In the US, and to a lesser extent in SA, the trend in new-building technology was towards a complete package, incorporating elevators, air conditioning and security, all linked to a central control system

Co-operation between Airco and Otis in SA is at board level, as Mr Moller is a director of Airco.

Gencor gold mines show fall in profits

Cape Times 19/1/84

232

By BRENDAN RYAN

JOHANNESBURG. — West Rand Consolidated Mines' working loss worsened in the December quarter in spite of forward gold sales which increased its gold price received.

The gold price received by the other mines in the Gencor stable dropped in the December quarter except for Marievale which also hedged successfully

W R Cons increased its gold price received to R15 102/kg (previous quarter R15 001/kg) but the mine's working loss rose to R2,733m (R2,487m)

The mine's tonnage milled dropped to 554 500 tons (566 800 tons) while grade remained unchanged at 1,7 g/t

The Krugersdorp marginal producer has battled with the gradual slide in the gold price over the last six months

W R Cons' taxed loss for the December quarter improved to R375 000 (R827 000 loss) mainly because the mine paid tax of only R6 000 (R657 000)

The dividends paid by the mine have been extremely generous with W R Cons dipping into its reserves for R609 000 to pay dividends totalling R3,4m as well as fund capex of R1,446m

Grootvlei appears to have overcome the problems with its new treatment plant which knocked production in the September quarter to 429 000 tons milled from 481 000 tons in the June quarter

December milled production is up to 505 000 and the resulting jump in gold production to 1 919 kg (1 631 kg) offset the drop in the gold price received and pushed working revenue up to R28,092m (R24,515m)

Distributable earnings rose to 34,8c a share (23,2c) while the annual figures indicate yet another generous dividend payout

Grootvlei took R151 000 from reserves to pay dividends totalling R14,413m after funding capex of R7,686m from taxed profits of R21,948m

Leslie put in one of the best cost performances of Gencor's mines reducing unit costs to R41,2 a ton (R42,8 a ton) and total working costs to R11,957m (R12,628m)

The mine also pushed its grade up to 3,4 g/t (3,2 g/t) but is not yet back to 3,5 g/t of the June quarter

Buffelsfontein's results include details of operations from the Beatrix section for the first time as the Beatrix metallurgical plant has been commissioned and the first gold was poured from development ore on December 21

Buffels' tax profit for the September quarter has been restated to R45,085m from the previously announced R27,567m but the capex figure has also been revised to leave the distributable earnings for the September quarter unchanged at R15 937m

Stilfontein's grade dropped to 6,4 g/t (6,9 g/t) as the mine's operations are moving into more restricted stoping areas and there is not a lot it can do to improve grade

The mine pushed up tonnage milled to 473 000 (445 000) and the R4,8m dividend from Chemwes helped it increase distributable earnings for the quarter to 81,8c a share (51,5c)

St Helena's grade also dropped to 5,8 g/t (6,0 g/t) The mine's stoping operations are moving steadily south into lower grade areas after the depletion of the remaining high-grade reserves in the north of the mine's lease

Marievale pushed its gold price received up to R14 812/kg from the September quarter's R14 788/kg through gold hedging operations

Unisel also showed lower grade in the quarter which on maintained tonnage milled meant gold production dropped to 2 310kg (2 376kg)

Kinross has been ceded the right to prospect in the immediate vicinity of the mine from Gencor which to date has spent R2,198m on prospecting which has been partly financed by a long-term loan

Winkelhaak was affected by higher costs and lower gold revenue and distributable earnings dipped to 85,6c a share (106,7c a share)

Bracken also showed a dip in grade to 3,5 g/t (3,6 g/t) and development work on the Kimberley reef exposed lower average values of 11,8 g/t compared with 19,4 g/t in the September quarter

Tramways 'entrenches its interest'

C. Apple Times 20/11/86

Staff Reporter

CAPE Tramways company has taken over the Du Plessis Brothers bus company in Genadendal, extending Cape Tramways' stake in the bus business to the South Western Cape

The four subsidiary companies already owned by Cape Tramways run services which cover the whole of the Western Cape

In addition Cape Tramways also owns the Port Elizabeth Passenger Transport company in the Port Elizabeth/Uitenhage area and the Southern Cape Passenger Transport company in the George/Oudtshoorn area

A spokesman for Cape Tramways said yesterday its subsidiary, the Boland Passenger Service, gave Cape Tramways operations in Gordons Bay, Strand, Somerset West, Paarl, Stellenbosch, Wellington, Malmesbury, and Riebeeck Kasteel

The Worcester Passenger Service operated in Worcester and Rawsonville while the Saldanha service operated in the Vredenburg, Hopefield and Langebaan areas

The Du Plessis service would extend from Grabouw to Genadendal and Riviersonderend

City Tramways, the fifth subsidiary of Cape Tramways, is the major bus service in Cape Town The other important bus service in the Peninsula is the Mitchells Plain service, which is owned by Associated Bus Holdings

Tollgate Holdings owns a 50 percent share in Associated Bus Holdings and it wholly owns Cape Tramways

A statement issued this week by the chairman of Cape Tramways, Mr Johann Barnard, said with the new acquisition Cape Tramways had "further entrenched its interest in the bus business"

Allied Building Society linking with Nedbank — market sources

CAPE TIMES 20/1/84 232

By HOWARD PREECE

JOHANNESBURG. — Nedbank and Allied Building Society are planning to work together in yet another massive deal that will have a major impact on the whole South African financial scene.

The two giants have combined assets of around R14 billion at present

Neither party was prepared to comment on the precise nature of the deal last night, however

But there is no question of any kind of formal merger

Any such move would be almost certainly be blocked by the authorities — and would in any case probably not be wanted by either management

What does seem intended is a close business relationship

There is clear precedent in the links established last year between the Standard Bank group and the United Building Society

Relationship

A similar relationship would enable Nedbank and Allied to work together to offer both their customers additional services and to rationalize some activities and operations, including on the technical side

The announcement of the deal was, however, intended to made by Nedbank and the Allied over the coming weekend

Mr Rob Abrahamsen, Nedbank's chief executive, said last night "I have no comment to make Banks do not comment on any relations with their clients"

Mr H R Pascoe, the deputy managing director of Allied, also had no comment

Taxed profit

I learnt of the Nedbank/Allied deal through market sources

At the end of the financial year to March 31, 1983, Allied had assets of just over R3 billion

In that year it granted R770m on new mortgage advances and re-advances

The rise in mortgage advances took the outstanding net amount to R2,2 billion

Nedbank has had a remarkable success record in recent years

In the year to last September last Nedbank reported a 37,2 percent rise in disclosed taxed profit to R121,6m

Total assets were then up to almost R10,6 billion

The last few years have been a major upsurge in competition between the banks and building societies in line with the general Government and Reserve Bank policy approach to encourage free market economics

This has been reflected in the move by banks, led by Barclays, into the home loan mortgage business and by the interest rate war on all sides to attract deposits and new accounts

Mr Owen Horwood, the Minister of Finance, has also made clear that the tax concessions given to the building societies are gradually to be phased out

At the same time, however, this means that building societies must also be allowed to expand their activities and to compete vigorously with banks and other financial institutions for the public's money

But the banks and building societies generally are involved in colossal costs in, among others, the whole technology of electronic banking and in their branch networks

Rationalization

Cost-saving rationalization is an obvious answer

In April last year the Registrar of Financial Institutions blocked a proposed take-over of Standard Building Society, part of the Standard Bank group, by the UBS

But it was then announced that Standard Bank was to take over the UBS banking account that the organizations would fuse their compatible banking networks and certain other client services

In that sense, therefore, the Nedbank/Allied deal is no surprise

Nedbank, however, comes the under the effective control of the Old Mutual which has traditionally had close ties with the SA Permanent Building Society

There may, therefore be more ramifications

Fire knocks Western Deep milled production

Own Correspondent

JOHANNESBURG — Western Deep Levels (WDL) was hit by a major fire in the December quarter which knocked milled production by 4,8 percent and will affect the March quarter as well

The mine has provided R3,1m so far for the cost of rehabilitating the workings affected by the fire once it has been put out.

Six people were killed as a result of the fire when they managed to get into a sealed-off return airway on 105 level on November 15

The mine's area Elandsrand's net profit fell to R16,360m (R18,557m) and the mine had a negative cash flow for the quarter of R1,104m equivalent to 1,1c a share because of capex rising to R17,464m (R15,022m)

Vaal Reefs turned in the best financial performance of the Anglo Transvaal gold mines and increased its distributable earnings to 312c a share from the September quarter's 273,8c a share

Main contributors to the improved financial results from the Western Transvaal supermine were the R11,7m ... milled throughput and grade to raise gold production to 432kg (384kg) Taxed profit was R1,135m (R1,047) equivalent to distributable earnings of 12,4c a share (11 4c) as Sallies funds its capital expenditure programme from the proceeds of a rights issue and does not take it from earnings

East Rand Gold and Uranium performed well in the December quarter but the Simmergo operation at the Simmer and Jack mine near Germiston battled

Simmergo turned an operating profit of

Umdoni maiden d...

Own Correspondent

JOHANNESBURG — Umdoni Property Trust has declared a maiden quarterly dividend of 2,5c, in line with the forecast in the prospectus

Umdoni's first accounting period will cover the 15 months to the end of December this year, and dividends of not less than 10c a unit have been forecast for the period, making a total of 12,5c

The maiden dividend is being paid out of profits earned on Umdoni's portfolio of commercial and industrial

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AECI signs NEL take-over deal

By JOHN MULCAHY

AECI's purchase of National Explosives (NEL), first disclosed in Business Day on Wednesday, was formally signed yesterday afternoon

AECI was approached by Hanhill Industries — which has a 25% stake in NEL — to buy NEL's assets in an effort to resolve serious liquidity problems

The deal is subject to the approval of the Competition Board, and NEL will be putting its proposals to the board soon

Mr Chris von Solms, an executive director of AECI, said last night the NEL purchase was in the best interests of NEL, Hanhill and their staff

Speculation earlier this week suggested that the Competition Board might accept proposals to put the deal to the rest of the chemical industry, and allow AECI to do the deal if there were no other takers

Mr Von Solms said he knew of no such proposal

He said the purchase would not affect the existing relationships in the explosives market, which AECI had been supplying since 1896 He pointed out that the prices of AECI's high-explosive products were 50% below any other country in the world

While Mr Von Solms would not be drawn on the price paid for NEL, it is believed to be about R20m

The deal done with Hanhill was limited to the explosives division, and no fertiliser sales were involved

He said the deal had been concluded with the full knowledge and blessing of Du Pont Industries under whose licence NEL manufactures its explosives and accessories

Hanhill's problems are symptomatic of the pressures which have affected many areas of the chemical industry during the past few years

Another manifestation of these problems is the pending sale to AECI by Sentrachem of its 40% holding in the huge Coalplex PVC plant

AECI itself has expressed dismay at the Government's moves towards dismantling the industry's protection machinery, and its managing director, Mr Denys Marvin, has warned that the chemical industry would stop investing in South Africa if there were no assurances from the authorities

While Hanhill will benefit directly by the receipt of only 25% of the purchase price, sources close to National Process Industries (NPI) — the unlisted company in Mr Oliver Hill's chemical group — have indicated that NPI's 75% share of the proceeds might also be applied to assist Hanhill out of its predicament.

Events surrounding Hanhill's difficulties reached a crisis point shortly before Christmas, when Mr Hill interrupted a holiday in Plet-

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Business Day

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AECI take-over of NEL now finalised

FROM PAGE 1

tenberg Bay and rushed back to Johannesburg to speak to the group's bankers

It is believed the bankers, led by Barclays National Bank, exerted pressure on Mr Hill to repay Hanhill's overdraft Of the several options available to companies faced with such circumstances, it was finally only the sale of NEL that proved feasible

Another option was to raise funds through a rights issue, immediately ruled a non-starter in the currently depressed chemical industry Efforts were also made to dispose of fertiliser stocks

These efforts met with only limited success, with most companies in the industry faced with their own problems of over-supply, and this left the least palatable choice of selling the explosives division

Mr Von Solms said AECI was looking for expansion in the explosives market, and NEL's entire operation, including staff, would be absorbed in the deal

Confirmation of the deal between AECI and Hanhill brings to an end one of the most bitterly fought confrontations in SA industrial history.

Having whittled away at AECI's explosive supply agreement with the Chamber of Mines for many years, Mr Hill finally achieved his aim when in 1982 the Competition Board ruled that the existing supply agreement was illegal

While this was perceived by some to be the turning point for Hanhill, and the advent of an unabated growth phase, realists accepted that there was still a long road to travel

But the potential was never realised, as the worst drought in SA's recorded history dealt a savage blow to the fertiliser industry, which had been Hanhill's most important area of activity

Had Protea Holdings been successful in its apparent bid for Hanhill, the conglomerate could with the assistance of Sanlam have presented a far more serious threat to AECI.

But this was not to be, and a sense of deja vu prevails, with AECI again the sole supplier to the explosives market.

Seychelles signs fishing treaty

VICTORIA — The Seychelles and the European Economic Community have signed a three-year agreement under which French vessels will be allowed to fish in the archipelago's 200-mile Exclusive Economic Zone (EEZ)

In return, the Seychelles will be guaranteed up to $600 000 a year in licence fees. The agreement should also create around 200 jobs.

The accord was signed by the Common Market's fisheries director, Mr Raymond Simonet, and Seychelles' Minister for Planning and External Relations, Mr Maxime Ferrari. — Sapa-Reuter.

Independent clothing stores challenge retailing giants

By PAUL DOLD
Financial Editor

A GROUP of South Africa's independent clothing retailers are for the first time competing on an even footing with the major chains through a new specialist organization — United Stores

Based in Cape Town and founded by the former Ackerman's managing director, Mr Stewart Cohen, and co-director Mr Laurie Chiappini, United Stores' members around the country already have a total turnover of R125m

This is expected to rise to R550m — roughly equivalent to the largest clothing chain's turnover within two years United Stores is linked with the major United States' Frederick Atkins group whose members have annual sales of more than $5 billion

Mr Cohen launched the new look at Ackermans some four years ago and left the group after the sale to Edgars He was previously general manager of Grand Bazaars

Mr Chiappini has been involved in both retailing and manufacturing including Puma, Durban Clothing and was trained at Harrods

Profits

United Stores is far more than the traditional joint purchasing operation but is bridging the gap between manufacturer and retailer and providing advice on how both can improve profits

For the manufacturer United Stores offers longer production runs, credit worthy clients and long-range planning, while United Stores members have a spectrum of specialized consultancy services available

These include pre-season planning, merchandizing advice, joint advertising, and quality assurance Retailers are told

- What lines are likely to sell
- What ranges have been selling in the market place and why
- How to improve in store traffic
- How to advertise
- How to structure the merchandize mix
- Advises on garment labelling and United Stores' own labels are available
- Provides full details of manufacturers prices and ranges

United Stores is effectively allowing the small to medium speciality store and department stores to compete with the big chains

Previously the depth of merchandizing expertise, market research and marketing resources were beyond the reach of the independent retailer He was forced to take the second slot behind the chains, often marketing unsuitable merchandize which arrived late

United Stores supplies members with the latest fashion trends and up to date reports of the overseas fashion scene Members were told in October last year the likely trends for summer 1984

Mr Cohen is particularly pleased with the encouraging response from manufacturers who see major advantages in improving sales to the independent retailers United Stores is not viewed as a pressure group but mutual benefits are already flowing to both retailer and producer with each more aware of the others needs

Manufacturers are often blamed for late deliveries but in many cases the retailers themselves can be responsible By bringing the two together United Stores is helping to improve manufacturers' profitability through longer production runs and significantly industry is less reliant on the big chains Nearly 50 percent of South African retail sales are handled by the three major chains

While joint imports are planned, United Stores aims at fully supporting the local clothing industry

Conference

On Monday United Stores is holding its first national conference The three-day meeting in Cape Town includes a briefing by leading economists on the economic outlook, fabric and clothing manufacturers previewing their ranges, market research reports, and a profile of mens, childrens and womenswear ranges

Part of the seminar programme will provide members with an insight as to how computers can and be used in retailing

Mr Cohen and Mr Chiappini are being highly selective in admitting rew members Marketing thus far has been aimed at an exclusive group of blue blood independent retailers many of whom are long established family businesses Some 60 percent are based in the Transvaal and the Free State, 25 percent in Natal and 15 percent in the Cape

Although concentrating on clothing, United Stores is also advising members on footwear, home-textiles and housewares

In the United States there are more than 400 organizations for clothing retailers and hardly a reputable firm operates without the back-up of one of the associations

United Stores charges an annual fixed fee to members No commissions are payable either by the manufacturer or United Stores member

Cape Times 21/1/84

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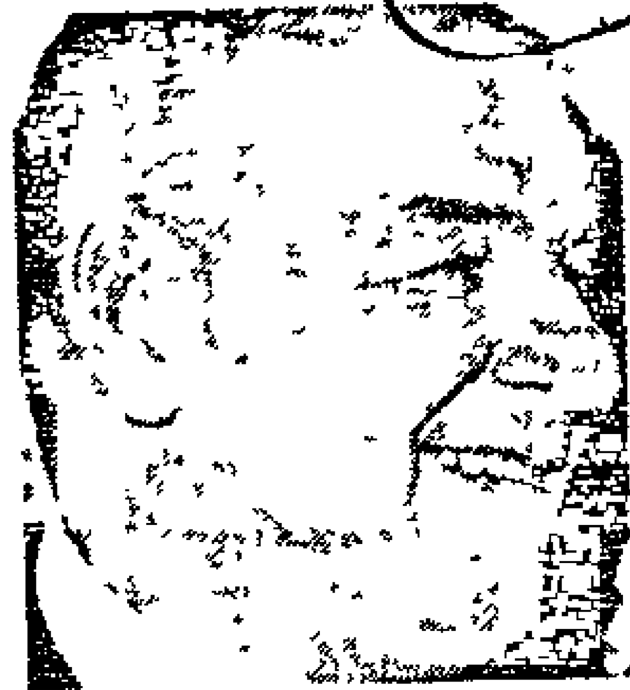
ROY PASCOE
Nedbank wanted and loved

ALLIED GETS INTO BED WITH NEDBANK

ARIE VAN VLIET
Link with Perm flimsy

By Alec Hogg

SOUTH Africa's third-largest building society, Allied, has found a bedmate

The R3 500-million institution, previously the largest independent society, has established formal links with Nedbank, and a more concrete arrangement is likely

Managing director designate Roy Pascoe says Allied "will become a joint-stock society within two or three years, and we would love to have Nedbank as a major shareholder" Nedbank senior general manager Arie van Vliet says the question of a shareholding has not been discussed

Allied has already switched its banking account from Barclays and will offer preferential treatment to Nedbank clients seeking mortgage loans From April, Nedbank clients will be able to cash cheques of up to R100 in Allied branches, effectively doubling Nedbank's network to 400 Allied's 600 agencies, however, will not offer the facility

Allied clients will be able to use the first of the society's 50 automatic teller machines in April and plans are advanced for their access to Nedbank's 50-strong Nedmatic network. The insitutions will offer clients access to 200 machines by the end of the year

Tax sheltered investments, such as subscription shares, which can only be offered by building societies, will be available through Nedbank branches New service points will be discussed by the two institutions, and the link opens the way for Allied to offer its clients access to Visa, Mastercard and Garage Card

The link between Nedbank and Allied comes as a shock to the financial community The bank shares the same chairman — Dr Frans Cronje — and associates (SA Mutual and the Sage Group) as SA's second-largest building society, the Permanent

But Mr van Vliet says "We are now much closer to Allied than to the SA Perm Our so-called link with the SA Perm was a misconception built up mainly by the financial press"

SA Perm managing director Bob Tucker says "We decided last year to remain independent, and to develop strong ties with all the major banking groups We have had discussions with Nedbank regarding its link with the Allied, but at the moment see no reason why we should change our strong banking ties with the bank."

Although Mr Tucker is not worried about most of the implications of the deal, he is concerned about Allied's receiving the public's investments through the bank "If we find that we are sucking the hind tit, and that Nedbank is putting Allied above other societies, we will have to take another look at our relationship"

The tie-up with Allied is a coup for Nedbank. Although Mr Pascoe is not prepared to comment, it was an open secret that approaches to Allied had been made by several financial blocs

Favourite was Nedbank's arch rival Barclays, which is now the only bank not to have a building society in its sphere of influence It recently lost the United Building Society account when the UBS joined the Standard Bank-Liberty Life camp

Barclays deputy managing director Chris Ball tells Business Times that speculation in this regard was misinformed "Our need is different to that of Nedbank We don't need a building society We had an idea that it was going to happen I do believe, however, that it is a good deal for both parties"

Mr Ball says Barclays was not among the banks which approached Allied He is not perturbed by the loss of the account "From a profit viewpoint, the amount involved is insignificant"

Barclays received R1-million in service fees for handling the Allied account

According to Mr Van Vliet, Nedbank and Allied "have been friends for years We have lunch with their executives often and compare notes on developments in the market" It was a logical move for Allied in the growing concentration of South African business

BUSINESS

UCDD takeover will cost R30-m

232 Star 23/1/84

Financial Staff

The deal in terms of which Daimler-Benz of Germany gained control of its South African franchise-holder, United Car and Diesel Distributors, was worth R30 million

UCDD, which is owned 39,9 percent by Volkskas, 36,7 percent by Daimler-Benz and 23,4 percent by the Gohner Foundation of Switzerland, makes and distributes Mercedes-Benz cars and commercial vehicles and also holds the Honda car franchise.

As a result of an expansion in the firm's share capital, the Daimler-Benz shareholding will increase to 50,1 percent, the Volkskas share will decline to 26,5 percent and the Gohner stake will stay at 23,4 percent

UCDD chief executive Mr Morris Shenker said the R30 million involved in the deal was being injected to re-arrange the shareholdings

"It's business as usual This was not done with any new developments in view on the horizon"

Volkskas, he said, was happy for Daimler-Benz to take the controlling shareholding in an operation in which it is so heavily involved

UCDD has reached the final stages of a R200 million expansion programme started in 1981

The programme has more than doubled car production capacity and substantially increased commercial vehicle production at the CDA assembly plant in East London

Daimler-Benz to acquire control of UCDD

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JOHANNESBURG — Daimler-Benz of Germany is to acquire control of its South African franchise holder, UCDD Limited

A company statement said this development had been entered into in full agreement between the shareholders of UCDD because of the growth and still growing level of importance of the South African market to Daimler-Benz in respect of sales and industrial activities

UCDD, which manufactures and distributes Mercedes-Benz cars and comercial vehicles in South Africa and also holds the Honda car franchise, is one of the largest firms in the South African motor industry and one of the country's largest private companies

UCDD is currently owned 39 9 per cent by Volkskas 36 7 per cent by Daimler-Benz and 23 4 per cent by the Gohner Foundation of Switzerland

As a result of an expansion in UCDD's share capital, effective by June 1984 at the latest, the Daimler-Benz shareholding will move to 50,1 per cent, Volkskas moves to 26,5 per cent and the Gohner stake remains at 23 4 per cent

The UCDD group and its dealer organisation around the country is in the last stage of a R200-million expansion programme started in 1981 which has effectively more than doubled the car production capacity at its CDA assembly plant in East London, substantially increased commercial vehicle production and increased the capacity of the parts operation

The manufacturing and assembly operation in East London is one of the largest Mercedes-Benz car and commercial vehicle activites outside West Germany

South African sales of Mercedes-Benz cars are expected to total 13 600 in 1983 Commercial vehicle sales will be about 4 200 and the sales of the Honda Ballade, introduced in October 1982, are expected to be about 10 000 units for 1983

With the higher assembly capacity presently coming on-stream, increased passenger car sales can now be provided for, which is intended to overcome the short-supply position existing over the last three years

The statement said the Daimler-Benz investment signified its confidence in the ability of UCDD to build upon its leadership in the top end of the quality car and commercial vehicle markets

The move has particular significance for the East London/Border development area where UCDD is one of the largest established industries, with an annual contribution to the regional economy of more than R75-million

UCDD's East London wage and salary bill (including bonuses and employee benefits) for the 3 900 employees at its CDA plant is about R34 million a year

The company spend a further R33 million a year on local content purchases rates and utilities in the Border/Ciskei area and pays freight and wharfage charges to the East London port authorities of some R9,6 million a year

The managing director of CDA in East London, Mr Leo Borman said he had nothing to add to the statement. — SAPA

ARGUS 24/1/84

Independent retailers a 'dwindling force'

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INDEPENDENT retailers will become a dwindling force in South African retailing in the next 10 years, Professor Marius Leibold of the University of the Western Cape's Institute for Small Business told clothing retailers in the city yesterday.

He was addressing the first national conference of the United Stores organisation, set up last July as a merchandise and marketing service for independent retailers

It presently has about 40 members representing 150 stores in Southern Africa

Professor Leibold said there would be intense competition from the major chains and survival would depend on specialisation and co-operation

The independent retailer would have to find a unique position compared with the major competitors and co-operate with other small retailers and with manufacturers

MAIL ORDER

He predicted a further growth of the retail conglomerates, the expansion of the warehouse concept of retailing, and the development of remote retailing through mail order and TV-based home information centres

There would be little shopping centre development within white areas, with older centres being upgraded

Department stores could expect sluggish growth and supermarkets would suffer from competition from medium-size convenience stores and hypermarkets, but flexible "variety stores" should experience good growth.

LIFESTYLE

Environmental or lifestyle retailing would develop as consumers in the higher income group turned to goods and services to accommodate a certain lifestyle

In answer to questions, Professor Leibold said he believed consumers would always want advice on fashion goods and want to be able to touch them

"There will always be room for the specialised fashion clothing retailer The chain stores can't provide the specialised service of the independent retailer.

"But the independents must know what is happening in the market place"

"VULNERABLE"

He did not foresee retailers in fashion or other specialised areas going into black residential areas to a significant extent

Blacks would continue to want to buy such goods in the same environment as whites

Mr Attie de Vries of the Bureau for Economic Research at Stellenbosch University told the conference that the financial position of the consumer was "vulnerable" at present

"There is a possibility that things will start to improve towards the end of the year But the financial position of the consumer is tight.

"Basically, this year will still be a year of survival The only way to survive is to control your expenses and to plan"

Carlcor profits soar — lifts earnings 55%

By PATRICK McLOUGHLIN

JOHANNESBURG. — Carlton Paper Corporation has returned to the profit growth trail with a 55 percent advance in earnings a share to 66,4c for the 12 months to December 31. This compares with 42,7c for 1982.

The results are far better than Carlcor's management — who in spite of an improvement in interim profits were cautious on full year figures — expected

The Gencor company has posted a final dividend of 26c which, with the unchanged 14c interim, takes the total payout to 40c

The 25 percent rise from the 1982 dividend of 32c is in spite of a jump in the dividend cover from 1,3 times back to the normal level of 1,7 times

Performance

The impressive performance by Carlcor follows a substantial improvement in the second half of the year in all the group's market sectors Another important factor was tight control of costs

Carlcor manufactures and distributes tissue products, such as roller towels, toilet and facial tissues, serviettes, diapers and other disposable products

In 1982, the country's major tissue manufacturer suffered from the downturn, aggravated by hefty destocking among consumers This, in turn, cut production Because the group is capital intensive, costs were pushed up at a time when some raw materials were experiencing cost increases

The net result was that Carlcor suffered its first earnings reversal in five years with earnings a share sliding from 53,5c in 1981 to 42,7c and dividends being maintained at 32c at the expense of cover which shrank from 1,7 to 1,3 times

Although the first half of 1983 saw an improvement in earnings per share, from 19,7c previously to 25,8c, the chairman, Mr Basil Landau said the results did the full year and said that the continuing economic uncertainty combined with the impact of the drought made it unlikely that the second half results would show any improvement on the first half

Sales for the full year, however, jumped 18 percent to R130,2m compared with R110,1m Pre-tax earnings more than doubled, from R8,6m to R17,6m

A Carlcor executive admitted management were surprised by the recovery "We never thought it would be that good," he said

One reason was aggressive marketing General market conditions remained very price-competitive but Carlcor aggressively pruned prices in many product lines and more than compensated on the margin side with markedly higher volumes

Sales volumes

Assets were carefully managed and product launch costs, which had an impact in the 1982 results, were down New products did well — especially the Huggies disposable infant nappies, launched in mid-1983

This product particularly took off in the second half and made significant inroads into the cloth nappy market.

Destocking by Carlcor consumer ended early in the year

Carlcor also made its first major move into specialist distribution with the opening of a distribution centre for the Pretoria-Witwatersrand-Vaal area near Jan Smuts aerodrome in June This further enhanced sales volumes

The tax rate jumped from 22 percent to 40 percent This was mainly because the 1982 rate was depressed by the sale of a Cape Town factory the capital profit from which was deductible from taxable earnings The 1983 the tax rate was also pushed up by lower export allowances

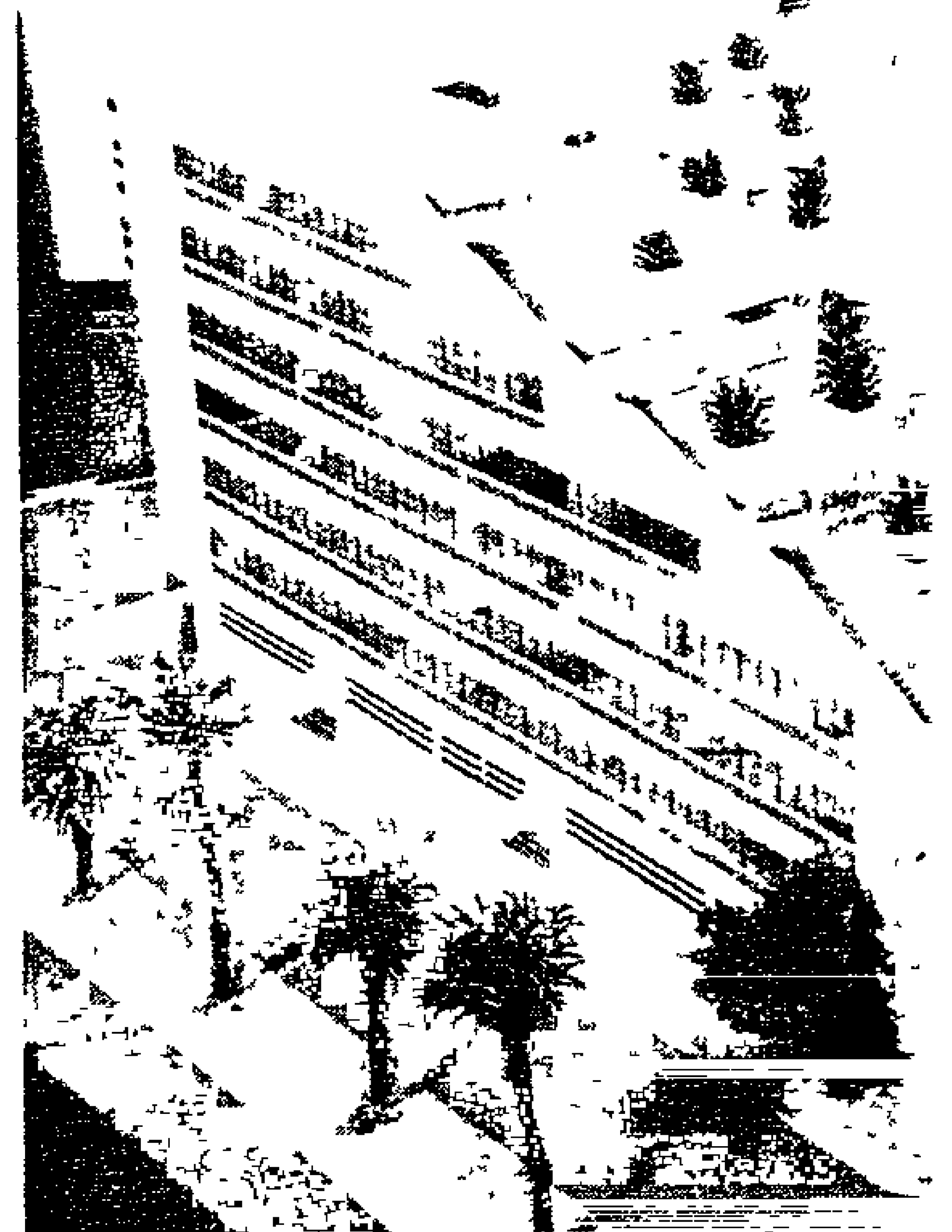
Attributable earnings nevertheless jumped 56 percent to R10,5m compared with 6,74m previously

Comment. Carlcor, presently trading around 500c, yields eight percent on the full 40c dividend This is above the market and paper and packaging sector historic averages and indicates that the market has also been surprised by the buoyant full year results

Mr Landau says Carlcor's current year performance will benefit from greater marketplace opportunities as expansion and modernization of production facilities continues

Carlcor also has a strong balance sheet with a conservative debt equity ratio of 0,21 at the end of December This should protect it from the effects of generally high interest rates

Mr Landau expects some improvement in profits this year He does not specify the extent of the improvement but it is unlikely to be as dramatic as the 1983 results



An artist's impression of a R15m ... in C

R15m sectio... complex for

A CONSORTIUM of Cape Town investors — head by developers Stocks & Stocks and Syfrets Trust — is developing a R15m sectional title office complex in central Cape Town

The development, which will consists of parking and an office block, is unusual in that it is one of the first office blocks in Cape Town to be sold on sectional title Office units in the complex will be available from 250 m² upwards

The site of the new development is a prime 3 500 m² block, bound by Wale, Loop, Bree and Dorp Streets

Construction work by Stocks & Stocks (Cape) has already started and the 24-month contract implies that the building will be complete by December 1985

Syfrets is providing the major portion of the finance for the development by way of a debenture bond of about R11m Syfrets has also committed itself to the purchase of one floor of parking in the new building

Syfrets property ... sultant, Mr Ch... Marais, said secti... title development for... fices was becoming... creasingly popular... office and parking ... als escalate

He said "More... more we find that... fessional people wa... fix their rental cost... they buy into a secti... title office developm... they are able to ob... office space in a ... tige building at a f... cost.

Some 60 percen...

BP Southern Afr... ments From left, control, becomes ... ment and public ... oil supplies and m...

JSE golds sharply lower

Own Correspondent

Buffels 320c to R55,80,

Economists ... in ...

Own Correspondent

JOHANNESBURG —

earnings 55%

By PATRICK McLOUGHLIN

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Although the first half of 1983 saw an improvement in earnings per share, from 19,7c previously to 25,8c, the chairman, Mr Basil Landau said the results did not reflect improved trading conditions but the effects of cost cutting and product launches by Carlcor 1982

He was also ... the full year and said that the continuing economic uncertainty combined with the impact of the drought made it unlikely that the second half results would show any improvement on the first half

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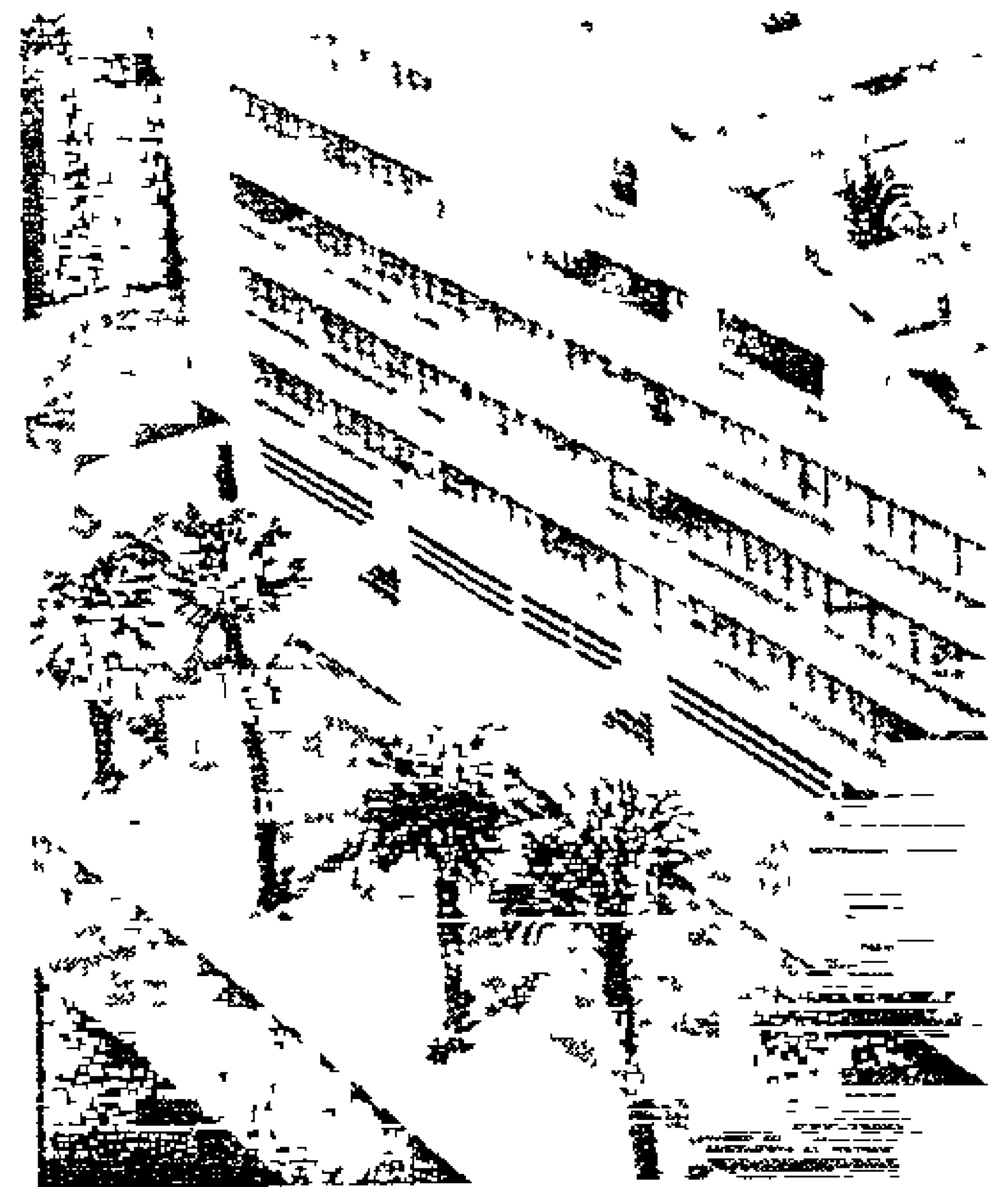

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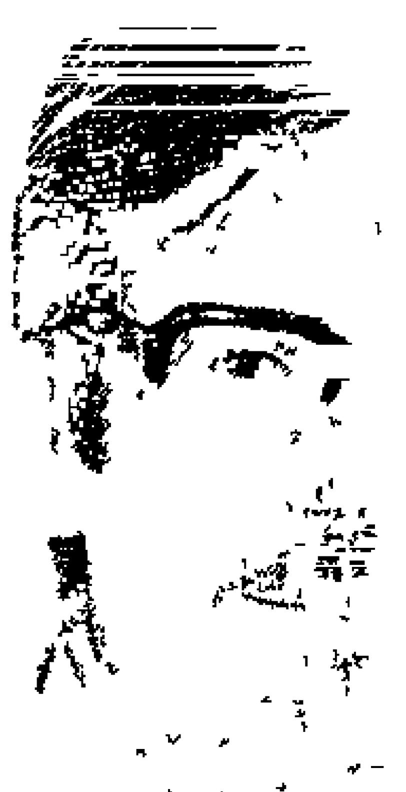

BP Southern ments. From control, bec ment and p oil supplies

JSE golds sharply lower

Own Correspondent

JOHANNESBURG — Gold shares closed sharply lower on the Johannesburg Stock Exchange yesterday in response to the easing bullion price

Dealers said trading was ...

Buffels 320c to R55,80, Harties 350c to R79, Free State Geduld 150c to R40, President Brand 250c to R42 25 St Helena 200c to R39 and Western Holdings 350c to R49

Diamond and platinum counter movements ...

Economists in

Own Correspondent

JOHANNESBURG — The precipitate raising of GST from six percent to seven percent is interpreted by many economists as a signal from the Minister of Finance Mr Owen Horwood, that his March Budget will ...

GDP, an una figure parti the Internatio tary Fund

Defi

Mr Geldenh

CAPE TIMES 26/1/84

...anned

...vitz, Mr David Danziger, Mr Mark Hoffman and Mr Rael Steyn

Three of the vendors will remain with the group Mr Norvitz has been appointed general manager, Mr Danziger merchandise controller and Mr Hoffman operations manager The deal revives a long association between Clicks chairman and Mr Hoffman

Mr Hoffman, was one of the key executives in Mr Jack Goldin's Pick 'n Pay — the fledgling chain was later sold by Mr Goldin to Mr Raymond Ackerman

Clicks itself is continuing with its strong expansion New stores this calendar year include Springs (about June), Bloemfontein, Vereeniging, and Main Street, Port Elizabeth

While January trading ...s off to a slow start Mrs Kritzinger says turn-overs since then have been ahead of budget

Mr J C Hanson has been appointed director of finance of Burroughs South Africa.

...ne sees worsening

to normal and the most marked effects of the drought have not been felt yet.

Prices of agricultural products have only just begun to rise and this will produce a ripple effect on a whole range of other commodity prices

Struggles are still being waged to bring the inflation rate more into line with South Africa's major trading partners

To counter inflation the equalization of money supply will still have to be the authorities' most urgent priority So far efforts have not had total success and continued high interest rates will be the price payed for reducing inflation to single figures

But this will discourage investment and further delay the upturn in the economy

Consumer demand

Furthermore, it is unlikely that consumer demand will improve significantly in the new year in view of the expected increases in taxation

"My view would be for government not to raise taxes at this stage as this will have a very negative influence on

CAPE TIMES 26/1/84

Everite surprises with 53% earnings leap

Own Correspondent

JOHANNESBURG. Everite has surprised its own management with a 53 percent leap in attributable earnings for the six months to December to R10,6m

This compares with R6,9m earnings for the same period last year and the group has posted an interim dividend of 20c (previously 17c)

Earnings a share for the half rose from 42,1c to 64,2c

In the year to June, 1982, Everite posted bottom-line earnings of R15,4m (R13,3m) — a 15,6 percent improvement — but the chairman, Mr Hans Thoeni, looking at the economic downswing, took a cautious stance on the current year and indicated that earnings would be static

Everite, however, appears to be one of the few companies that can claim to have benefited from the drought Many municipalities through South Africa found themselves replacing pipes which burst because of low pressure and the main reason for the strong group performance was a general increase in pipe demand in all four divisions

Good results

"We had an exceptionally good half and we did not budget for anywhere near such a good result," the financial director, Mr John Kennedy, said yesterday

"Pipe sales were particularly good"

Group sales increased 26 percent as a result, from R81,9m to R103,3m Another factor that enhanced the attributable earnings was a lower lifo stock adjustment The lifo reduction was a net R56 000 compared with R1,754m previously

Destocking of large asbestos inventories, bought some time ago for strategic use, took place last year and wiped out R12m in bank overdraughts and provided Everite with R10m in cash in the bank.

Destocking

There was a further substantial destocking of stocks in the half and, in spite of paying R12m towards the purchase from the Robin group of its Vaal Potteries division, Everite still has R6m in cash

Everite has relatively little left to pay on the R13,5m purchase price and the group is still far off from having any debt.

Income from investments — that is income from cash balances — in fact almost trebled to go from R363 000 to R992 000

Directors say profit for the full year should show a "substantial improvement" provided the building industry and pipe markets remain stable

No further stock reductions are planned so the lifo reduction will probably not be repeated

However, there is still a significant backlog in pipe demand and Everite's order books are full

Pipe demand

Mr Kennnedy says the group is hoping that rising pipe demand should more than compensate to make second half earnings roughly similar to the interim results

Comment· The interim dividend has only risen by a fairly conservative 18 percent because the group is preparing for a possible jump in corporate taxation with the budget Interim dividend cover, usually higher than the full year's, thus rose from 2,5 to 3,2 times

Another reason is the new fibre-cement sheet factory in Bophuthatswana Everite expects that operation to go for market share, although the build up in volumes will initially be slow

For the full year, the group is looking at a cover of between 1,8 and 1,9 times and, assuming the second half earnings per share is roughly similar to the interim figure, a dividend of between 65c and 70c is likely

Everite closed 20c up last night at 920c — 50c of its 12 month peak The forward yield at over 7 percent, way above the building and construction sector historic average, suggests that the market has underrated the share, which has some upside potential

Gold closes steady after quiet day

LONDON — Gold prices made no significant break from the morning's narrow range and bullion closed the day at $366,50-$367,00 an ounce, unchanged from the opening but up from yesterday's close of $365,00/50, dealers said

The day's most notable move was a brief rally to a high of $367,00/50 an ounce following news of a 1,1 percent decline in December orders for durable goods in the United States, contrasting with expectations of a rise of at least 0,5 percent

Reaction

But neither the foreign exchange nor the bond markets showed a sustained reaction to the news and gold quickly settled back to earlier levels

Gold this morning registered little change from opening levels. The day's low of $366 was posted in the fixing session, but after a protracted session, bullion was fixed at $366-$375 The afternoon fixing was $366,50

The firmer opening yesterday morning reflected small gains in New York overnight which were attributed to light covering interest in the light of gold's resilience in recent days around $365

In spite of yesterday's narrow price range, some dealers reported moderrate two-way business throughout the day Effective support at lower levels may have caused a return of investor demand but this

Closing gold prices

(In $ an ounce)
LONDON:
366,50-367,00
Fixing am: 366,375
Fixing pm: 366,50
ZURICH:
365,00-368,00
— Reuter

The dollar, which staged a broad-scale advance on Tuesday and was hovering just below all-time records against a string of currencies, lost ground yesterday in quiet trading as investors sought to cash in

Dealers said new evidence that the United States recovery was faltering also depressed the market.

Investors generally expect that a slippage in the recovery would lead to the United States Federal Reserve cutting back interest rates — which would reduce the dollar's value as an investment.

● In London, share prices hit a new record on the London Stock Exchange yesterday, with a jump of more than 15 points in the Financial Times Index of 30 leading industrials

The Financial Times Index rose from 824,9 to 840,5, easily breaking last Friday's record of 826,9

The market's strong upward drive was propelled by sharply higher British trade figures, a

JSE golds firmer

Own Correspondent

JOHANNESBURG — Gold shares regained some of Tuesday's losses as investors on the stock exchange demonstrated relief that the bullion price did not continue to drop unchanged on the day

De Beers was the only diamond share to firm, adding 20c to R10,20 All the rest were unchanged

The surprise among platinums was the lack of investor response to

Clicks buys Diskom — major expansion planned

CAPE TIMES 26/1/84

By PAUL DOLD, Financial Editor

CLICKS STORES has bought Diskom — the 14-store Cape toiletries chain for R700 000 and plans to expand the new group nationwide.

Clicks' deputy managing director, Mrs June Kritzinger, said last night that while the acquisition is not expected to have any significant impact on earnings or profits in the short term Clicks sees considerable potential in the longer term

Diskom specializes in the coloured consumer market and its smaller stores with an excellent basic range of toiletries and gifts should be well suited for black consumer areas in the Transvaal

In the past Clicks has been offered excellently located sites but the stores have been too small for the wide Clicks range Through Diskom it now has the ideal vehicle for a nationwide chain of smaller convenience stores As it serves a different market, Diskom will also not clash with the existing Clicks branches

The average Diskom store is 200 m² and the group has branches in Mowbray, Bellville, Parow, Wynberg, Salt River, Paarl, Elsie's River, Retreat, Claremont, Kensington, Worcester, Grabouw, Stellenbosch and Rylands The Elsie's River and Rylands stores are joint ventures with local businessmen

Last year three new branches were opened

The deal will increase the number of retailing outlets in the Clicks group to 63

Clicks' chairman Mr Jack Goldin . forming a new nationwide chain within the Clicks group

The vendors of Diskom are Mr Rollo Norvitz Mr David Danziger, Mr Mark Hoffman and Mr Rael Steyn

Three of the vendors will remain with the group Mr Norvitz has been appointed general manager, Mr Danziger merchandise controller and Mr Hoffman operations manager The deal revives a long association between Clicks' chairman and Mr Hoffman

Mr Hoffman, was one of the key executives in Mr Jack Goldin's Pick 'n Pay — the fledgling chain was later sold by Mr Goldin to Mr Raymond Ackerman

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While January trading was off to a slow start Mrs Kritzinger says turn-overs since then have been ahead of budget

Mr J C Hanson has been appointed director of finance of Burroughs South Africa

US consumer prices up 0,3%

WASHINGTON. — United States consumer prices increased a seasonally adjusted 0,3 percent in December after rising the same amount the month before, the Labour Department announced yesterday.

Last month's rise left consumer price inflation at 3,8 percent in 1983, the lowest level since 1972 — Reuter

LAST CHANCE TO EAT
GALJOEN
UP TO 31/1/84
METROPOLE HOTEL
38 LONG STREET
TELEPHONE 23 6363
★★★TYYY

Mr Barry Adrain has been appointed general manager of Wilkinson Sword (SA) (Pty) Ltd

London stocks after hours Blyvoors 12¾, Bracken 283, Driefontein 30⅞, E Rand Prop 12⅞, F S Geduld 33¼, Grootvlei 12⅜, Harmony Gold 17⅞, Leslie Gold 298, Randfontein 126½, SA Land Exp 560, Southvaal 48¼, Stilfont 14⅜, Venters 12⅛, W Rand Cons 645, Zandpan 10⅞

Motsuenyane sees recession worsening

Own Correspondent

JOHANNESBURG — The worst effects of the recession are yet to come says the chairman of the African Bank, Mr Sam Motsuenyane, in his annual review

"South Africa is still very much in the slough of stagnation and I do not entirely share the view of some analysts that the recession has bottomed out," he says

Looking to the coming year there are a number of negative imponderables ahead which could affect the economy

The country is still recovering from the worst drought in living memory which has brought the agricultural sector to the brink of collapse Much more good rain is needed to bring the situation back to normal and the most marked effects of the drought have not been felt yet

Prices of agricultural products have only just begun to rise and this will produce a ripple effect on a whole range of other commodity prices

Struggles are still being waged to bring the inflation rate more into line with South Africa's major trading partners

To counter inflation the equalization of money supply will still have to be the authorities' most urgent priority So far efforts have not had total success and continued high interest rates will be the price payed for reducing inflation to single figures

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Fear of unrest over black taxes

By RIAAN DE VILLIERS
Labour Reporter

THE Cape Chamber of Industries has advised all member companies to fully inform black workers of impending changes in their taxation from March 1, when all blacks will start paying income tax on the same basis as other population groups

It will also ask the Department of Finance to ensure that details of the changes in black taxation will be made known as widely as possible

Employers fear that the change-over could lead to labour unrest similiar to that in 1981 over proposed preservation of black pensions

Information

Most black workers will pay less tax than before, nevertheless it is feared that workers may react adversely to the change-over

Mr Jack Roos, director of the chamber, said yesterday reports of tensions among black workers had not been received

However, the chamber had taken "obvious precautions" by advising members to furnish workers with information and keep open "proper lines of communication"

Mr Jan Theron, secretary of the Cape-based African Food and Canning Workers' Union, said there were signs of concern about the issue among workers

The new increase in sales tax would "greatly fuel any possible dissatisfaction", he said

No vote

Another prominent unionist said the change could focus attention on the fact that blacks are taxed without being represented in government, and do not receive equal benefits from the State

A Johannesburg-based labour relations consultant yesterday confirmed that employers were "nervous" about the change

The issue seemed less contentious because most workers would be paying less tax

"However, there is nothing in recent industrial relations history which suggests that it will be introduced without any trouble," he said

● It is estimated that over 80 percent of black employees will be paying less tax from March 1

But some groups, including married women, unmarried men earning more than R400 a month and employees in higher-income brackets will pay more than they do at present

According to Mr C E Kingon, director of tax research for the Department of Finance, blacks will now be liable for tax rebates — which will favour married men and people with children

The minimum taxable earnings for single people will be R3 576 a year (about R300 a month) compared to R1 801 (about R150 a month) at present.

Minimum taxable earnings for married men without children will be R4 385 a year (about R365 a month), R6 817 a year for married men with one child, rising to R9 317 for married men with four children

Unmarried men earning under R350 a month will be better off, while those earning upwards of R400 a month will pay more

An unmarried man earning R400 will pay R14,40 a month compared to the R11,20 he is paying at present while an unmarried man earning R1 000 a month will pay R118,30

Quirks

However, blacks will inherit the existing quirks in the taxation system particularly as regards married women, who will be taxed from R1 600 a year (about R133 a month) upwards

Married woman who earn R200 a month will pay R6,42 a month, compared to R0,74 now, while a married women earning R1 000 a month will pay R152,83, compared to R102 16 now

If a husband and wife are both earning R1 000 a month their combined tax will be R4 660 a year, more than double what they are paying now

The managing director of the Cape Ti
Heard (right) with the retiring chair
from left) and a retiring director, Mr .
cl

CAPE TIMES 26/1/84

Houses for Plain

Municipal Reporter

THE City Council has been allocated a loan of R50,25-million from the National Housing Fund to build 3 100 sub-economic houses in Mitchells Plain

The deputy city engineer (housing), Mr D S Mabin, said yesterday that contracts for building the houses would go out within the next few months

Mr Mabin said the council had a waiting list of about 30 000 names for houses The houses to be built made up 10 percent of those needed, he said.

● The first controlled self-help housing scheme, which is expected to get under way later this year, is planned by an Urban Foundation utility company for Steenberg/Retreat.

The scheme is expected to allow about 500 people at present on the council's waiting list to build their own houses

Sun ban

Staff Report

SUNDAY, Ma could still be for the Celtic H — although th Provincial Ex Committee has that the club's Peninsula Ma could not be h that day for re reasons

The chairman ic Harriers, M Horn, said ye that there was

BM clo

CAPE TIMES

Own Corr

JOHANNSBUR BMW plant at near Pretoria about 1 500 wo out on strike demands — shut until notice

BMW closed on Tuesday workers had tools for the time within a jecting mana offer of a 10c board increase

A spokesma National Aut

HENSHILWOODS
Established 1894

WHOLESALE MEAT

AECI bid for NEL gets thumbs down

28/1/84 (233) 20M

By JOHN MULCAHY

THE Competition Board has blocked AECI's proposed R20m purchase of National Explosives (NEL)

Mr Chris von Solms, an AECI director responsible for the explosives division, said yesterday the Competition Board had not given detailed reasons for rejecting the proposals, but said the acquisition "could not be justified as being in the public interest"

The proposed acquisition came as a last-gasp lifeline for Hanhill Industries, which had been faced with serious liquidity problems and was forced by its bankers to sell some its assets to meet borrowing commitments

But Mr Oliver Hill, the managing director of Hanhill, said yesterday he was negotiating with another party with a view to selling NEL at a better price than the R20m offered by AECI

"If all goes well, another deal should be finalised by Monday"

Mr Hill would not disclose the identities of any of the parties nominated by the Competition Board, but said there had been considerable interest in the NEL deal after it was announced

"The proposal put to the Competition Board indicated that there was no alternative to the AECI deal, but the response from the other parties showed the Competition Board that there were indeed other options"

Hanhill has a 25% interest in NEL, the other 75% being held by the Hanhill associate, National Process Industries

The Competition Board is believed to have nominated several alternative parties to AECI and, after guaging the response from these companies to the proposals, decided that another buyer would be preferable to AECI

Industrial unrest at AECI plants throughout the country has reinforced the argument that the country needs more than one explosives producer

The implications for the mining industry of the sole supplier of explosives being unable to supply for whatever reason could be catastrophic and provide a compelling reason for the Competition Board to encourage an independent producer

From remarks made by Sentrachem's managing director, Mr Dave Marlow, yesterday, the group would be a firm candidate for the acquisition of NEL

Shock waves from a sale and ban

S-Times 29/1/84 (232)

Chemicals in turmoil

By David Carte and Alec Hogg

THE chemical industry is in turmoil after the sale by Sentrachem of its 40% stake in Coalplex to AECI for R60-million and the Competition Board's ruling against AECI's bid to buy National Explosives

Industry spokesmen said these were the first of several shock waves arising from the Government's harder attitude to protection and monopoly

Next could be a rearrangement of Hanhill, whose fertiliser imports from Swaziland have been hurt by the new tariff arrangements

After protracted argument with the board last year, AECI is most unlikely to appeal against the ruling This probably means the deal will fall through and hard-pressed Hanhill will have to find another buyer.

Industry sources say it is unlikely to receive as much as the R20-million AECI was willing to pay to keep out a competitor The question now is whether Sentrachem, with R110-million in cash after the Coalplex sale, will enter explosives

Although National Explosives, without a friend in mining, had a battle to penetrate explosives agreements between AECI and the Chamber of Mines, Sentrachem is a member of the Sanlam group with General Mining

Mr Dave Marlow, managing director of Sentrachem, says only that Sentrachem's options are wide open. Mr Marlow is adamant that Sentrachem was not a distressed or forced seller of Coalplex. With R50-million in cash before the deal and R110-million after it, Sentrachem is not illiquid Although its gearing is set to rise as its R400-million rubber plant comes on to the balance sheet, he insists that all is well

"We take the view that investments must earn a return We could not see respectable returns in PVC for a long while, so we withdrew" The price, being only a small discount to depreciated asset value, is not bad considering that Coalplex was a loser with a far from brilliant future

He concedes that the replacement value of Coalplex is considerably more than R160-million, but dismisses this as being of academic interest. "Nobody would replace or contemplate another Coalplex in the current climate"

But AECI's Mr Ted Smale reckons Coalplex has a great

□ To Page 3

S-Times 29/1/84

□ From Page 1

(232)

Turmoil

future and he is pleased with the terms

Chemical industry sources say Sentrachem was over a barrel It had R100-million tied up in an asset over which it had little control and which in six years of ownership cost it R30-million of attributable trading losses

Its R400-million synthetic rubber plant is still losing millions, although international rubber prices have risen 50% in the past year and 25% import protection has been granted on some products and is expected on the rest as well This could mean that losses will be lower than the R30-million after tax suggested latest annual report.

Sentrachem's accounts always showed a worse trading situation in Coalplex than AECI's This was mainly because Sentrachem's investment was funded with loans bearing interest, and AECI's was funded with equity and a foreign loan at favourable terms The partners had different depreciation policies and AECI charged a management fee

One reason AECI will do well with Coalplex is that it can now rationalise its PVC production AECI is confident that in the medium to long term, "more than adequate" returns will be made from Coalplex

Mr Smale believes the huge plant will reach break even this year, and contribute to profits in 1985 He sees 1986 as a potential boom year "If the economy grows by 4%, our volumes rise by at least 6%"

Mr Smale is also banking on an improvement in the international PVC market "When that happens, Coalplex will become extremely profitable"

Mr Smale admits that revised import protection means that plastics prices could fall by between 15% and 20% Another benefit is the "enormous additional cash flow" from a package which includes additional depreciation on the R50-million worth of plant acquired

Revamp for R1bn high-tech Altech

S. Times 29/1/84

By David Carte

IN POSSIBLY the most complicated deal in the history of the Johannesburg Stock Exchange, Bill Venter's Altech-Powertech electronic and electrical supergroup is to be radically reshaped.

The electrical empire of electrifying performance, valued on the JSE at R1 000-million, is to be restructured mainly to enable the group to make more acquisitions.

The group will have the capacity to issue shares worth R400-million, at today's prices, in acquisitions without losing control of any of its interests

"This is the culmination of all I have been working for," Mr Venter told Business Times "Now we have a complete electronic and electrical group that can go for international turnkey projects in competition with the big multinationals"

The restructure goes a long way towards answering criticism of the deal by which Altech obtained control of Asea

Management at Altech is adamant that this was contemplated from the outset, but could not be spelled out originally because of the complexity of the transactions

Altech took Anglo American Industrial Corp's 49,6% stake in Asea and put this into the bottom of its empire in Powertech Amic received Asea, Altech went against the spirit but not the letter of the rules But this was the only way Asea could be brought into the fold

Old Mutual, which was the biggest minority holder in Altron, is believed to have been peeved at what it saw, in the wake of the rift over the Premier-SA Brews deal, as further one-upmanship by Anglo

The restructuring eliminates one of the two pyramids, but still leaves Old Mutual and the rest of the Altron minority out of the control situation

The Altron minority has Mr Venter's assurance that Altron and its subsidiaries will be the main acquisition vehicles. And his word that Anglo American has no pre-emptive right to control if ever the Venter family wishes to sell out Another palliative is that the group could derive trading benefits from being closer to Anglo

The most important aspect of the restructuring is that Altech is to hand control of Powertech, the power electronics company that recently took effective control of Asea Electric, to its holding company, Altron

Altech and Powertech, which are now almost equal in size, will be independent of each other under Altron (see diagram)

Altron, which will also be the main acquisition vehicle Industrial Corp and 10% by the public

Five listed companies are involved in the deal, which involves five major transactions

As announced, Indumeni is to have a rights issue, issuing 1 250 new shares for every 100 held at 80c

Asea holders are offered 404 Indumeni shares and five Altron shares for 66 out of every 100 shares they now have They also have the right to provide R245 of loan finance for every 100 shares held These will be converted into 228 Indumeni shares and three Altron shares This entitlement applies whether or not Asea holders accept the offer Asea holders will be able to deal in the letters.

Analysts reckon this perk is worth about 96c an Asea share on top of the share offer

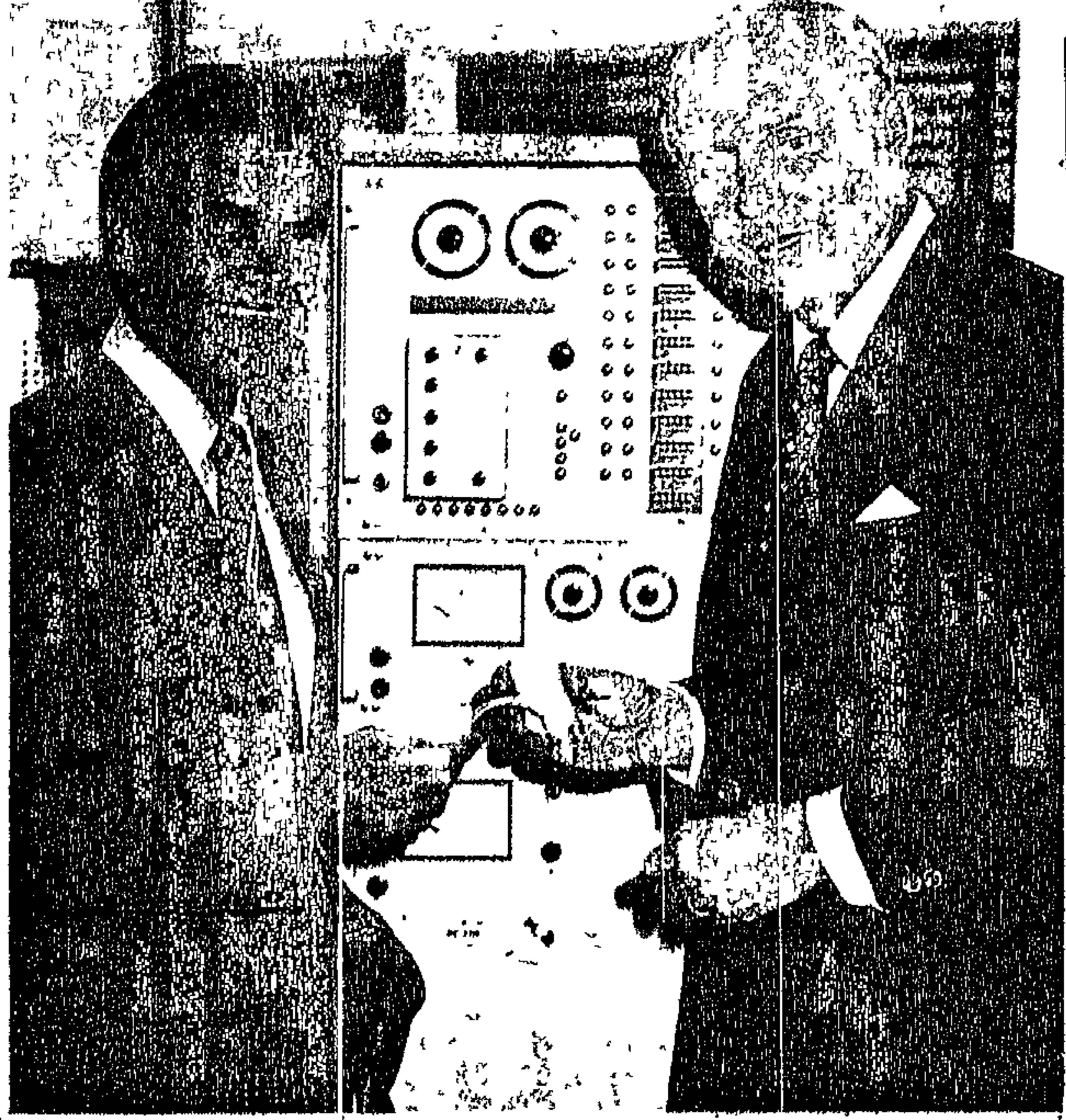
Asea will operate as in the past, but will make a more determined marketing assault, particularly in the industrial and mining sectors. It will offer new high-technology products, such as robotics

Powertech's other major income sources will be Lascon and Willard Batteries

Had this deal been clinched last year, its earnings would have benefited by 36% to 9,4c and net asset value by 59% to 54,4c

Mr Venter says dividend cover will be about 3,3, suggesting a potential dividend of 3c The current share price is nearly 18 times earnings and offers a yield of 1,8%.

The operating companies [illegible] wel but Mr Venter



The electrical partnership — Ken Maude (left), deputy chief executive of the Altech group, and Bill Venter, chief executive.

[illegible] Davu Attwood

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Management at Altech is adamant that this was contemplated from the outset, but could not be spelled out originally because of the complexity of the transactions.

Altech took Anglo American Industrial Corp's 49,6% stake in Asea and put this into the bottom of its empire in Powertech. Amic received shares in Indumeni, a new pyramid This meant that minority shareholders in Altron were no longer part of the group's control

The JSE frowns on the creation of double pyramids in new listings, but the rules do not preclude double pyramids for companies already listed. In creating a double pyramid to obtain control of Asea, Altech went against the spirit but not the letter of the rules But this was the only way Asea could be brought into the fold.

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Altech and Powertech, which are now almost equal in size, will be independent of each other under Altron (see diagram).

Altron, which will also be the main acquisition vehicle outside electronics and power electronics, will thus be transformed from a pyramid into an industrial holding company

Indumeni — to be renamed Ventron Corporation — will be the only pyramid in the group The top company will be controlled 70% by Mr Venter's family and associates, 20% by Anglo American involves five major transactions

As announced, Indumeni is to have a rights issue, issuing 1 250 new shares for every 100 held at 80c

Asea holders are offered 404 Indumeni shares and five Altron shares for 66 out of every 100 shares they now have. They also have the right to provide R245 of loan finance for every 100 shares held These will be converted into 228 Indumeni shares and three Altron shares This entitlement applies whether or not Asea holders accept the offer Asea holders will be able to deal in the letters.

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Mr Venter says dividend cover will be about 3,3, suggesting a potential dividend of 3c The current share price is nearly 18 times earnings and offers a yield of 1,8%

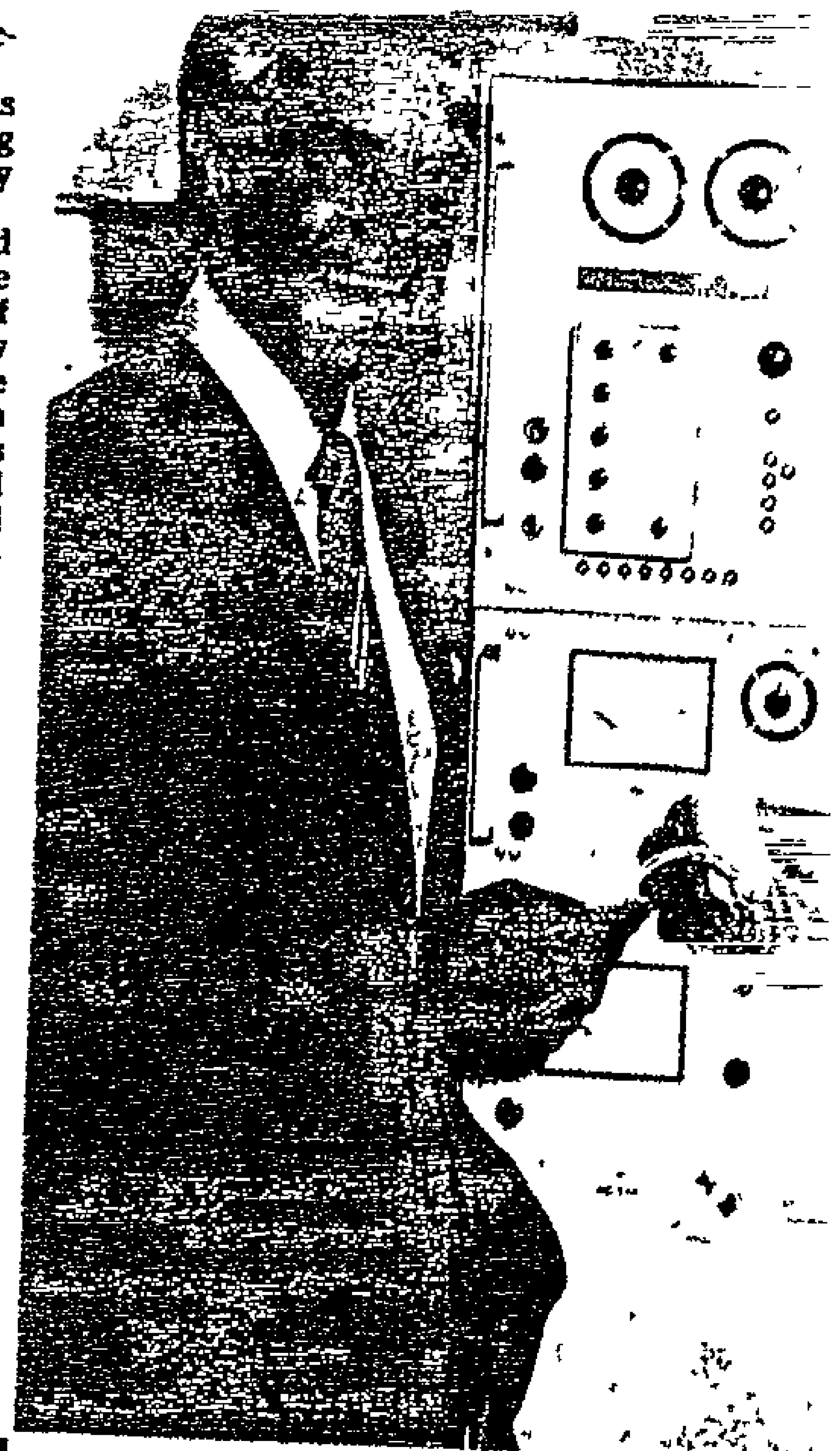
The operating companies are doing well, but Mr Venter warns that parts of Powertech are feeling the effects of the recession. Some analysts point out that power electronics is a more mature industry than electronics and say the present price is too high in relation to Altech and Altron.

To compensate Altech shareholders for their company's parting with its 63% stake in Powertech, Altech holders will be given two free shares in Powertech for every Altech they hold

In theory, stripping Powertech out of Altech, should reduce the share price, but because Altech's earnings and net asset value both benefit from the deal it is possible that the Altech share price will not fall.

In this case, the two Powertech shares will be a pure bonus to today's Altech holders. The earnings and net assets of the Altech shares they retain are hardly affected. In the meantime, taking into account the extra earnings and dividends from the additional Powertech shares, the deal enhances earnings and net assets

Had the deal taken place last year, shareholders would have received earnings on the Altech and Powertech shares equivalent to 271c instead of 262c and net assets of 980c instead of 728c.



The electrical partnership — Ken Maude (left), deputy chief executive of the Altech group, and Bill Venter, chief executive.
Picture: Dave Attwood

Altech becomes a pure electronics and telecommunications company and, as this is the area that is expected to grow fastest, its rating should improve.

In a sense, the deal makes Altron what Altech used to be and Indumeni what Altron used to be

Altron shareholders could see earnings rise 5% and assets by 66%. The current price of R25 relative to the R21,50 at suspension should appease disgruntled shareholders. Altron will probably hold any major acquisition made overseas.

According to Mr Venter, several possibilities in the US and UK are being investigated and a London listing is possible.

The listing of Indumeni (Ventron Corp) will move to the electronics sector Institutional shareholders will be able to participate in the top company as downline companies make acquisitions and Ventron finances these by issuing scrip This is what happened in Altron.

S. Tribune

JANUARY 29, 1984

Three leading ship chandlers to merge

Finance Editor 232

A SUBSTANTIAL new ship chandling enterprise will be created this week in a two-part deal which will bring together the three leading companies in the industry

As the first part of the deal, Freight Services and Imperial Cold Storage will merge their chandling operations, Sealink Marine Supplies and Mercer Bach and Hickson.

As the second part, they will acquire Norden Marine Supplies, the chandling arm of the Diroyal Group

Freight Services and ICS will each have a 50 percent shareholding in the new company, to be named Mercer Bach, Sealink and Norden Marine Supplies Limited.

The new company will have an annual turnover of R15 million and will hold some 40 percent of the South African chandling market

It will have branches at Richards Bay, Durban, Port Elizabeth, Cape Town, Saldanha Bay and Walvis Bay

Jack Wrigley, currently managing director of Sealink, will be its managing director and the other members of its top management team will be Robin Misplon, Ken Neill and Keith Morris

"Combining these companies at this stage will benefit not only their principals, but the market as a whole," said Doug Andre, the director of Freight Services management responsible for the group's ships agency and ships services operations

"Our industry has been ailing as a result of the depressed state of international shipping and also because South Africa's high rate of inflation has put us at a severe disadvantage against foreign competitors

"The substantially increased buying power of the new company will, however, enable it to negotiate better prices and so attract the increased purchase of South African supplies

"In addition, the combined resources of ICS and Freight Services will enable the new company to offer its clients products, facilities and expertise that compare favourably with the best in the world."

(232) RDM 30/11/84

MORE POWER TO POWERTECH

By PATRICK McLOUGHLIN
Investment Editor

POWERTECH will be increased in size and its potential for development enhanced as a result of a major modifications to the planned restructuring of Mr Bill Venter's Altech group, industry observers say.

"Powertech has come of age," one industry executive said. "Powertech was previously in a sense the stepchild of the group. It has grown from being an ugly duckling into something that matches Altech in terms of size and strength."

The major variation to the complex restructuring of the Altech group was announced at the weekend.

It involves shifting control of Powertech, the power electronics company that recently took effective control of Asea, to its holding company, Altron.

Altech and Powertech will be independent of each other under Altron.

Powertech will be — after it has acquired Asea and the remaining interests in Lascon Lighting — marginally bigger in sales that Altech.

No projection on earnings and sales for the current year was provided in the weekend announcement.

But if the deal had been implemented last year, Powertech's turnover would have exceeded R250m.

In the year to February 28, 1983, Powertech posted turnover of R97,6m and attributable earnings of R3,1m.

Last October, Mr Venter, in what he described as one of the most complicated deals in the history of Diagonal Street, announced the simultaneous acquisition of Asea and a complex group restructuring involving the positioning of former cash shell, Indumeni, above Altron as a double pyramid.

The five major deals in the restructuring now are:

- The Indumeni rights issue;
- The takeover of Asea, involving compulsorily convertible shareholders' loan stock which will immediately become Indumeni and Altron shares;
- Creation of a new group pyramid company, Indumeni,
- Restructuring of existing listed companies in the group, involving the de-classification of Altron as a pyramid and the separation of Powertech from Altech.

Indumeni will change its name to Ventron Corporation Limited (Ventron) and be listed under the electronics section of the JSE.

The major feature of the deal, the separation of Powertech from Altech, will enable each of the groups to concentrate on its own specialist fields.

The new structure will enable investors to buy directly into electronics and telecommunications through Altech, or into power, electrical and energy-orientated industries through Powertech.

Those wishing to invest in both areas will be able to do so through either Altron or Ventron.

An Altron director, Mr Peter Curle, says the Asea transaction is to Powertech what the STC takeover was to Altech.

Mr Bill Venter founded the Allied Electric group in 1965 after leaving STC.

He later acquired the Uniwinkels cash shell.

The latter, renamed Altech, became a major force in the electronics and telecommunications industry with the acquisition of STC in 1977.

By way of compensating Altech shareholders for their company's loss of its Powertech stake, Altech shareholders will get two free Powertech shares for every Altech they hold.

Market sources say this could in the short-term be bearish for Powertech.

They reason that some institutional and overseas shareholders in Altech who are not familiar with Powetech may offload their free Powertech shares.

Had the deal gone ahead this year, Powertech's earnings would have been up 36% to 9,4c.

With a suggested dividend cover of around 3,3 times, the potential dividend would have been 3c

At the current share price, Powertech is on an earnings multiple near 20 with a dividend yield of 1,8%.

If the bearish trend in Powertech does occur, there may be opportunities for investors to buy on weakness.

Mr Curle says the scope for acquisitions in Powertech is slightly better than with Altech This is because it is in a more mature industry with more potential for rationalisation.

Pyramid company shares on the JSE tend to trade at a small discount to the share price of the underlying listed company, in this case Altech.

This is a pecularity of the market, possibly due to a psychological factor reflecting the distance between control and the operating company, where the action is

Now that Altron becomes a holding company, this pyramid discount may not apply and the share price could rise.

"Altron will become more dynamic and be seen as the pivotal company in the group," says Mr Curle.

Offshore acquisitions offer exciting potential for the whole group Overseas earnings now comprise a small proportion of group earnings.

The group is determined to increase exports.

It has targeted the US and the UK and the extra weight of Powertech should facilitate international growth.

4 stock farmers' co-ops to combine

Pretoria Correspondent

An inter-regional agreement has been concluded between four major stock farmers' co-operatives

The co-operatives have more than 30 000 members and, a combined yearly turnover of R700 million

The agreement was reached at a meeting between Stock Owners Co-operative Ltd and Sentrabestuur, which manages the Transvaal Livestock Co-operative Ltd, Free State Livestock Co-operative Ltd and Cape Eastern Meat Co-operative Company Ltd

A statement by Sentrabestuur said that each co-operative would maintain autonomy in its own region, but would promote inter-regional co-operation, especially in the areas of stud, dairy and special sales and other matters of mutual concern.

Buying power would also be harnessed, creating a powerful marketing force

In this way the eastern half of the country would be combined, matching supply and demand for the benefit of South African farmers.

Mr Alan Lighton has been appointed deputy director of the Cape Town Chamber of Commerce

Sanlam holds 40% Protea Holdings issued shares

Cape Times 31/1/84

By PATRICK McLOUGHLIN

JOHANNESBURG. — Sanlam has acquired effective control of the R390m turnover industrial conglomerate Protea Holdings.

A spokesman for Sanlam said yesterday indications were that Sanlam had over 40 percent of Protea's 33,5m issued shares The group would consider buying other Protea shares "on merit"

He declined to say whether Sanlam would purchase Protea shares in the future

Informed sources say, however, that Sanlam has a holding closer to 45 percent and a change of absolute control in the next few months is on the cards if Sanlam continues to buy

Potential

Dr Fred du Plessis, commenting on Sanlam's stake in Protea, said. "Our attitude is that sooner or later, something will happen to Protea and it has potential We want to hold Protea shares"

In the year to June 30, Protea reported turnover of R386m (previously R402m) and earnings a share of 41,5c (66,4c)

Market talk on Protea — which has been the subject of take-over speculation for some time — was revived last week when 1,068m Proteas shares were traded

The volume represented slightly more than 12 percent of the week's total volume in non-mining shares of 8,713m, attracting brokers' attention in a relatively static market

Volume

On Monday, Protea moved up 5c to 340c on a small volume but on Tuesday the share increased a further 10c on a volume of 963 395 shares — 2,9 percent of Protea's total issued shares

The rest of the week saw Protea move up to a 12-month high on Wednesday, after a 30c price rise to 380c, while on Thursday and Friday the share price fell 5c to end the week at 370c

Aside from Tuesday, when there was a bookover of about 950 000 Protea shares by broking firm Simpson Frankel Kruger on behalf of Sanlam, volumes remained fairly low

The deputy chairman of Protea, Mr Aidan Beard, said there had been "a substantial change of shareholdings" in the group with 15,3m Protea shares — almost half the total share capital — changing hands in 1983

Buying order

He said he had known of a substantial buying order placed with Simpson Frankel for Protea shares, but he did not know if Sanlam was approaching control This was partly because Sanlam had a number of bank nominee accounts

Mr Beard said he didn't know if Sanlam had any further buying orders in the pipeline

"I assume Sanlam has decided the recovery potential in Protea is good and they are simply accumulating shares," he said

Sanlam's overwhelming shareholding means that it has secured effective control of Protea from Old Mutual, which some analysts believe to have around 20 percent of the shares

Mutual bought about nine percent in Protea from Anglo American Life early last year Protea, later in the year, issued 3m new shares at 290c each in part payment for graphic materials supplier Photra

When the Photra vendors placed them with Old Mutual for cash, a paper chase was triggered for any of the 33m Protea shares in issue after the Photra deal

Shareholder

Sanlam was the largest single shareholder in Protea 12 months ago It held no more than 12 percent of the equity in its own name, although it may have held more through nominees

The paper chase in October-November saw almost 7m Protea shares change hands prompting market speculation of a take-over bid

Sanlam is keeping

To page 13

Reunert gains 25% holding in ATC

CAPE TIMES 1/2/84

JOHANNESBURG — Reunert, the recently created electronics and engineering arm of Barlow Rand, has bought a 25 percent stake in ATC (Pty), one of the country's largest suppliers of cables for the telecommunications industry, a statement by the company said yesterday

ATC commenced manufacture of telecommunications cables in 1958 in conjunction with African Cables in Vereeniging

Shareholders

The company moved into its own premises in Brits in 1972, and has now developed into the country's leading supplier of telecommunications cables

Prior to the Reunert deal, the shareholdings in ATC were GEC 30 percent, BICC 40 percent, and STC 30 percent These three British companies have each sold a pro rata share to enable Reunert to gain a 25 percent holding

Management and staffing of ATC is unchanged, but the Reunert deal gives the company a local partner — a desirable move in view of the large volume of business that ATC does with State and quasi-State undertakings.

For Reunert, the acquisition is in line with the development of its information processing division — Reunert Information Systems (Pty) — to offer an integrated service to customers embracing the capture, processing, switching and transmission of data

Companies in the Reunert Information Systems Division include Barlowdata, Telegrama, AEI Henley and the recently-acquired Telkor

ATC board

Mr Derek Cooper, chief executive of Reunert, and Mr Colin Ferreira, managing director of Reunert Information Systems, both join the board of ATC today, the date on which the deal becomes effective

There will be no other changes to the board of ATC

Mr Logan Stewart continues as chairman of ATC, and Mr Peter Watt as managing director

Negotiations for the sale of the 25 percent stake in ATC to Reunert were handled by Hill Samuel Merchant Bank — Sapa

Sappi profit shows strong recovery

232 Cape Times 2/2/84

By JOHN MULCAHY

JOHANNESBURG. — After reporting a 4,3 percent decline in profit for the first six months of 1983, Gencor's paper and pulp producer Sappi showed a strong recovery in the second half, closing the year with attributable profit 8,6 percent ahead of 1982.

Earnings rose to 214c a share from 197c and the final dividend has been left at 61c, for an unchanged 86c total

Attributable profit rose to R66m from R60,8m and the tax charge rose to R6,97m from R162 000 There was a surplus of R5,028m on the sale of non-current assets, the major part of which related to the sale of a plantation and an investment in Singisi Forest Products (Pty)

Domestic demand

Sappi's chairman, Mr Basil Landau, said yesterday the deterioration in domestic demand for packaging paper was seriously affected by the drought and by imports

He again cited the lack of effective tariff protection and said attempts to secure realistic duty protection had been unsuccessful

"The market for fine papers remained constant, but newsprint demand dropped by about five percent

"Buoyant conditions in the building industry have caused strong demand for particleboard and for structural timber, but industrial grades of timber suffered badly from a sharply deteriorating market"

Sappi's turnover rose by 12 percent last year to R553,5m from R494,1m in 1982 and operating income was 11 percent higher at R82m (R73,9m)

Net interest paid dipped to R15,461m from R16,836m, but this has been substantially reduced by the capitalization of interest on borrowings raised for the Ngodwana project

Financing costs

Interest capitalized in this way amounted to R13,097m, leaving net interest of R2,4m, down from 1982's R2,4m There was an additional R18,9m in capitalized financing costs, arising from dividends paid on preference shares, again issued as part of the Ngodwana financing scheme

Commenting on the 1983 performance, the directors say that in spite of the declining domestic market and the effects of the recession, as well as double-digit inflation, "the erosion in operating margins has been contained"

"This was achieved from slightly higher volumes in some product categories and through continued concentration on productivity improvements and control of assets"

Sappi's managing director, Mr Eugene van As, said last night there two factors that could depress earnings in the six months to June

Price increases

The first was the delay in price increases, which were normally applied in January, and demand would probably be slack in this period.

Pre-tax profit was 25 percent ahead of 1982 — R84,7m against R67,7m — but the sharp rise in the tax charge left net income 15,1 percent up at R77,7m (R67,5m)

Minorities rose sharply to R6,4m from R4,1m, a direct result of the improvement at Carlton Paper, and dividends on preference shares more than doubled to R5,295m from R2,580m

Reviewing the year ahead the directors say economic indicators internationally and within South Africa are inconsistent and no clear trend is evident

"Although the first half of 1984 is likely to show a small reduction in attributable earnings compared to the first half of 1983, it is expected that local business conditions should improve later in the year

"The improvement in the United States and Western economies can be expected in due course to favourably affect the South African economy, and it is expected that the results for 1984 should be better than those achieved in 1983

"The company is in an excellent position to develop growing export market opportunities, particularly in the field of kraft and linerboard, which are predicted to be in short supply internationally from the end of 1984"

Mr Van As said the international paper industry was nearing the end of its depressed cycle

Fine paper had held up well, but kraft, pulp and newsprint were depressed

He said significant destocking was seen throughout last year, but "I don't think there is room for any more destocking — and in fact we could see a resurgence of restocking in the second half of this year"

Mr Van As said it would be realistic to forecast the start of the upturn in the paper industry in the second half of the year

Newsprint

The Ngodwana newsprint machine, started up on September 20, has reached 85 percent of designed speed, and Sappi expects to export 50 000 tons of newsprint this year

At full production the Ngodwana newsprint machine's output will be about 140 000 tons a year, of which about 70 000 tons will be available for export

Mr R H Clarke has been appointed to the main board of Leyland South Africa as director, product development

Metboard

CAPE TIMES 2/2/84

Tollgate increases interim to 10c

Finance Reporter

TOLLGATE HOLDINGS have increased their interim dividend to 10c from 7,5c in 1983 The interim results are due to be released in March

If Tollgate stick to their traditional 10c final, this will bring the total for the year back to the 1981 level of 20c, which at the time of its capital repayment of 270c a share in January 1981, the company forecast would be maintained

However, unsuccessful applications for fare increases in 1981 and increased competition from both legal and illegal taxis in the downturn led to a decrease in income in 1982 and 1983

Toward the end of last year Tollgate withdrew an application for fare increases when the petrol price was lowered

In 1982 Tollgate paid a 5c interim and 10c final on earnings a share of 18,6c In 1983 the interim was raised to 7,5c for a total of 17,5c on earnings of 26c

The current dividend is payable on February 29 to shareholders on register on February 17

ARGUS 2/2/84

Sappi projects may be R120-m over budget

Argus Correspondent

JOHANNESBURG — Sappi's R800-million expansion project at Ngodwana and Enstra could end up about R120-million over budget by the time final plant and equipment is commissioned in March 1985

Finance director Mr John McManus says that while the cost overrun will probably only be about 5 percent or R40-million, this will be in addition to a 10 percent escalation clause which was built into the original R800-million estimate

But this is not likely to have any real impact on group results during the period

The main reasons behind the cost overrun include the damage to drying machines (which made it necessary to fly in special equipment from Europe to rectify the problem) and unforseen price increases

SLUGGISH RECOVERY

But the setback for several months caused by damage to drying machines for the newsprint production has been more than overcome The project is now expected to be completed four months ahead of the original July 1985 completion date

The depressed state of the local paper market and the sluggish recovery in international demand have, however, affected original profit expectations At the start of the project, Sappi had budgeted for a return on capital invested of 21 percent, or a total of just under five years before the investment had paid for itself

BOTTOM LINE

Because of depressed economic conditions, says Mr McManus, this figure has now fallen to about 14,5 percent, or seven years The impact on bottom line earnings of the complex financing package structured specifically for the purchase of plant and equipment will be interesting

The leverage leasing scheme used allows substantial tax benefits after plant is commissioned Sappi also got in before the late-1981 alterations to the taxation laws, so pre-commissioning interest payments can be grossed up and offset against tax as initial and investment allowances

INTEREST CHARGE

In some instances this will produce a negative interest charge on the project's financing and bring the group's overall net interest rate to well below 10 percent

Of the total R850-million borrowed so far for the project, about R460-million has been raised for plant and equipment through the leverage lease scheme

EXPORT MARKETS

A further R150-million has been raised overseas via export credit finance, while the balance has been made up from the issue of preference shares in subsidiaries, a rights issue and internal resources

Once the project is complete Sappi aims to export some 50 000 tons of pulp a year — none is exported at present — out of total pulp production in 1986 of almost 1-million tons

Paper exports are expected to rise from 50 000 tons now to 150 000 tons, from output of just over 1-million

● Sappi earned R66-million in the 12 months ended December 31 equal to 214c a share This was an 8,6 percent increase on its 1982 earnings of R60,8-million equal to 197c a share, Sapa reports

An unchanged final dividend of 61c a share has been declared making an unchanged 86c for the year This dividend was covered 2,5 times (1982, 2,3 times) by earning Sappi issued 230 605 shares in 1983 for the acquisition of Timberboard (Pty) which now forms part of Sappi Novobord

Operating profit before interest rose 11 percent from R73,9-million to R82-million

Income was helped by a profit of R5-million (1982 R0,7-million) from the sale of assets

Interest took R2,4-million (R6,9-million), partly because interest for the Ngodwana project has been capitalised Preference dividends increased from R2,6-million to R5,3-million

W/E Argus 4/2/84

Sale of public corporations could ease State's burden

The Government could ease its serious financial situation by selling off some of the public corporations to the private sector, says Dr Rory Knight, a senior lecturer in the Department of Accounting at the University of Cape Town.

Dr Knight, who also lectures at the university's Graduate School of Business, told a Summer School session this week this would bring immediate benefits to taxpayers and greatly reduce the national debt.

He estimated that the sale of Escom, Iscor and SA Transport Services would bring the Treasury about R45 000-million.

Dr Knight said the Government should no longer be in the business of providing electricity, steel and transport services to the public

Losses

There might have been some justification for the Government to be active in these fields when the private sector was unable to provide the services or could do so only at a loss

But this was no longer the case The three organisations were profitable on a cash flow basis and there was no longer any economic reason to justify their remaining in the hands of the Government

Where there were losses it was usually the result of their making exceptionally heavy provisions for depreciation and inflation.

Supplies

He said said the public corporations tended to follow an accounting policy of making today's users pay for tomorrow's supplies.

Calculations by Dr Knight based on figures in the corporations' latest balance sheet puts Escom's total assets at current market prices at around R28-billion and net assets at R21-billion after allowing R7,0-billion for debt.

He estimates that Iscor has about R1,7-billion worth of assets and R1-billion worth of debt resulting a net worth of around R700-million

SA Transport Services is estimated to have total assets of R28-billion and debt of R5-billion giving it net assets of R23-billion.

Benefits

Selling these enterprises to the private sector would bring immediate benefits to the tax payers as the Government would have a much smaller national debt to service. He added that interest payments accounted for about 12 percent of Government expenditure

Escom reported a loss of R58-million for 1982, although its cash flow was in the vicinity of R1 700-milion

Iscor had a loss of R22-million on a cash flow of R410-million, while SA Transport Services had a profit of R95-million from a cash flow of R1 400-million.

The accounting policies of the public corporations were also attacked earlier this year by Professor Brian Kantor, professor of economics at the university

Scepticism

He said the reports of large operating losses should be treated with profound scepticism.

"The true economic facts about them have been buried under illogical 'inflation' accounting," he continued

The use of capital cost replacement principles of accounting had effectively disguised their profitability which was useful in moderating pressures for lower prices.

It enabled them to finance a growing proportion of their investments out of internal cash flows and to reduce the proportion of debt to equity.

The Financial Editor writes that the sale of some of the public corporations as called for by Dr Knight would greatly help the Government's finances

It would enable it to substantially reduce its borrowings and save hundreds of million of rands in interest payments which have to be paid out of taxes

The retention by the Government of the public corporations could possibly be justified if it could be shown that they were getting a real return on their investments out of which they were making substantial contributions to the Treasury

But seeing that they are making losses or only small profits in spite of the employment of large quantities of free capital acquired as a result of large profit ploughbacks, their efficiency would appear to be low and they would not seem to be employing their assets as profitably as they could be.

The argument that their profits are low because their prices are kept low to help the consumer is not a valid defence

It would mean that they were not charging a fair economic price for their products and services and therefore that they were misusing and squandering scarce resources.

'Major business changes coming'

(232) Star 7/2/84

By Melanie Sergeant

The next few years will see major changes in the structure of South African business Big companies will break down into smaller, more manageable cost centres, and there will be a major swing to businesses which have a leisure/service connotation

This is the view of Mr Gus Ferguson, MD of Barmark, the wholly-owned marketing subsidiary of Barclays Bank

He said at its launch yesterday that recent surveys showed that only eight percent of South African companies were truly marketing-oriented, at a time when there was a demand for a more integrated marketing approach.

A major growth area was "relationship management", a concept that had already "taken off" in the US, Mr Ferguson said

"Companies can no longer direct their organisations internally. They need to look at the universe around, which includes suppliers, consumers, and government"

Barmark was set up as a linkage between the world of academia and business people

Mr Ferguson said Barmark found a large gap in the market, and would show companies how to move from being sales-oriented to being market-oriented.

The growing entrepreneurism in South Africa, especially in the black sector, was a large target area Clients would not neccessarily be Barclays' bank clients

Mr Gordon Hewitt, adviser to the Barclays Group on competition laws, as well as acting as economics adviser to several major European and South African companies, said at the launch that companies needed to rethink their marketing approaches and would turn away from the mass market to focus on one product or service at which they excelled

"The rigid definition that once existed between banking, insurance and building societies has faded, and banks now need to find a niche where they offer a unique, specialised service, as Citibank in the US has done

"Computer companies have bowed to the superiority of IBM, and are now offering specific services and products to the marketplace which are considered to be 'insignificant' to the giant IBM."

Barmark's first client is Nissan, which it has advised on management development input

INSIDER TRADING

FM 10/2/84 232

Crackdown long overdue

Evidence points to widespread insider trading in SA, yet there have been no prosecutions to date. It is time this was changed.

By law, insider trading is taboo in SA Yet the prohibitions which exist to enforce this appear to be so many paper tigers The wave of acquisitions and mergers which began sweeping through the stock market last year provided ample opportunity for dubious practice Opportunities to make a quick buck on the basis of privileged information have not always been passed up And yet, no SA insider trader has ever been caught, let alone convicted

In terms of the Companies Act, insider trading is a criminal offence But difficulties in amassing evidence make the crime extraordinarily difficult to prove anywhere in the world In SA, however, the problem is more fundamental the law on the subject, as embodied in Section 233 of the Act, is so narrow in scope and so full of holes as to be virtually worthless as a deterrent

Section 233 defines the crime of insider trading as follows "Every director, past director, officer or person (who) has knowledge of any information concerning a transaction, or proposed transaction of the company, or the affairs of the company which, if it became publicly known, may be expected to materially affect the shares or debentures of the company and who deals in any way to his advantage, directly or indirectly, in such shares or debentures while such information has not been publicly announced on a stock exchange or in a newspaper or through the medium of radio or television, shall be guilty of an offence"

At first glance, this seems straightforward enough, if cumbersomely stated But a closer look at this particular provision of the Act makes it plain why revisionists see the law as inadequate The first and most obvious omission from Section 233 is the absence of any mention of the recipient of a tip (the "tippee") who gains advance information from inside a company and then acts on it for his own gain Legal opinion is that the tippee, acting in such circumstances, commits no offence as long as he is not the agent of the tipster The "person" mentioned in Section 233 is defined in Section 229 of the Act as one "in accordance with whose directions the directors are accustomed to act" This clearly excludes the tippee

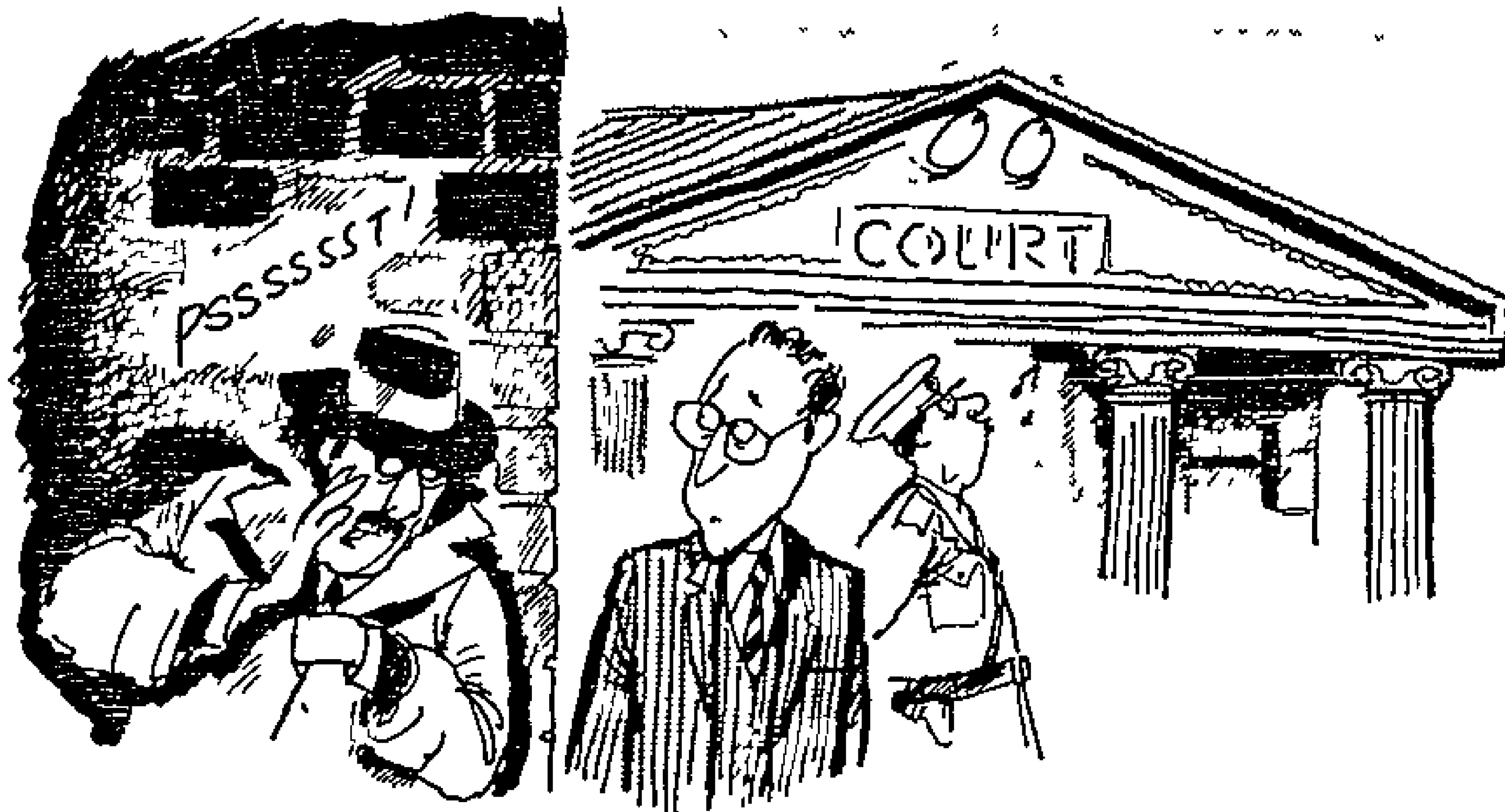
In this aspect, SA law differs markedly from that in Britain and the US There, both the tipster and the tippee could be prosecuted, whether they act in cahoots or not Britain's 1980 Companies Act gives a long list of what constitutes insider trading However, the basic precept is the knowing use of unpublished, price-sensitive information by anyone (including firms) to deal in shares, or passing it on for someone else to do so, constitutes a criminal offence Penalties range up to a maximum of two years' imprisonment, or an unlimited fine, or both

In the US, the most significant insider trading case now facing the courts is that against Paul Thayer, who resigned from his post of Deputy Secretary of Defence in the face of a Securities and Exchange Commission (SEC) investigation He is accused of helping eight others to make $1,9m by illegally passing on privileged information about three companies — LTV, Anheuser-Busch and Allied Corporation — all of which he was a director It is not suggested that Thayer traded stock himself

The US case highlights the limitations of the SA law Wits University law professor Michael Katz points to the freedom of the tippee to trade on inside information as a serious defect in the law But Katz is equally concerned about two further points which may amount to even more serious shortcomings in the legislation The first is that, in a takeover situation, the directors of the target company, even though they may be negotiating with an acquisitor, are not prevented from dealing in shares in terms of Section 233

As Katz sees it, the target company is a passive entity whose shares are simply being bought up by the acquisitor Therefore, the Act's wording — relating to those with knowledge of the "transaction or proposed transaction of the company or the affairs of the company " — does not apply to the company being taken over, only to the company which is making the acquisition

If the prospect of bands of directors legally piling into the stock market just before their companies are taken over is not sufficiently horrifying, Katz's third point gives further cause for alarm Section 233 says that once information is published in a newspaper — even a tiny country newspaper — the taint, or prohibition on trading, on this information is removed



This means there is no stipulation in the law that a reasonable period must be allowed for the information to be publicly digested before the taint of insider trading falls away. So there is the prospect, admittedly remote, of insiders dealing heavily on the market before the investing public is aware that the relevent information has in fact been published.

With all this in mind, SA's law on insider trading is clearly a bit of an ass Whether the energies of insider traders would be curtailed if the law was tightened is not certain Katz wonders "whether the laxity of the law has dictated people's commercial morality — or whether it is the other way round."

But there are practical problems in prosecuting and making convictions stick As JSE president Paul Ferguson observes, the stock exchange has only a "passive role" in investigations of insider trading It simply passes on returns on deals to the Registrar of Companies, who then has the power to pass on the evidence to the Attorney General if he feels further investigation is warranted Somewhere along the way, the system is falling down

This may stem partly from officialdom's conceivable view of insider trading as a rather esoteric, white-collar crime In addition, there are real problems in gathering evidence — and not just in SA In Britain, there have been only three prosecutions for insider trading since 1980 and all have involved only small amounts "A wink and a nudge are very difficult to prove," says a Department of Trade spokesman "We've only caught small fry so far"

Even so, the London Stock Exchange plays an important role in monitoring the market behaviour of all listed shares Says Gavin Fryer, head of the exchange's Quotations Department "If we think anything merits attention, we point it out to the Department (of Trade), which takes over investigation and decides whether to prosecute"

In the past three years in the US, the number of cases involving securities trading referred by the SEC to the Justice Department has risen from none to more than 15 Not all concerned insider trading, but the District Attorney's office in Manhattan has just secured its 11th conviction for insider dealing since 1980 Federal securities law prohibits buying or selling of shares on the basis of information available only to those who are privy to it inside the company and not to the general public In addition, company officers are required to report deals in their own company's stock

SA was one of the last Western countries to make insider trading an offence But if the country's legal system wishes to continue viewing insider trading as criminal, it is high time the lawmakers did something to plug the loopholes in the existing legislation This, in turn, might encourage the law enforcers to pull up *their* socks

The current sitting of the Standard Advisory Committee on Company Law seems a good starting point to set the ball rolling towards reform

Mercury 10/2/84 (232)

Federale buys into AFI

PRETORIA—Federale Volksbeleggings Beperk (Federale) has acquired the minority share of 17,1 percent in Acoustical Fibreglass Insulation Ltd (AFI) from Sanlam for R3 million

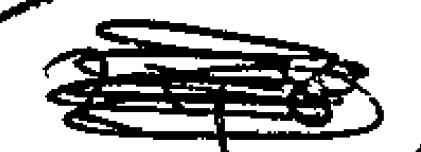
The transaction was effective from October 1, 1983, Federale's managing director, Mr Johan Moolman, announced yesterday.

Federale will issue 300 000 ordinary Federale shares at 500 cents per share in part payment of the R3-million purchase price AFI will issue new redeemable preference shares to Sanlam to make up the balance

The transaction will have no material effect on the net asset value or earnings per share of Federale, but increases Federale's stake in the supply of building materials, identified as an important growth sector by the group

AFI specialises in the manufacture and marketing of glass and rock wool insulation material, glass reinforcement material, reinforced fibre glass panels, acoustic ceiling tiles and ceramic fibres — (Sapa)

Professions face cartel probe



232 S. Times 12/2/84

By Alec Hogg and Barry Sergeant

THE lack of competition among doctors, lawyers, accountants and other professionals is being scrutinised by the Competition Board.

The board interviewed leaders of several professions this week

The interviews appear to foreshadow a thorough investigation of alleged monopolistic practices The Mouton Commission, which recommended the foundation of the Competition Board, suggested that the lack of competition in certain professions be investigated

Recently a group of doctors, who had fallen foul of the Medical Council, appealed to the Competition Board It sought further information from the relevant councils

Several professions meet the definition of a cartel They combine to regulate their fees and sometimes salaries and other costs are fixed Entry is restricted, mainly by examinations Members are not allowed to advertise their services, solicit business or claim superiority over their colleagues

Codes of conduct are drawn up by insiders who, according to free market protagonists, have their own — not the public — interest at heart Some critics argue that the ministers of health and justice should not be respectively doctors or lawyers

Professions have been under the spotlight internationally In the US, as a result of competitive reform the cost of legal advice has plummeted and the average lawyer today earns only $30 000 a year Some US lawyers will fight cases on the understanding that they be paid only if they win

Leaders of SA professional bodies plead not guilty to charges of monopoly.

The Director-General of the Department of Health and Welfare, Dr F P Retief, told Business Times "We would be worried if medical services were brought down to the level of commercial services I don't think medical services can be reduced to a commercial commodity. If they were, standards would suffer"

The president of the SA Institute of Chartered Accountants, Tim Potter, is not disturbed by the pending investigation, saying, "The fact that the practising side of the profession is controlled by a statutory body suggests that there is no particular need for an inquiry Whether the board is going to concern itself with the question of accounting firms advertising is another question"

Mr Potter rejected the allegation that articled clerks were exploited — "They earn competitive salaries"

The head of the Public Accountants and Auditors Board, Lewis Salter, claims that the only monopolistic aspect of accounting is the Companies Act requirement that all companies must be audited by a qualified CA Mr Salter denies that the need for accountants to pass the board examination and to complete articles is a barrier to entering the profession — "About 85% of those who attempt the exam eventually pass"

Professor David McQuoid-Mason, outspoken legal academic at the University of Natal, Durban, says the inquiry is not unexpected. He believes that areas likely to be investigated are the attorneys' statutory monopoly in property conveyancing, the processing of insurance claims and price-fixing for court appearances

He says "Because the professions cannot advertise, they are excluded from the Trade Practices Act Some legal practitioners have access to defined channels of reference, but the layman has no point of reference to experts on particular areas of the law because there is no advertising"

A Johannesburg attorney says the Competition Board is not the proper body for this inquiry He recommends a full-scale Government commission of inquiry

Louis van Zyl, chairman of the Association of Law Societies, says the legal profession will "stand up to any kind of scrutiny in areas of work reserved for it"

Bankorp joins forces with insurance brokers

By ALEX PETERSEN
Deputy Financial Editor

SOUTH AFRICA is leading the field in the trend of merchant bank involvement in insurance broking, which reflected the country's strongly competitive broking environment, the chairman of Reed Stenhouse and Partners, Ltd, Mr John B Devine said yesterday

Broking houses Reed Stenhouse and Hogg Robinson have combined forces with the Bankorp group to form Stenhouse Bankorp, and Mr Devine is in South Africa to meet with Bankorp partners

Stenhouse Bankorp is specializing solely in corporate accounts, and although Stenhouse have a minority holding, they are committed to providing a full range of support services

Mr Devine said that indicative of the changing nature of insurance and reinsurance was the increasing extent to which specialist brokers designed tailor-made as opposed to "off-the-shelf" policies For such packages to be acceptable to underwriters, there had to be an element of trust, along with a good track record on the brokers part

This was linked to another important change in emphasis in that clients were seeking specialist advice which allowed them to minimize and eliminate risk

To provide such expertise, internationally Stenhouse employ about 50 specialist engineers with insurance training to advise and monitor client projects

"Although big corporations insure against risks, without exception they don't want to have to make claims They prefer to try to eliminate risks, and specialist advice can help in this, and reduce premiums accordingly"

Mr Bob Harrison, the managing director of Stenhouse Bankorp, said that South Africa does have a high level of claims when compared to some other countries, but this reflected natural phenomena such as droughts and floods which inevitably affected projects such as large engineering contracts

Nevertheless, rates on large industrial risks had been "very low" because of South Africa's extremely competitive market

Low premium rates about which industry leaders have expressed increasing concern, reflected a soft market internationally, Mr Devine said

The situation had come about through sectors of the insurance industry aiming for premium volume and cash flow, but a greater realism was now returning to the market Underwriters were more cautious, and re-insurance treaties were becoming difficult to negotiate, because underwriters had "had their fingers burnt"

Also evolving with the corporate market was the nature of claims One of the fastest growing areas of claims, Mr Devine said, was that resulting from computer frauds

..., left who has taken over as director of Golden Arrow ...poration from Mr M Kaplan, ... retired as managing director ... a director of the corporation ... in a consultant capacity in ...ized financing matters.

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he did not expect significant profit improvements in the year ahead

Impala is now increasing production to match demand but the managing director, Mr Bob Bovell, declined yesterday to give the new production levels

He said Impala's production rate was only given once a year at the time of the annual results

Impala's last reported production rate was about 680 000 oz of platinum annually and it has the capacity to produce about one million ounces of platinum annually

The lift in demand for Impala's platinum came from all its customers and in every case was greater than anticipated Mr Bovell said

The principal offtake came from the automobile industry in the United States and Japan and from the jewellery trade in Japan

As a result Impala's consolidated pre-tax profit for the six months jumped 60 percent to R137,8m (1982 R86,2m)

Impala continues to refuse to publish turnover figures unlike Rustenburg Platinum which recently changed its accounting policies towards fuller disclo...ure and now gives turnover figures

Impala's tax bill soared 96 percent to R70,5m from R36,0m previously because of the higher profits and lower capital expenditure

The capex bill dropped R9,0m (R13,9m) which is lower than forecast in the annual report

Mr Bovell said the deficit in capital spending would be made up in the second half but the total capex bill would not be considerably different from the forecast figure for the year to end-June of R25m

Commodity Index	1980,3
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Palladium	$155,50

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Deposit Rates
Effective date February 1984
Link to prime with Investec Bank
Investec has added a new series of deposits which link the interest

T W Beckett raises earnings to 42,2c

CAPE TIMES 14/2/84

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Own Correspondent

JOHANNESBURG — T W Beckett pushed up its earnings 52 percent to 42,2c a share in the six months ended December from 27,7c in comparative six months of 1982

The company is controlled by Anglovaal through South Atlantic Corporation and distributes tea and coffee

Turnover rose 14 percent to R52,257m for the six months (six months to end-December 1982 — R45,802m) while profit before tax was 30 percent up at R5,533m (R4,249m)

The company said its sales mix was more profitable in the six months, while improved plant efficiencies and cost containment contributed to a recovery in margins and profitability returned to more acceptable levels

T W Beckett has taken advantage of the sharp rise in world tea prices to push its own tea selling prices up

Kick-off for R1,4bn Barlows giant

(232) S. Times 19/2/84

By David Carte

AFTER big building material and steel acquisitions recently, Barlows is to unveil a giant division in its next annual report with sales of R1 400-million and taxed profit of R50-million.

The new building materials, steel and paint division, comprising three listed companies — Federated Blaikie, Robor Industrial Holdings and Plascon — will employ 21 000 people Barlows main board director John Maree heads it.

If Mr Maree's new division were a separate company, it would rank in profit size among the top 10 in South Africa — above such blue chips as Murray & Roberts, Anglo Transvaal Industries, Safmarine and Highveld Steel.

Mr Maree says the new division is part of a drive in Barlows to avoid becoming too institutionalised and to enhance public participation

"The aim is to get the divisional operations into quoted companies We believe it's good for management to have independence and to be in the public eye"

Other new mega-divisions comprising several quoted companies in Barlows include Reunert, the electronics and engineering arm, Nampak and Metal Box, the packaging division, and CG Smith, the food and textiles arm Barlows now has 15 separately listed industrial companies

R600-m sales

After Federated Timbers is reversed into listed Blaikie Johnstone, the combined giant in building material distribution will have sales of R600-million, taxed profit of R15-million and total assets of R250-million It will have 110 outlets nationwide

Mr Maree said that Barlows paid 9,5 times fifo earnings for Blaikie Johnstone. In establishing the price for Federated Timbers at 15-million new Blaikie shares, Federated was valued on a relative value basis taking into account net assets, earnings, dividends and so on This means Federated was adjudged to be worth 60 against Blaikie's 40

The current share price is underpinned by the offer price and analysts are divided on whether it will hold after conclusion of the deal. The circular to shareholders goes out in about 10 days

Mr Maree said that although it would be by far the biggest building supplier in South Africa, Federated Blaikie would have only about 15% of the market

Mr Maree told Business Times that all jobs were secure.

"If anything, we'll be short of people and opportunities will improve"

Though it was cyclical, he believed building would be a strong long-term growth area.

"In addition, we are excited about manufacturing new products, such as doors, windows, trusses, timber-frame houses, knock-down furniture, new and veneers, and bulk and mini-bulk cement delivery"

Turnover in Robor, the steel division, comprising Wolhuter, Brollo, MRT Bartons, Almex and Monoweld, would be about R500-million, taxed profits R15-million and gross assets R265-million.

Plascon Paints, long a Barlows subsidiary and "a marvellously run company", will account for the most of the rest of turnover and profit

Celebrated

Analysts believe the company has done much to head off criticism about agglomeration by decentralising and permitting public participation in its activities. Last year's 5% earnings decline is now seen as a fine performance in trying circumstances

Watchers have also been impressed that Barlows retains its celebrated ability to transform small initial strategic acquisitions in new industries into dominance in a few years It has achieved this in packaging, sugar, food and electronics — and now building materials and steel.

Statistics point to 12 months of solid growth

Cape Times 15/2/84 (232)

Stannic posts a net income of R23,735m

By HAROLD FRIDJHON

JOHANNESBURG. — A spectacular turnaround in the net income of Stannic enabled the Standard Bank Investment Corporation (Stanbic) to achieve a 46,9 percent increase in its attributable profit for the year to December 1983.

Attributable profit rose from R82,769m to R121,582m, raising earnings from 135c a share to 188c The final dividend has been increased from 32c to 40c making a total of 55c for the year against the previous year's 44c The cover was 3,3 times against three times cover the year before

The group's operating profit before tax was R173,11m, up 33 percent on 1982 Tax, however, rose by only R5m as the tax rate declined from 34 percent to 29 percent The previous year's tax charge includes provision for a prior year's disputed tax which remains under appeal

Retained profits

Taxed income of R117,577m (R80,98m in 1982) was enhanced by R4m, the share of the retained profits of associated companies — R1,789m in 1982

While the attributable profit increased by 46,9 percent, the earnings a share were only 39,2 percent higher because of the issue of 7 672 500 shares during the year — 6,7m to effect the Donald Gordon/Liberty Life deal, with the balance going to the staff share incentive scheme

The statistics of the year point to 12 months of solid growth Shareholders' funds have increased by 21,7 percent to R628,855m with the return on shareholders' fund increasing from 16,9 percent to 20 percent

Total assets rose by 13,6 percent to R11,377 billion with current, deposit and other accounts increasing by 11,7 percent to R9,967 billion

Advances and other accounts were 20,6 percent higher at R8,527 billion

Growth rate

The commercial bank, the Standard Bank of South Africa showed a growth of only 4,5 percent last year with the net income going up from R77,603m to R81,132

The Standard Merchant Bank registered the same rate of growth to achieve a net income of R10,287m

Stannic was the spectacular performer From a loss of just under R7m in the year to December 1982, the hire-purchase and leasing bank turned in a net income of R23,735m This was achieved through increased market penetration and the writing of more profitable business Only a limited portion of Stannic's book was now being written on a fixed rate basis

No earnings have been brought into account for the additional 25 percent shareholding in Liblife Controlling Corporation (Pty) acquired with effect from July 1, 1983

Debt provisions

The managing director, Mr Henri de Villiers, said yesterday that debt provisions had been increased to cover potential losses this year The charge to profit and loss had been increased from R40m to R50m Other provisions had also been increased He considered this a prudent move in the light of prevailing conditions

The past year had been tough but the outcome was better than had been expected at last year's annual meeting when a gloomy view had been taken of conditions in banking after the abolition of the Register of Co-operation between banks

But in a competitive market the bank and its staff performed exceptionally well

The banks had been assisted by the reduction in the liquid asset requirements which the banks have to hold This released assets of between R500m and R1 billion

Outlook

The bad debt experience in the past year had not been as bad as had originally been expected but Mr de Villiers was concerned about the outlook for the current year with the economy in recession and the distress of the agricultural sector to which the group was substantially committed

During the year the changes in interest rates had squeezed margins, particularly earlier in the year when the bank had been committed to high-cost borrowing when lending rates had fallen At present costs of money were running at a high rate but the bank did not raise its lending rates to where they should be because it was not considered expedient or in the public interest

Progress was being made in strengthening the links with the United Building Society and Liberty Life Association The Standard Building Society was winding down slowly, but it would take many years before it was finally wound up

Looking at the current year, Mr de Villiers said that he would be relieved if the last year's figures were repeated

Cape Times 16/2/84

Liberty Life details terms of rights issue

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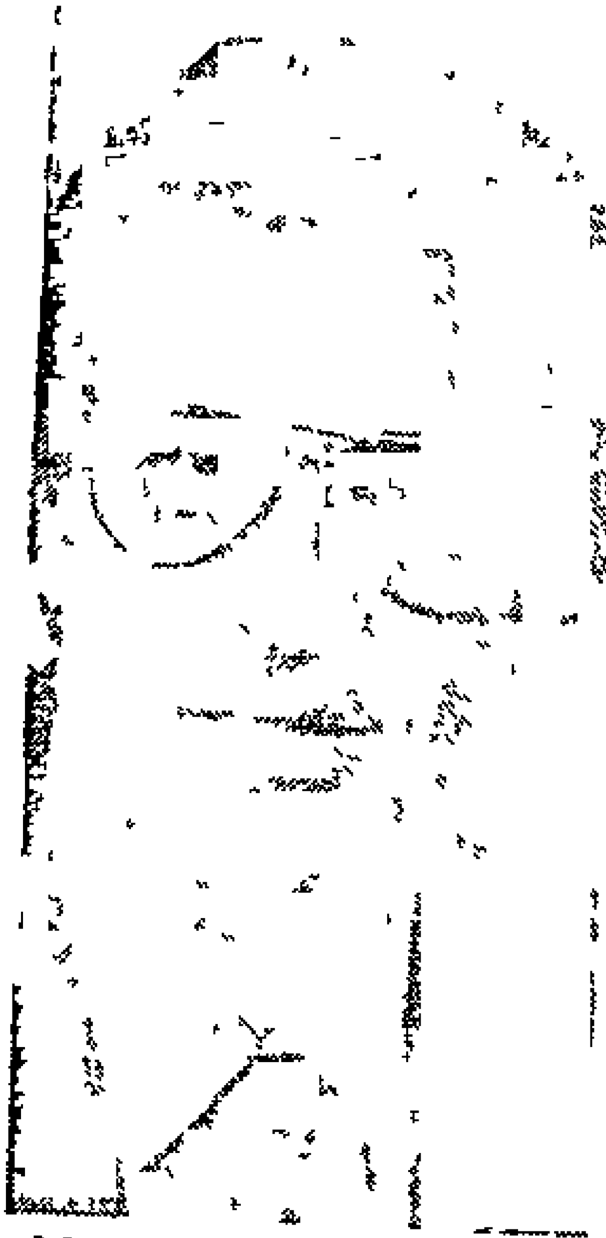

Mr J E Duncker has been promoted to manager, personal banking services, of the Heerengracht branch of The Trust Bank

Own Correspondent

JOHANNESBURG — Liberty Life Association is offering ordinary and convertible preference shareholders 25 new ordinary shares at R50 a share for every 100 ordinary or convertible preference shares held on March 2, 1984

Terms of the rights issue originally announced on February 2 were released last night

The issue involving 3 043 266 new R1 shares will raise R152,2m This will effectively increase the company's capital and reserves from R240m to R392m Liberty Holdings will not be following all its rights The major portion of the approximately 2m new shares to which it will be entitled will be placed at the issue price with institutional shareholders in South Africa and in the UK

Resources

The balance of the shares which it will take up will be financed from Liberty Holdings' own resources

This will reduce Liberty Holdings' stake in Liberty Life from 78 percent to 65 percent, assuming full conversion of the convertible prefs and not taking into account any shares which might accrue from the underwriting which is being done by Liberty Holdings and Standard Merchant Bank.

The directors of Liberty Life anticipate that the dividends which the new shares will be entitled to — those for the year ending December 1984 — "will be of the order of five percent" on the issue price, that is at a rate of 250c a share This is in line with Liberty's annual dividends which have been increasing at a rate of 20 percent a year

Mr Donald Gordon, chairman of the Liberty Life and of Liberty Holdings, said last night that there was a twofold purpose in making the issue

First, financing the vast volume of new business written had become an increasing strain When the last rights issue was made in 1980 it had been believed that this additional capital would have been sufficient to finance new business written up to 1990 Instead that target had been reached seven years sooner than had been expected

In 1980 total assets were R1,334 billion Currently total assets were in excess of R3 billion At this rate of progress they could reach R10 billion by 1990 The additional capital would put Liberty's capital base in a very strong position

The secondary reason — and this was why Liberty Holdings was not taking up all its rights — was to widen the company's register of shareholders, particularly among institutions here and abroad

Shares

Records show that Liberty's shares were very tightly held and that few shares ever came on to the market

The official announcement says the increased public participation in Liberty Life to the extent of approximately 35 percent, involving "a broad spectrum of South African and United Kingdom institutional investors is more appropriate to the status of Liberty Life as a listed company" on the Johannesburg and London stock exchanges It will also result in greater marketability in the company's shares

Ending weeks of speculation . . .

D & H gets 25,9% stake in Blue Circle

Cape Times 16/2/84 232

By JOHN MULCAHY

JOHANNESBURG. — Darling & Hodgson (D & H) has acquired a 25,9 percent interest in Blue Circle, ending several weeks of speculation on the identity of the aggressive buyer of Blue Circle shares on the Johannesburg Stock Exchange.

(D & H) paid a total of R33m for 3,9m shares bought on the market, or an average price of about 850c a share

Apart from the stake acquired through the market D & H will receive another 2m new Blue Circle shares and R4m in cash in exchange for a 30 percent interest in the D & H materials division

The 30 percent stake in the D & H materials division has been valued at R21m for the purposes of the deal, which is effective from last December 31

The deal has significant synergistic advantages for Blue Circle and for D & H

For Blue Circle, the stake in D & H materials division, which has already shown substantial growth and is involved in a major development programme, gives it strategic muscle to compete with the two other cement majors, Pretoria Portland Cement, and Anglo-Alpha

Mr John Hodgson, D & H's executive chairman, said yesterday the group had pinpointed an investment in a cement producer as part of its long-term strategy

He would not discuss the negotiations prior to the Blue Circle deal, but said "we have reviewed all possibilities"

It took D & H about a week to acquire the 3,9m shares on the market, a period of activity which had the market guessing as to the likely buyer, and which led to speculation that Blue Circle Industries of the UK might be selling control

After categorical denials from Blue Circle Industries several other options were mooted, but D & H was never mentioned as a likely buyer, which is a tribute to the security attached to the deal

Mr Hodgson stressed that the purchase of the Blue Circle shares had been done with the full knowledge and blessing of the boards of Blue Circle Industries and of Blue Circle

He said the deal was one the best D & H had done, as the materials division needed the cement relationship, while for Blue Circle, after being probably the weakest of the three major cement producers, was now at least equal to the other two

Standard Merchant Bank said in an announcement yesterday that the transaction would provide Blue Circle with an entry into the construction materials field, giving it a wider spread of related activities

"D & H will gain a stake in the cement industry which is closely allied to its construction and ready mixed concrete operations The association will enable both parties to rationalize and develop their existing interests"

Mr Hodgson and Mr Brian Malcomson will join the Blue Circle board, while Mr Trevor Coulson and Mr A P Albertyn have been invited to join the board of D & H Materials (Pty)

D & H's accounting policies will be changed to reflect Blue Circle as an associate

Earnings

While there is likely to be a drop in D & H's earnings a share for this year — to 125c a share from 135c — as a result of the Blue Circle transaction, Mr Hodgson said that a year from now the acquisition would have a major impact on D & H's earnings

Comment: D & H has well and truly shrugged off the effects of the Amardah venture and of the ill-fated engineering division, and 1983 will be seen as one of the most constructive years in the group's development.

It is with good reason that Mr Hodgson is excited with this deal, and while it is impossible to compare its effects with those of the Group Five acquisition, the two combined have put D & H into an extremely powerful position for the future

Benefits

For Blue Circle, the strategic benefits are probably greater than for D & H, as the latter's markets are closely linked to those of Blue Circle

D & H is confident of outperforming Anglo-Alpha's Hippo Quarries, and this is only one area of potential benefit to Blue Circle

Another major area of rationalization could be in the ready-mix concrete industry, where D & H is immensely powerful

All in all, a good deal, and D & H can be complimented for the advantage it has taken of the recession, both in rearranging the construction interests and in securing the Blue Circle stake

Business Day

HLH takes first step on acquisition road

RDM 17/2/84 (232)

By PATRICK McLOUGHLIN

FLUSH with cash, Hunt Leuchars & Hepburn yesterday took the first step on the road to aggressive organic and acquisitive growth with the announcement of details of its new pyramid company.

HLH will recommend to shareholders that a pyramid holding company called Huntcor be created through a scheme of arrangement.

Subject to Johannesburg Stock Exchange approval, the Huntcor shares will be listed at the end of April. Documents giving details of the scheme will be mailed to HLH shareholders in March.

HLH, which announced in January it intended forming a pyramid company, was recently in the news when it sold Wolsteel and W F Johnstone to Barlow Rand for R96,2m.

Wolsteel, the steel merchanting wing of Wolhuter Steel, was sold to Barlows' subsidiary, Robor Industrial Holdings, for R50m.

W F Johnstone, which has 84% of the building materials group, Blaikie-Johnstone, went to Barlows for R46,2m.

Pyramid companies are traditionally formed as a protection against takeover raids.

HLH's main consideration, however, seems to be to provide a base for expansion, while the pyramid will also serve to protect the Hancock and Hepburn family interests.

A statement from HLH said Huntcor had been created to provide a group capital structure to facilitate development of the company's interests and operations.

It would also boost the marketability of HLH's shares on the JSE.

"This is now proposed in a manner which will retain the control of HLH in the hands of its existing controlling shareholders on a formalised and secure basis," the statement said.

The mechanics of the deal mean all HLH shareholders will be allotted shares in the pyramid, which will in turn hold 66,7% of HLH.

Huntcor will be created by a capitalisation issue by HLH to Huntcor of two new HLH shares for each existing HLH.

Each HLH shareholder will then be allotted and issued one Huntcor share for each HLH share.

Shareholders with 100 existing HLH shares on the deal's effective date of April 30 will then hold 100 HLH shares and 100 Huntcor shares.

Based on a market price for existing HLH shares of 900c a share it is expected that after the deal HLH and Huntcor shares will have respective market prices of 300c and 600c.

HLH had a net asset value of 716c a share on August 31 last year. Had the scheme been effective on that date, the NAV would have stood at 239c and that of Huntcor — which will have as its only investment its 66,7% HLH stake — would have been 477c.

After the sales to Barlow Rand, the group said it had initially aimed at earning 110c a share for the year to August 31, 1984 — representing a 15% increase. Dividends were projected at 52c.

A spokesman for HLH said that after the formation of Huntcor, and based on published forecasts, shareholders could — assuming the scheme had been effective for a full financial year — have expected Huntcor earnings of 73,3c and dividends of 34,67c.

Their holdings in HLH would have netted them, under the same circumstances, earnings of 36,7c and dividends of 17,33c.

HLH's interim dividend is likely to be about 5,3c for the six months to February 28. Shareholders can expect a maiden interim of at least 10,67c a share from Huntcor.

Huntcor's policy will be to pay out all income through dividends.

COMMENT: HLH is still consolidating its position after the sale of its divisions to Barlows and no fireworks in the way of acquisitions can be expected this year.

HLH, after paying certain debts — which has taken the debt:equity ratio down from 70% to about 5% — still has a significant portion of the R96m left.

IFM DEAL REVAMPED

By MIKE JENSEN

THE complex deal by which National Bolts and the IFM Group were acquired by Form-Scaff (Pty) has been changed because of a loss by IFM for the six months to December.

While the restructuring of National Bolts has not been altered the terms have been changed and IFM, instead of a value of R13,5m being placed on it, has been revalued at R12m.

According to a statement from Hill Samuel, which is putting the deal together, original warranties concerning IFM cannot be discharged and the first agreement has been cancelled.

It has been replaced by another which takes account of IFM's estimated R1,5m loss for the six months. Form-Scaff now has a 65% share in IFM instead of 52,5%.

A new name for IFM has been proposed — Form-Scaff Industries Ltd. This is subject to approval by the Johannesburg Stock Exchange and shareholders.

Once the transaction is completed National Bolts will be one of the largest fastener manufacturers in the world with sights set on the European and US markets. It is consolidating the operations of the two companies to produce a more streamlined and competitive operation.

During the past five years Form-Scaff has diversified its scaffolding. It now has wide-ranging local and international interests in plastics, engineering, property, construction and formwork.

To produce a profit from two major fastener companies — which have been suffering losses of late — will be a challenge. Form-Scaff's managing director, Mr Jeffrey Liebesman, is confident the merged group "is incomparably stronger in terms of productivity, efficiency and potential for profitability".

Last year National Bolts turned in an attributable loss of R1,6m against the previous year's profit of R600 000. While few details are available it is thought the company's decline was a result of stiff competition in a decreasing market.

Yesterday it was disclosed that IFM had a pre-tax loss of about R1,5m for the six months to December.

Form-Scaff's studies of the fastener industry indicate that it is suffering from "serious overcapacity" after the entry of R20m worth of capital equipment since 1980. It became apparent that the industry could be restored to health only by rationalising certain manufacturing facilities.

Having acquired control of National Bolts, Form-Scaff believed that by gaining control of IFM — whose facilities dovetail with those of National Bolts — a merged operation would optimise production.

The rationalisation does not require closure of any of the three factories but the phasing out of less-efficient processes. It also includes substantial lay-offs.

After planned cut-backs in overheads, increased manufacturing efficiency and greater buying power, National Bolts expects "to look more aggressively and competitively at the export market".

Mr Liebesman said: "The attractive export concessions . . .indicate that the new fastener group will be extremely competitive on a price basis anywhere in the world against manufacturers even in South East Asia."

Argus 17/2/80

Tollgate expanding into private repair market

The President of the Cape Chamber of Industries, Mr Chris Newton, seated in front of the giant R200 000 spray-painting booth commissioned in Epping this week while Mr John Boughey, managing director of Multimech, explains its purpose. The booth, which combines an industrial oven, is large enough to hold a bus or lorry and has been imported from Italy. The cost includes complicated concrete foundations

TOLLGATE is making use of the City Tramways repair and maintenance facilities in Epping to provide a service for other firms and organisations

It started a subsidiary, Multimech, 18 months ago to carry out engine and body-work repairs for other firms and organisations

Mr John Boughey, managing director of Multimech, said this week "We are able to handle virtually all aspects of automotive engineering and body repairing"

He was speaking at a ceremony to commission a new R200 000 spray painting booth and industrial oven large enough to hold a bus or lorry, which has been imported from Italy.

Guests included representatives of the Defence Force and the Cape Town City Council, which are among Multimech's customers

The 15 metre-long booth, with doors 5 metres high, was formally switched on by the President of the Cape Chamber of Industries, Mr Chris Newton

He said that, in the face of constantly increasing costs, the reconditioning of commercial vehicles and other capital equipment was an important growth industry, especially in the Western Cape

Mr Newton stressed the need for more industry and investment in the Western Cape and praised the work already being done by Wesgro to attract it

But he warned of the danger of leaving this task entirely to Wesgro It was essential that the whole community should be involved.

Mr Boughey said in his opening speech that Multimech had gained valuable experience as Atlantis Diesel Engine warranty engine rebuilders for the Cape "which will help us to keep in the forefront of ADE engine reconditioning once these engines require it

"Being authorised workshops for Bosch and Lucas both as regards auto-electrical and fuel injection equipment has further advanced our capability

"We are actively looking for authorised workshop status from other manufacturers"

He said the spray booth/oven would enable spray painting to be carried out in all weathers and would avoid the loss of working time in winter while waiting for the temperature to rise sufficiently in the mornings.

The R200 000 spent on it included the cost of complicated concrete foundations

HLH announces details of pyramid — Huntcor

Cape Times 17/2/84 (236)

By PATRICK McLOUGHLIN

JOHANNESBURG. — Flush with cash, Hunt Leuchars & Hepburn (HLH) yesterday took the first step on the road to aggressive organic and acquisitive growth with the announcement of details of its new pyramid company.

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HLH, which announced that it intended forming a pyramid company in January, was recently in the news when it sold Wolsteel and W F Johnstone to Barlow Rand for a total of R96,2m

Wolsteel, the steel merchanting wing of Wolhuter Steel, was sold to Robor Industrial Holdings for R50m and W F Johnstone, which has 84 percent of building materials group Blaikie-Johnstone, went to Barlows for R46,2m

Pyramid companies are traditionally formed as a protection against take-over raids

But in HLH's case the main consideration seems to be to provide a base for expansion when the time is ripe, while also serving to protect the Hancock and Hepburn family interests

According to a statement from HLH, the creation of Huntcor arose from the wish to provide a group capital structure which would facilitate the future development of the interests and operations of HLH

Another important factor was to boost the marketability of HLH's shares on the JSE

"This is now proposed in a manner which will retain the control of HLH in the hands of its existing controlling shareholders on a formalized and secure basis," the statement said

The mechanics of the deal will mean that all HLH sharesholders will be allotted shares in the pyramid, which will in turn hold 66,7 percent of HLH

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The group says that based on a market price for existing HLH shares of 900c a share it is expected that after the deal HLH shares and the Huntcor shares will have respective market prices of 300c and 600c

HLH chairman, Mr Chris Perry, said the group had been keen for some time to create a capital structure which would facilitate future development

"The formation of the pyramid had been under consideration for some months and the timing was now considered oppportune

"The new capital structure will allow us to continue to develop HLH's interests At the moment we have no major developments in mind which would require the issue of HLH or Huntcor shares, but we feel it important to create the necessary framework."

Asset value

HLH had a net asset value of 716c a share on August 31 last year Had the scheme been effective on that date, the NAV would have stood at 239c, while the NAV of Huntcor — which will have as its only investment its 66,7 percent HLH stake — would have measured 477c

After the Barlow Rand sales, the group said it initially aimed at earning 110c a share for the year to August 31, 1984, representing a 15 percent increase Dividends were projected at 52c

A spokesman for HLH said that after the formation of Huntcor and based on published forecasts, shareholders could — assuming the scheme had been effective for a full financial year — have expected Huntcor earnings of 73,3c and dividends of 34,67c Their holdings in HLH would have netted them, under the same circumstances, earnings of 36,7c and dividends of 17,33c

HLH's interim dividend is likely to be about 5,3c for the six months to February 28 Shareholders can expect a maiden interim of at least 10,67c a share from Huntcor

Huntcor's policy, as in the way of most pyramids, will be to pay out all income through dividends

Strategy

Mr Perry, further explaining the strategy behind Huntcor, said HLH was "always looking" for new companies Huntcor was the first step towards expansion within the designated areas These comprised the areas of operations of the remaining two divisions after the Barlow sale — timber and steel processing

Comment HLH is still consolidating its position after the sale of its divisions to Barlows and, aside from the new pyrmaid, no fireworks in the way of acquisitions can be expected this year

But with its structure now right, the following year could very well be exciting

Call rates

HLH, after having paid certain debts — which has taken the debt equity ratio down from 70 percent to about five percent — still has a significant portion of the R96m left With good money being earned on call rates, the company is obviously in no hurry for acquisitions

But there are a number of companies which HLH has its eyes on — nearly all private — as well as possible further acquisitions of timber acreage

At its current price, HLH could very well prove to become one of the growth stocks of 1985

Less-than-amicable parting likely after 10 years

Triomf and AECI seek swift divorce

By JOHN MULCAHY RDM 20/2/84 (232)

DISCUSSIONS will probably be finalised this week for the effective divorce of long-time partners AECI and Triomf Fertilizer Investments.

The two are looking for a way to cancel their partnership agreement in Triomf Fertilizer (Pty).

AECI holds a 49% stake in the unlisted Triomf Fertilizer (Pty), with the other 51% held by Triomf Fertilizer Investments

In yet another manifestation of the turmoil that has plagued the South African chemical industry over the past year or two, chemical giant AECI and Dr Louis Luyt are parting on what are believed to be less-than-amicable terms

The fertilizer market has been dealt a double blow of two successive years of devastating drought and new production capacity that has taken supply to well over likely demand this year.

Triomf will today present the broad details of its intentions to the Johannesburg Stock Exchange but a Triomf spokesman said last night he could not disclose the mechanics of the proposals until the talks with AECI were finalised

He said Triomf Fertilizer Investments' shareholders could expect a considerable rise in the intrinsic value of their investments and "the profit potential (after the split) will be remarkable"

Among other things, Triomf's short-term liabilities would be about halved, according to the spokesman, and the effect on long-term liabilities would be irrelevant

Although the picture will be clarified once fuller details are released later this week, it seems the 10-year old merger agreement between AECI and Triomf will be relinquished

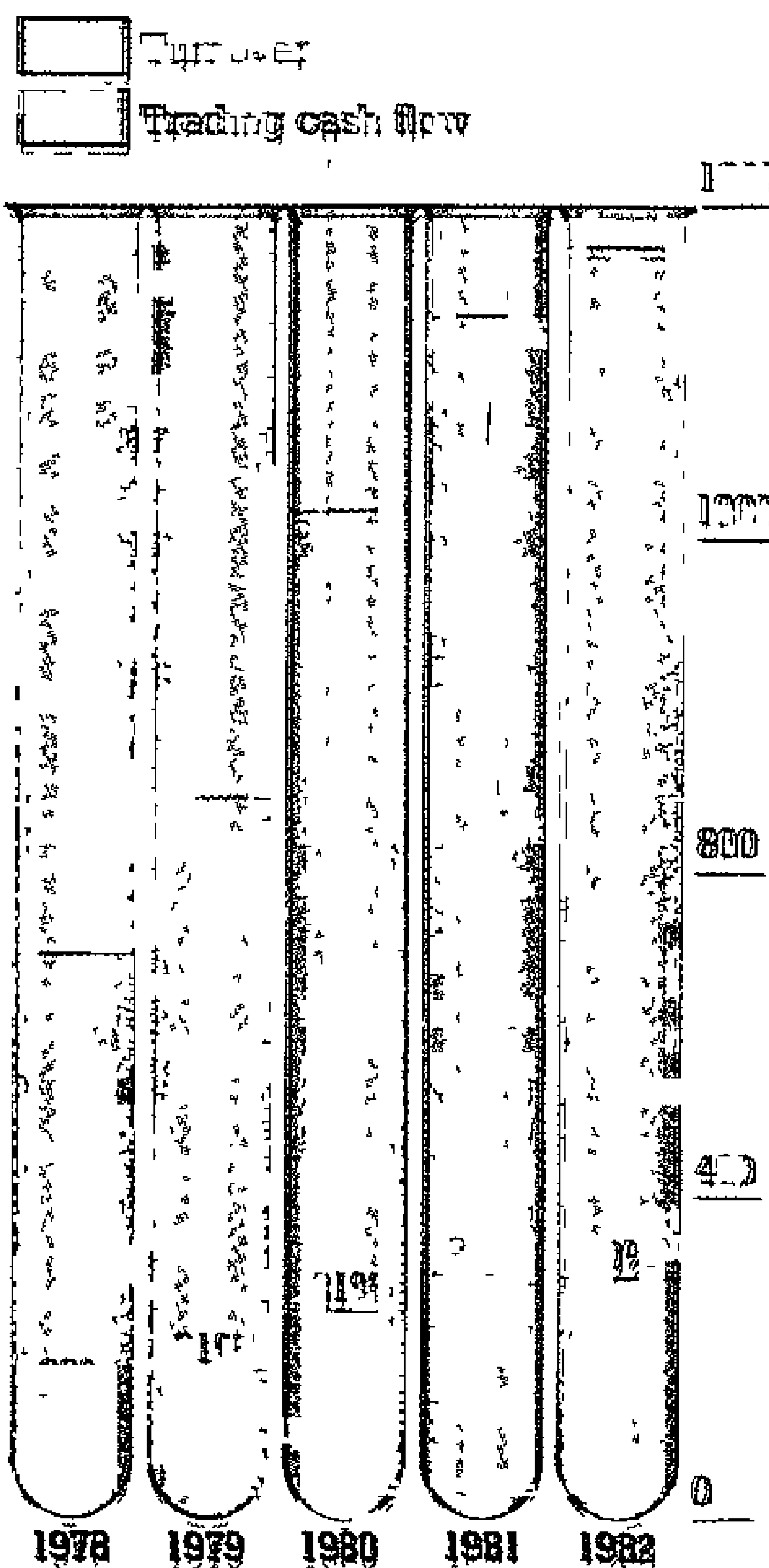
This could involve a take-over by either AECI or Triomf of the other party's stake in Triomf's operating company, but a more likely scenario is a split down the middle, with each side taking what belongs to it

Such a split could entail reverting to the original merger agreement, when Triomf contributed the Potchefstroom factory and AECI the plants at Somerset West and Chloorkop The Richards Bay factory came after the merger and will complicate negotiations.

While at this stage the precise reasons for the parting are not clear, the writing has been on the wall at least since September when Triomf took AECI and Sasol to court over supply agreements

The presiding judge, Mr Justice Gert Coetzee, made the observation that one of the parties in

Turnover and trading cash flow (R millions)



AECI is again in the news, this time involving discussions with Triomf to end their merger agreement Later this week AECI will announce its preliminary results for 1983, with turnover and profit likely to be somewhat lower than 1982

the AECI/Triomf marriage had committed an act of immorality (*ontug*), and it has been patent from that time that divorce proceedings were inevitable

Unconfirmed reports circulating last week suggested that Dr Luyt was a keen seller of the fertilizer interests, but that the price he was looking for was well in excess of what AECI was prepared to pay

This is speculation and the facts of the matter now are that Triomf will be in a float-alone situation, which must have positive implications, as indicated by the submission to be made to the JSE this morning, but the negative implications are possibly more significant

The financial muscle that AECI brought to the partnership has always added points to Triomf's rating as a borrower, and its bankers might be a little more circumspect about the heavy borrowings after the group achieves independence.

At the last published balance sheet date, December 31, 1982, Triomf did not consolidate the operating company and its interim income statement to June 1983 also failed to reflect Triomf Fertilizer (Pty) results

But, according to AECI's interim results, published in August, its share of the loss in Triomf Fertilizer (Pty) was R5,1m, which suggests the company lost about R10,5m for the six months to June

If anything, the fertilizer market deteriorated in the second half of 1983, and the company must have lost at least R20m for the full year

On the plus side, Triomf's submission with regard to future earnings is unequivocal, and there will be obvious benefits in the split with AECI, in that Triomf will no longer be tied to one raw material supplier

And in the absence of import controls, it is at least a possibility that Triomf will start importing product

The looming split between AECI and Triomf is only one more chapter in the increasingly depressing chemical industry saga

In other developments in recent months, Sentrachem sold its 40% stake in the huge Coalplex PVC plant to AECI for R60m, while negotiations now taking place will lead to the carve-up of chemical maverick Mr Oliver Hill's Hanhill Industries

Mr Hill's problems were also founded in the extremely depressed fertilizer industry, and one result of the liquidity problems faced by his group will be the probable sale of the potentially lucrative National Explosives

AECI made an offer of R20m for National Explosives several weeks ago, but the deal was blocked by the Competition Board, and Sasol is now widely tipped to be the main bidder for the explosives producer

Meanwhile, the trimmed down Triomf Fertilizer Investments expects to make handsome returns this year, but it will have its work cut out in what is building up to be an even more difficult year for fertilizers than 1983 or 1982

Abercom aims to keep Hanhill group intact when it gains control

By Peter Farley

Abercom seems set to acquire control of Hanhill Industries, if negotiations currently taking place come to fruition.

The two companies say merely that Abercom has been granted an option to buy and that a further announcement would be made shortly.

Hanhill MD Mr Oliver Hill says, however, that an important aspect of the deal, should it go through, will be to keep the Hanhill group intact and not involve the splitting away of associate company National Explosives (Natex)

Natex is currently 25 percent-owned by Hanhill, with the balance held by National Process Industries (NPI), a company jointly owned by Mr Hill and Hanhill Chairman Mr John Hahn

PLOUGHED BACK

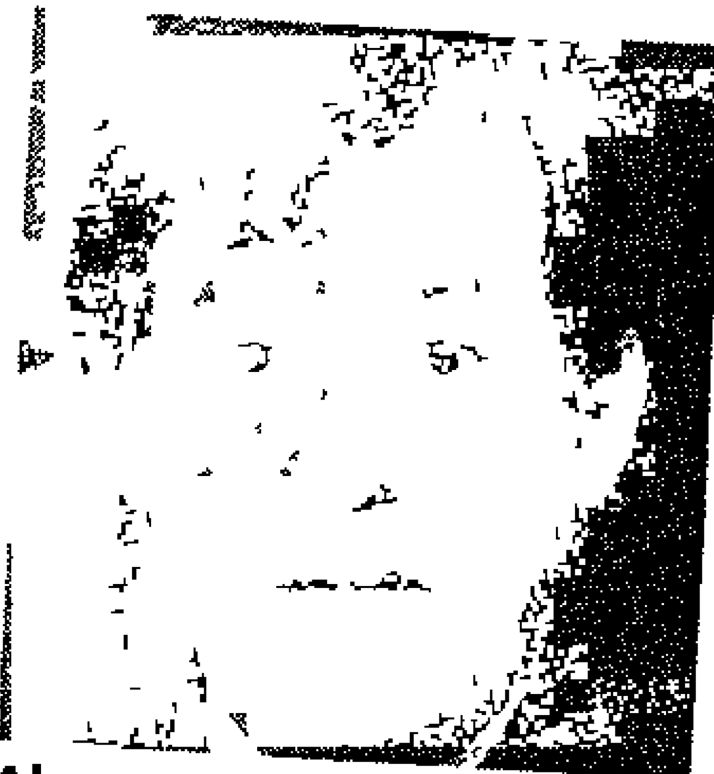
A pre-condition of Abercom accepting the deal is the inclusion of Natex as a wholly owned subsidiary of Hanhill. This would presumably be achieved by the combination of a cash payment and the issue of more shares to Mr Hill and Mr Hahn.

Then a further issue of Hanhill shares to Abercom and the sale by NPI of a substantial part of its Hanhill stake to Abercom for cash are likely.

Some of this will no doubt be ploughed back to reduce gearing It is understood that NPI will retain a minority interest in Hanhill

NPI is currently the major shareholder in Hanhill, with a stake of about 65 percent Clearly both these two will benefit should the deal go through.

At the current 80c Hanhill is valued by the market at around R28 million A deal whereby Natex would be sold to AECI for R20 million was blocked a couple of weeks ago be the Competitions Board



Abercom MD Mr Peter Herbert...contemplating taking control of troubled chemical and fertiliser group Hanhill

No such decision is likely should Abercom take control of Hanhill. But the motives behind Abercom's interest are rather cloudy

Abercom had a disastrous year in the 12 months to last June 30, with attributable profit down to R2,4 million from R8,3 million in 1982. Interim figures for the six months just passed are due out tomorrow.

Hanhill is also having a difficult time.

The bulk of its business is derived from fertilizers, a sector hit by the double blow of the drought and chronic oversupply.

The company's foray into the explosives field has also not lived up to the early promises, despite the Government breaking down the exclusive contract on explosives supply between AECI and the Chamber of Mines

Hanhill also has extensive debt, the bulk of which is in the higher-priced, short-term area, which will easily absorb any price paid for the company The total is thought to be about R30 million.

Abercom is more comfortably geared, with borrowings around 35 percent of shareholders' funds, but its exposure in the heavy engineering, motor and metal products fields means that earnings growth should continue fairly flat.

But there is really no Abercome division into which Hanhill would dovetail. It also seems a strange time for Abercom to diversify, given the rationalisation last year of several loss-making operations.

BEST INTERESTS

Assuming that the deal goes ahead, the intention will be to retain Hanhill's listing, and although a stand-by offer will be made to minorities it is not expected that this will be accepted.

Mr Hill says he expects the deal to be concluded, with final details to be announced shortly.

He says that although several other companies were interested in Hanhill the Abercom offer is in the best interests of all parties, particularly as it retains the existing group structure

The purchase by Abercom will probably be an attractive proposition to Hanhill's bankers, as it is understood that some concern was recently expressed about the fertilizer company's soaring debt position.

The recent strengthening of Sanlam's stake in Abercom — to more than 40 percent — will no doubt provide added financial security

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NP attacks NRP

Political Staff

HOUSE OF ASSEMBLY — The NP yesterday fired the first salvoes in its predicted bid to put an end to the NRP, reeling after its defeat at the hands of the PFP in the Pinetown by-election

The shots that signalled the end of the honeymoon between the two parties — which started with NRP endorsement of the NP's "yes" campaign in the referendum — were ironically fired in the House by a former United Party MPC, Mr Kent Durr, MP for Maitland

Mr Durr said the NRP "inescapably will have to make a choice, and the time for it is now, as they will not be able to escape the truth much longer"

He said there was no excuse for the NRP failure in Pinetown The party had had a strong candidate and the organization established from the referendum

The NRP couldn't continue to "obfuscate the political scene"

Ignoring the direction of the attack, the Natal NRP leader, Mr Ron Miller, slammed the "campaign of disinformation" waged by the press during the by-election

"If there is no future for the philosophy of this party, then there is no future for peace and stability in South Africa,' he said

One thing that could not be said about the NRP, he added, was that "we have run away from the realities of South Africa"

And, he said, addressing himself to his "colleagues in the NP" the NRP "will not deviate from its accepted policy"

The NRP he maintained "will walk hand-in-hand with the NP whenever it is in the interests of South Africa"

The attack on the NRP from the NP was predicted by NP MP's towards the end of last week following the dismal showing of the NRP both in terms of organization and result in the Pinetown by-election

Hulley: Sell off large State corporations

Political Correspondent

HOUSE OF ASSEMBLY — An Opposition MP appealed to the government yesterday to sell off large State corporations to help pay for the huge costs of the new constitutional arrangement

Mr Roger Hulley (PFP Constantia) estimated that the cost of the new deal could amount to R1 000-million

He said during the mini-budget debate that this money, and funds for schools, housing and defence, would otherwise have to be raised through higher taxation, higher tariffs or loans

These were all undesirable methods of financing, particularly as South Africans were becoming one of the most heavily-taxed communities in the world

'Ripe for privatization'

Pointing to the success of selling Sasol shares to the public, Mr Hulley suggested that other State corporations ripe for privatization included Escom, SA Transport Services, Iscor, Posts and Telecommunications and the Industrial Development Corporation

He said the State could retain control by selling only 49 percent of these organizations to the private sector This would still raise a minimum of R16 500-million in equity capital which did not carry an interest burden

It would also provide a new outlet for investment funds, flowing in at about R10-million a day, which were being used to swallow up small companies and sent stock exchange prices to artificial levels

Mr Hulley criticized the Prime Minister, Mr P W Botha, for telling Parliament this month that the costs of the new dispensation could not be determined

"If a managing director told his board he was embarking on a massive expansion programme but could not say what the costs involved would be, he would not be managing director for very long"

Mr Hulley said the costs of the new deal would not be the provision of new chambers and facilities for coloured and Indian representatives, but the vast "own affairs" bureaucracies they would need, and the cost of establishing new coloured and Indian municipalities

"There is talk that we will have to look at new sources of finances, like a turnover tax Money will have to flow in from outside to make the system viable It is an extremely alarming prospect"

The government was pressing ahead with a scheme for ethnic government in spite of the fact that the failure of ethnic government in SWA/Namibia threatened to bankrupt that territory

"It seems there is no end to this government's preparedness to pour vast amounts of the nation's treasure into the apartheid dream nor to what it is prepared to sacrifice on the altar of colour politics' he said

Durr rebukes PFP over removals

Political Correspondent

HOUSE OF ASSEMBLY — A Nationalist MP yesterday rebuked Opposition members for their "moral indignation" over forced removals

Mr Kent Durr (NP Maitland) pointed to large-scale removals elsewhere in the world

He was responding during the mini-budget debate to Mr Brian Goodall (PFP Edenvale), who had said earlier:

"It is still government policy to move people to satisfy the designs of grand apartheid. This is as hurtful to people as anything else"

Mr Durr said Mr Goodall was full of moral indignation on the issue

"In Nigeria two million people have been summarily ejected from their country," he said

Switzerland, a so-called civilized country, had sent hundreds of Italian nationals home during the recent recession

Mr Durr told the PFP that South Africa was a "miracle country" and they should be proud of its achievements

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Business

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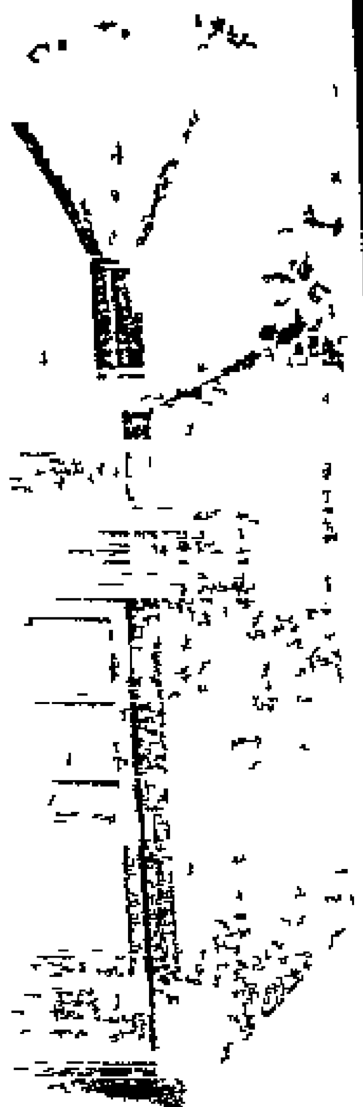

TEJ buys Mondi Knitwear

Financial Reporter

CAPE TOWN — Towles, Edgar Jacobs, the Cape Town knitwear manufacturer which last paid a dividend in 1974, has taken over of one of the country's premier knitwear manufacturers

The deal of approximately R600 000 for Mondi Knitwear, also of Cape Town, gives TEJ a significant share of the country's top-end fashion market

Mondi is a leading producer of knitwear fashion co-ordinates and the factory has grown from two machines in 1970 to a plant employing 200 It has strong links with a West German manufacturer, Mondi Textile, which was formed in 1967 by Mr Herwig Zahm and has rapidly grown into a major clothing exporter.

TEJ's announced yesterday the group would have the right to make and market in SA the ranges of Mondi International, London, Paris and New York

Mr Zahm has strong ties with SA and in the early 60s established Vienna Knitwear which became a sector leader It was sold in 1965 to I L Back

Mondi Knitwear was formed by Mr Carl von Thelemann after the granting of the Mondi franchise by the German company

Mondi Knitwear supplies fashion and department stores but not major chains The company has an excellent profit record producing steadily-increasing earnings even during recessions Profits are now at record levels

The purchase price will hinge partly on Mondi's results for the year ending April

TEJ has been looking for a suitable acquisition to expand its base

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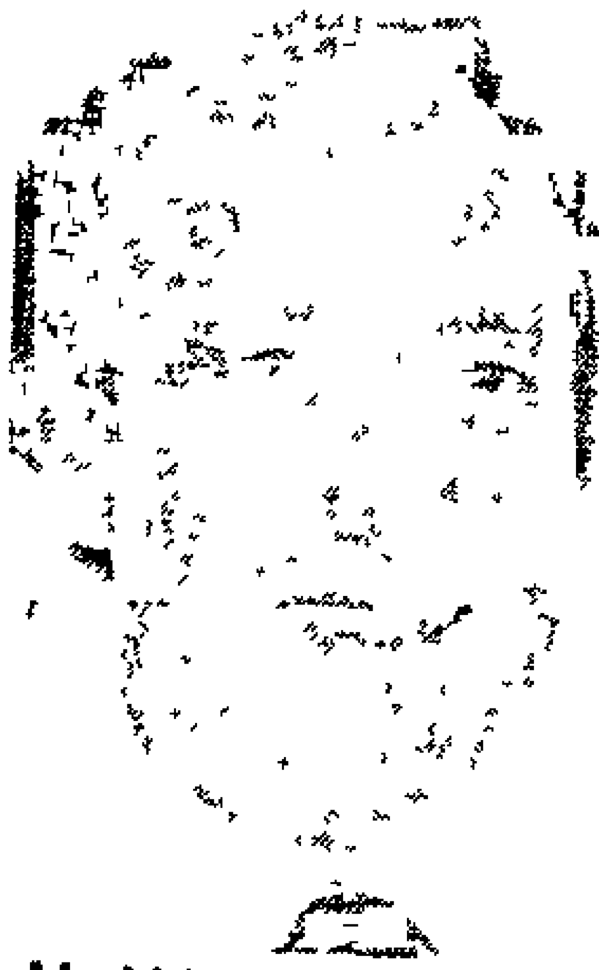

Mr Mike McNair has joined the Flesch group as assistant sales manager, advertising, for SA Yachting and the Stock Exchange Handbook

TEJ buys Mondi Knitwear in R600 000 deal

Cape Times 21/12/84 (232)

By PAUL DOLD, Financial Editor

TOWLES, EDGAR JACOBS the Cape Town knitwear manufacturer which last paid a dividend in 1974 has vastly enhanced its prospects for returning to the growth league with the take-over of Mondi — one of the country's premier knitwear manufacturers.

The R600 000 deal gives TEJ a significant share of the country's top-end fashion market presumably with higher profit margins which will ideally complement TEJ's own middle segment range

Cape Town's Mondi Knitwear is one of South Africa leading producers of fashion co-ordinates and the factory has grown from two machines in January 1970 to a plant employing 200 Mondi, a specialist producer has strong links with a major German-based manufacturer Mondi Textile

The German company was formed in 1967 by Mr Herwig Zahm and has rapidly grown into a major clothing exporter selling to Canada, United States, Britain, France, Benelux and Scandinavia Annual sales are more than R150m a year

TEJ's announcement yesterday says the group will have the right to manufacture and market in South Africa the ranges of Mondi International, London, Paris and New York.

Mr Zahm has strong ties with South Africa and in the early 60's established Vienna Knitwear which became a sector leader and was sold in 1965 to IL Back.

Cape Town's Mondi Knitwear was formed by Mr Carl von Thelemann after the granting of the Mondi franchise by the German company

Mondi Knitwear supplies fashion and departmental stores but does not serve the major chains The company has an excellent profit record producing steadily increasing earnings even during recessions Profits are currently at record levels

The purchase price will partly hinge on Mondi's results for the year ending April but is expected to be in the region of R600 000 Full details of the impact on Tej's earnings will be announced soon

TEJ has for some time been looking for a suitable acquisition which would expand its base While producing excellent quality garments TEJ has lacked the high profile marketing of competitors and marketing holds the key to group prospects

The group last paid a dividend of 9,5c in 1974

14 Business Day/INDI

Barlowdata gets Saco

RDM 21/2/84 By GAIL PURVIS (232)

SACO Systems, a Johannesburg-based computer company with a R12m turnover, has been acquired by Barlowdata.

Saco, probably best known for access control and time and attendance systems, also handles Visual Technology and Ontel, Gould mini-computers, Graftek graphics systems, and Internec equipment

Barlowdata has also bought a direct shareholding in Saco Graphics, set up to handle the Calcomp graphics agency when Saco acquired this from Barlow subsidiary Perseus in 1980.

Perseus had acquired the Computervision computer graphics equipment agency and it was felt there was some conflict of interest between the two competitive agencies being held by one company.

AECI re-enters fertilizer market

Own Correspondent

JOHANNESBURG — The fiercely competitive and over-supplied South African retail fertilizer market will soon be thrown into increased confusion by the re-entry of AECI into the fray

After 10 years of association with Triomf Fertilizer Investments, AECI will again be tackling the fertilizer market itself, and it could not have chosen a less agreeable time

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertilizer demand will be about 2,5m tons this year, and capacity is almost 5m tons

Sasol is about to start commercial production, and has already commenced active marketing

In terms of this week's agreement, Triomf will hold on to the Potchefstroom factory and AECI has regained control over the Chloorkop and Somerset West plants

AECI is to sell its stake in Triomf Fertilizer (Pty) to the LLG Group, Dr Louis Luyt's family company, for an undisclosed sum

A source close to the deal said neither party was prepared to reveal the price paid by LLG for the Triomf Fertilizer stake, but that "they are both happy with the price".

This will give the Luyt interests control of the export-oriented Richards Bay plant, which has a replacement value now of about R350m

The export market for phosphoric acid has been depressed for some years, and while the outlook has improved considerably, it is a market that is highly cyclical and competitive, and the price struck could well be substantially below the replacement cost of the plant.

Ironically, the negotiations are believed to have commenced with control of Triomf being offered to AECI, and it now seems as though cash will be going in the opposite direction

The price at which Dr Luyt is believed to have been a seller is 700c a share, which is more than three times the market price, and according to industry talk AECI was prepared to talk at about half that price

While the split will enable Triomf to choose the sources of its raw material, it is likely that for the time being the Potchefstroom plant will continue to be supplied by AECI

But the price at which AECI supplies must be highly negotiable now, especially after the dismantling of import controls, which means that Triomf can take advantage of distressed prices elsewhere

But what is not immediately clear, and neither AECI nor Triomf will be drawn on the subject, is to what extent the supply contract has been affected by the collapse of the merger agreement

In terms of the original merger agreement Triomf was bound to take up as much material as AECI supplied, which in times of depressed market conditions was a major problem for Triomf

For AECI, the problem now is in re-establishing a presence in the farming community, which in the Transvaal is already served by a barrage of suppliers, in Triomf, Sasol, Bonus (Hanhill), Fedmis (Sentrachem) and Omnia

Triomf's early success was based largely on service to farmers and the establishment by the company of a close association with the farming community, offering an equity stake in the fertilizer producer

Before the entry of Triomf to the market, it was dominated by British-controlled Fisons.

An announcement from Triomf yesterday said the group would serve the inland fertilizer market from the Potchefstroom factory, and with product from Richards Bay

It stressed, however, that the Richards Bay plant would still be predominantly aimed at the export market, "which has substantially improved over recent months"

The merger agreement between Triomf and AECI will be cancelled with effect from March 9, restrospective to January 1

In a separate announcement, AECI said the dissolution would not have any effect on its earnings or net asset value

Business Day

RDM 22/2/84 (232)

Rennies in predatory mood

By PATRICK McLOUGHLIN
Investment Editor

THE announcement by Rennies of a R10m soft-drink acquisition could be the start of a major penetration of the lucrative market.

Diagonal Street views Rennies as a probable corporate takeover aggressor this year and is pondering when and where the group will make a significant move

The market believes Rennies is set to do something spectacular. Speculation has been mounting for some time that it will soon attempt an entry into the beer market. Expansion into soft drinks could be part of the answer

The previous majority shareholder, Hong Kong-based Jardine Matheson, was not keen on injecting more cash into South Africa

Rennies' ability to issue new shares was hampered because Jardine would probably not have followed its rights in a new share issue, but conversely was not willing to allow a dilution of control

With Old Mutual now in the wings, Rennies can issue new shares and take fuller advantage of its strong balance sheet. In the December, 1982 accounts, Rennies had R23m in cash. Although this has since declined, market sources say Rennies still has as much as R10m in the bank.

Brokers say the acquisition of Sparletta Suncrush for R9,907m is logical as Rennies is already in the beverage industry via Douglas Green and distribution of soft-drink products could receive a boost through Rennies hotels.

Rennies will pay for Sparletta Suncrush, which holds the Sparletta franchise on the Reef, by issuing 732 200 ordinary Rennies shares to the Sparletta Suncrush vendors.

Sparletta products are bottled in Industria and Alrode and distributed in the Johannesburg area The acquisition will have no immediate effect on the net asset value or the earnings a share of Rennies

An industry source said yesterday the Sparletta acquisition was probably just the start of acquisitions within the R500m-a-year soft-drink industry

"Rennies is almost certainly not going in on a one-off situation," he said.

One possible target is Durban-based Suncrush.

The Suncrush chairman, Mr Robin Hamilton, says his company is no pushover The holding company, Dalys, owns 50% of Suncrush. In turn, 20% of Dalys is owned by Suncrush, with another 60% controlled by the Hamilton family.

Suncrush, which has five combined Coca Cola and Sparletta franchises in Natal, plus one in Welkom and one each in Rustenburg and Klerksdorp, nevertheless remains an attractive potential target.

Earnings have increased strongly and consistently from 74c a share in 1980 to 269c in the year to June 30, 1983 Return on capital last year was 27,4%.

Suncrush at R17,50 is standing at its 12-month high. The total market capitalisation of the 2,695-million shares is more than R47m A takeover by Rennies would certainly not be cheap.

Rennies has given few details about its new acquisition, but Mr Hamilton says Sparletta Suncrush bottles about 3-million cases of soft drinks a year — about the size of Suncrush's largest bottling division, Klerksdorp

Mr Hamilton says Rennies' acquisition is curious because the Johannesburg franchise does not include Coke products "Most of the business nationally is done by Coca Cola-Sparletta bottlers, so presumably Rennies will next be looking at a Coca Cola-Sparletta company, otherwise they would have a bit of an uphill battle for further expansion by acquisition."

He says none of these companies is known to be for sale and he cannot see any benefit by selling his own company.

"If Rennies is prepared to pay the same sort of premium Old Mutual paid for it, there could be some sellers. I think its going to be a very interesting situation this year."

AECI untimely re-entry adds to confusion

Beleaguered fertiliser industry faces woe

RDM 22/2/84

By JOHN MULCAHY

THE fiercely competitive and over-supplied retail fertiliser market will soon be thrown into more confusion by the re-entry of AECI into the fray.

After ten years of association with Triomf Fertilizer Investments, AECI will again be tackling the fertiliser market and it could not have chosen a less opportune time.

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertiliser demand will be about 2,5-million tons Capacity is almost 5-million tons

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In terms of this week's agreement, Triomf holds on to the Potchefstroom factory and AECI regains control of the Chloorkop and Somerset West plants AECI is to sell its stake in Triomf Fertilizer (Pty) to the LLG Group, Dr Louis Luyt's family company, for an undisclosed sum

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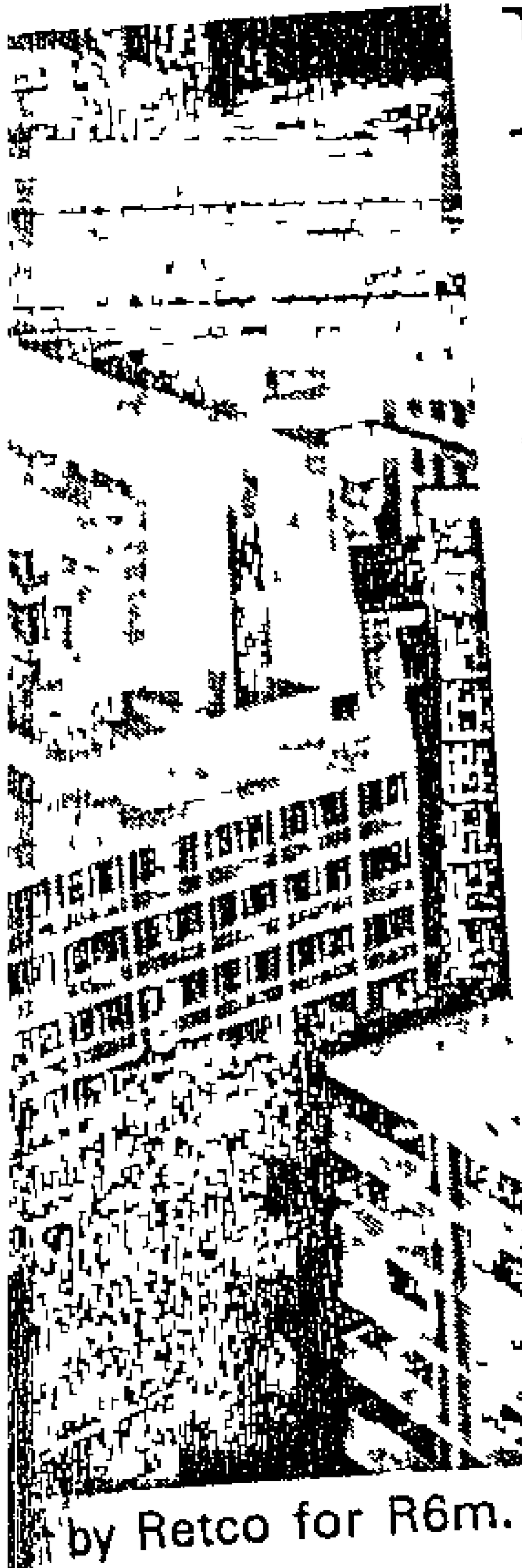

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Liberty Life increases assets to R3,4-bn

Own Correspondent

JOHANNESBURG — Liberty Life increased total assets by more than R1 billion to R3,4 billion at the end of 1983, while it pushed up both earnings and dividends by just over 20 percent in the year

The company is South Africa's third biggest life assurance office

It is also the keystone of a successful and ambitious financial group, chaired by Mr Donald Gordon, that is now very much part of this country's "big league"

Liberty's ambitions include hopes of major international expansion — an area in which it has already made large strides.

Final dividend

In 1983 the company increased taxed attributable profit to R31,289m from R26,036m in 1982.

Earnings a share rose from 238,5c to 286,7c

The final dividend was raised from 100c to 122c to make a total for the year of 208c (172c)

Net premium income and annuity considerations rose in 1983 from R333m to R453m

The net income from investments was up from R154m to R202m.

The main contribution to the total asset growth last year was a rise in the value of investments in shares and mutual funds from R791m to R1,32 billion

Much of that resulted obviously from the general surge in values on the Johannesburg Stock Exchange

Proportionately, however, it was Liberty's overseas interests — held in shares — that provided the biggest rate of growth

These interests are held through TransAtlantic in which the United States giant Lincoln National Life has a near 25 percent stake.

TransAtlantic has 24 percent of Sun Life of Britain — one of the UK's biggest life groups — which is by far the biggest individual holding in the group

That investment is now worth some £90m against an original cost from 1980 of about £35m

Meanwhile, however, Liberty has massive plans within South Africa

Gearing

Stanbic and United Building Society have joined forces and this means that a R20 billion-plus threesome of those two plus Liberty is steadily gearing itself to offer a financial services package that no other group could, at this stage, match for comprehensiveness

Liberty Life is controlled by Liberty Holdings

In 1983 Libhold increased its attributable profit from R27,223m to R35,772m

Earnings a share rose from 57,2c to 76,1c

The total dividend for last year went up from 35c to 42c with a final payment in 1983 of 24,5c (17,5c)

Libhold is in turn controlled by Libcon in which Stanbic and Mr Gordon and Mr Rapp each have 50 percent.

Rand closes above $0,83

JOHANNESBURG. — The rand closed above $0,83 after breaching $0,82 on Wednesday, as the bullion price surged to $400, dealers said

It closed at $0,8315/25 after opening at $0,8265/75, sharply above Wednesday's $0,8210/20 close, they added, noting the steady dollar on overseas markets had little effect on the rand.

They said early trading was hectic, but activity simmered down later and the rand traded quietly around $0,83 most of the afternoon

Against other currencies the rand closed at.

US: 0,8315/25
UK. 1,7590/600
Germany. 2,2015/25
Switzerland 1,8130/40
Netherlands. 2,4950/65
France: 6,7810/30
Japan. 193,70/90

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by Godfrey Heynes

…highs

Closing gold prices

(In $ an ounce)

LONDON.
397,70-398,20
…ixing am: 395,75
…ixing pm: 398,25

ZURICH.
399,00-402,00
(299,00-402,00)

Irvin & Johnson lifts profit 12%

LUNCH SPECIALS
Duke of Cornwall
LICENSED RESTAURANT

26/2/84

AECI finds another bedmate

S. Times

(232)

By David Carte

HARD on the heels of its divorce from Triomf, AECI is to cooperate in fertiliser with Fedmis, SA's biggest fertiliser company.

Chemical industry sources said there would be no takeover, but some kind of agreement on distribution and manufacture was imminent

AECI directors were at meetings on Friday and would not be drawn on the matter Sentrachem, 100% owner of Fedmis, is to hold a news conference on Wednesday, but it is not known if this is the subject.

With Sasol joining the fray in fertilisers and AECI a relatively small contender in the industry after the bust-up with Triomf, the Competition Board will not bar a link between AECI and Fedmis

From AECI's results it is possible to deduce that Triomf lost at least R17-million before its divorce from AECI.

This compares with a profit of R10-million or more in the previous year, suggesting a R27-million after tax decline in its fortunes in 1983

No matter to Mr Luyt. His personal company, LLG Group Investments, is increasing its stake in Triomf Fertilizer Industries (Pty), the unlisted operating company in his empire.

While TFI retains the Potchefstroom and Richards Bay factories, AECI takes the Chloorkop and Somerset West factories The first two are bigger and more valuable than the others and Mr Luyt will therefore pay an unknown sum of net cash

AECI's results this week disclosed the deteriorating fortunes of TFI AECI showed that its share of its associates' losses was R8,5-million compared with a profit of R7,5-million in 1982

Triomf is by far the biggest associate and the rest of AECI's associates are known to be profitable If 49% of Triomf lost a minimum of R8,5-million, the entire company lost at least R17-million last year

Triomf contributed most of the R7,5-million profits of AECI's associates in 1982 As AECI held 49% of TFI, this suggests Triomf's profit was more than R10-million in 1982.

Both parties are claiming victory after the divorce settlement, whose terms may never be known

A spokesman said Triomf would soon unveil a pro forma balance sheet and income statement reflecting Triomf after the divorce This would be a pleasant surprise to shareholders

He said that after the parting of the ways, Triomf's profitability would improve dramatically

One source who saw the numbers said "an entrepreneur will always beat an institution in negotiation and Louis has beaten AECI hands down"

AECI insists it is happy with the terms

It is conceivable both parties will win in the end, but who does best depends on performance of Triomf's Richards Bay phosphoric acid plant and AECI's success as a less than dominant competitor in fertiliser

Mr Luyt's personal company, LLG Group Investments, has 49% of Triomf, the listed company, which has 50% of the operating company TFI At the current deflated market value, Mr Luyt's personal stake is worth R23-million This may have been used as security to raise funds to consummate the divorce

Turmoil in chemicals, particularly in fertiliser, is expected to continue

Most of AECI's progress in the second half of 1983 was achieved by laying off more than 4 000 employees On an annual basis, reduction of the work force saved AECI R50-million before tax and R30-million after tax

AECI is at a crossroads It becomes a small force in the fiercely competitive fertiliser market In addition, it faces more of a challenge in explosives with Hanhill about to become part of Abercom, which has Sanlam in the background

In addition, a new top man takes over the helm soon

More competition for AECI in explosives

By JOHN MULCAHY

YET another explosives producer is making arrangements to capitalise on the misfortunes of National Explosives.

Celtite South Africa, after almost 17 years in the country as a supplier of strata control to mining, is negotiating with an unnamed SA company with a view to establishing a slurry explosives plant in the Transvaal

The partner will be expected to finance the slurry plant — at a cost of about R5m — and the Franco-British Exchem group will provide know-how in technology and marketing

Celtite is the SA subsidiary of Exchem which specialises in explosives, fixing systems for the construction industry and engineering

Mr John Payne, Celtite's managing director, says he believes everyone in the explosives business will benefit from competition

He has no illusions about tackling the giant AECI in its main markets but believes there are segments not serviced adequately

Mr Payne says explosives allow little leeway for price wars "The emphasis needs to be on service and quality, and on cost rather than price"

The distinction between price and cost is derived from the mines' requirement for the most cost-efficient explosive product

Mine managers are less interested in the price of the product than in its ability to do the job efficiently

Celtite introduced roof-bolting as a form of strata control to SA in 1967 and is now market leader in the field. It produces a range of strata control products, from resins and epoxies to cement capsules, but is fundamentally a service company, says Mr Payne.

He describes Celite as a young, lightweight boxer "on his toes, able to move quickly"

AECI's view on competition in explosives is well known Commenting on the prospects of a more muscular competitor coming into the market if National Explosives were sold to a major group, AECI's managing director, Mr Denys Marvin, says the market will decide on which is the better product

He doubts whether sentimental associations would have any influence on the mines' use of explosives

"There is no way a mine manager will be dictated to on the products used on his mine If someone manages to produce a more cost-effective product than AECI then the mines might change their views on explosives But this has not yet happened in all the years (AECI's) Tovex has been around"

Mr Payne says he has no ambition to turn the explosives market upside down but there is room for at least one competitive producer to AECI, and Celtite is confident of securing between 7% and 10% of the R400m-a-year market

The timing for the launch of Celtite's explosives division hinges on negotiations under way with the proposed SA partner Once the go-ahead is received there will be little delay, says Mr Payne.

Exchem recently completed in Europe a plant identical to the planned SA operation.

Although holding company Exchem produced nitro-glycerine explosives, Mr Payne says there is no intention of establishing a nitro plant here.

The group's view on nitro-glycerine could change if the Government decided it was a strategic necessity but the capital cost of such a plant was prohibitive and AECI already has this sector wrapped up

In any case, he says, nitro-glycerine explosives in mining applications are approaching obsolesence with slurry and water-gel products coming to the fore

Mr Payne says Celtite is accustomed to operating in highly specialised narrow fields and the close association with the mines built up over the years in the strata control area will serve it well in explosives

With Nitro-Nobel coming into SA via the new company, Southern Explosives, National Explosives possibly ending up in the Sanlam camp, whether in Abercom or Protea Holdings, and Celtite gearing up for an attack on the market, the explosives industry seems set for a dynamic chapter in its history

RDM 5/3/84 .232

Pepkor buys Ackermans for R21m from Edgars in cash deal

By PAUL DOLD
Financial Editor

Cape Times 10/3/84

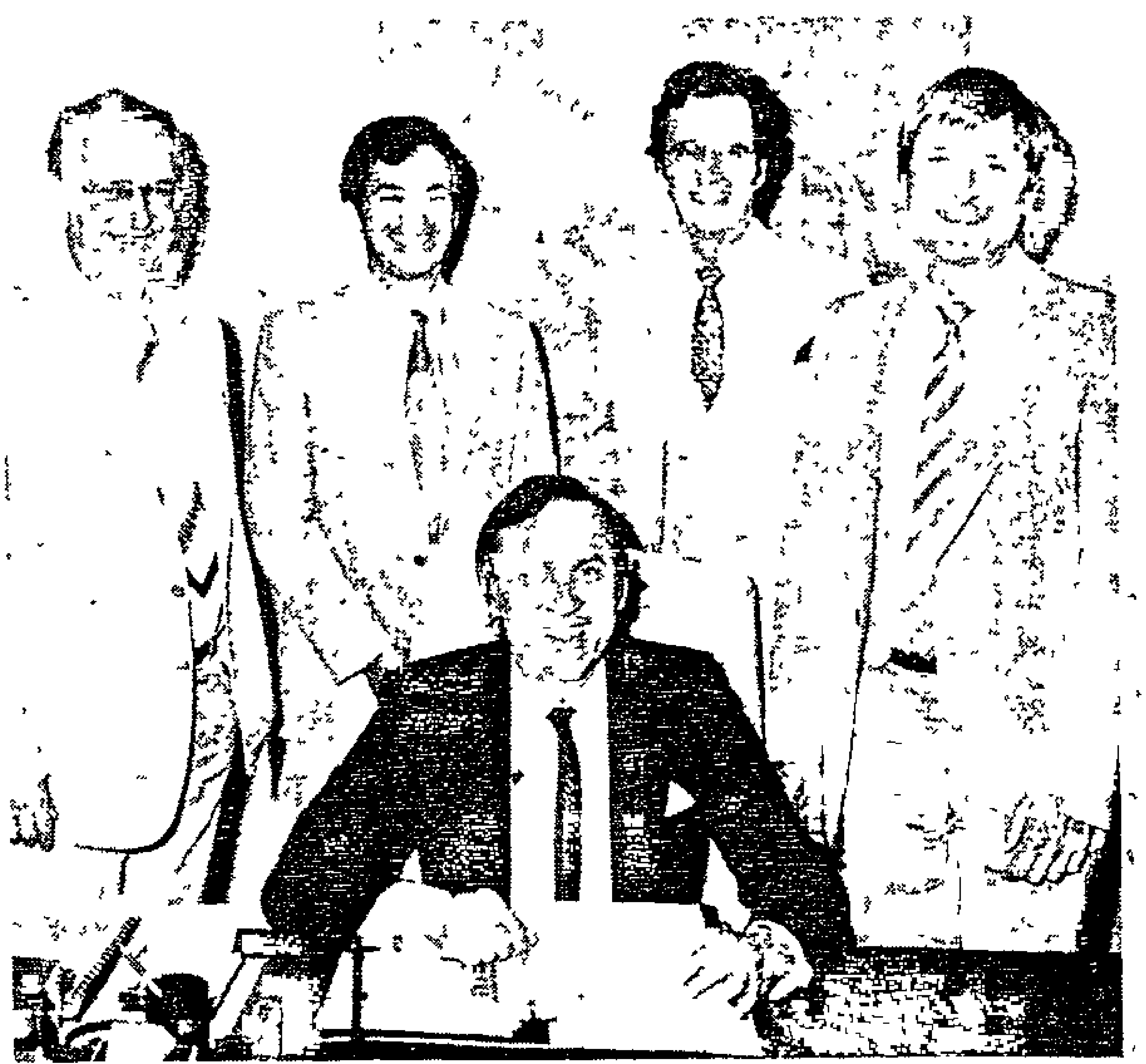
PEPKOR is buying Ackermans' 31 stores from Edgars for some R21m cash in a deal which will effectively increase Pep Stores trading area by 50 percent and give the group a four to five-year lead in terms of its development programme.

A confident Mr Christo Wiese, Pepkor's chairman, predicted last night that the new stores would break even in the first year allowing for the cost of financing the deal It will add more than 30 percent to Pep Stores' turnover in the first year.

Pepkor is likely to use the bulk of the new stores to expand its Metro Pep chain in city centres. Pep has traditionally been strongly represented in the country areas and the deal gives is considerable muscle in the city markets for the first time

"Pep's significant growth must come from the CBD areas — we are in virtually every small town in this country and have to go into the CBD areas of the major urban complexes," Mr Wiese said.

Retail industry sources estimate that the overheads of the former Ackerman's head office, which was in the process of being moved from Cape Town to Johannesburg by Edgars and rationalized with Jet Stores, could have been several million rands a year and shed of these costs the Ackermans chain should yield an immediate substantial profit.



Preparing to move into Ackermans' prime city stores, Pepkor's chairman, Mr Christo Wiese, and, from left, Mr Basil Weyers, managing director of Pep Stores, Mr Sam Gouws, Pep Stores' marketing director, Mr Jimmy Fouche Pepkor's strategic planning executive and Mr Tom Ball Pepkor's managing director.

Properties

Mr Wiese confirmed last night that at store level the Ackermans chain is highly profitable. Although Edgars sold the Ackermans properties to various institutions after buying the chain from Greatermans in 1982, all the stores have long leases and it was this factor and Ackermans' prime city sites which were attractive to Pep.

While no decision has been taken as yet, it seems likely that the name Ackermans — one of the country's oldest store groups may disappear Asked whether the Ackermans name would remain, Mr Wiese said:

"At this point in time it is an open question. The only thing we have decided is that the merchandise mix in the shops will be brought into line with Pep Metro which has a slightly wider merchandise range than the ordinary Pep's"

If Pepkor decides to discontinue trading under Ackermans it may opt to sell the registered name as tremendous consumer goodwill is still attached to Ackermans

Mr Wiese says Pep has bought Ackermans at a "slight discount" to net asset value and the deal is effective from March 19 The final price will depend on financial accounts as at that date.

Operation

Highlighting the background to the talks with Edgars, Mr Wiese says Pep had been aware of Edgars' intention to move the Ackerman's head office to Johannesburg and rationalize the operation

"We then approached them — we thought it was a prime opportunity in the first instance for our Metro store development. The initial response was negative but a week later Edgars agreed to talk.

"I saw this as a tremendous challenge — if there were rationalization benefits in the Edgars situation they were far greater for us Ackermans is much closer to a Pep stores operation than to anything in the Edgars stable It belongs more naturally with us than with them"

Once the talks had begun the deal was completed within 48 hours The significance of the rapid expansion of Pep's trading area can be seen from the group's profiles Ackermans' total trading area is some 77 000 m² as against Pep's 160 000 m² and it has taken Pep some 19 years to achieve the latter

Mr Wiese says the 1 200 store personnel would be unaffected by the take-over but the process started by Edgars to rationalize head office personnel would continue but possibly to a lesser extent as Ackermans would remain a Cape company.

Delighted

While Pepkor is delighted with its deal, Edgars and parent SA Breweries will be equally pleased at shedding the Ackermans' chain and being able to concentrate on the Edgars group

Edgars was also shrewd in deciding to close the head office in Cape Town and rationalize staff making Ackerman's far more attractive to a potential purchaser. Pep's offer followed soon after this decision

While Pepkor's results due in a few weeks' time are likely to be dominated by its large open forex position and the possible unrealized

To page 17

Pepkor buys Ackermans

From page 16

loss, the group as such is trading well with a particularly encouraging performance from the Pep Stores chain.

Comment: While successive owners of Ackermans have been unsuccessful in attempting to improve profitability, the undoubted synergy with Pep Stores' target market should enable Mr Wiese to boost earnings considerably in the reasonably short term

Ackermans' former Cape Town-based head office could have cost up to R7m a year in overheads and with the stores being rationalized under the existing Pep Stores head office, the savings should be attractive indeed.

Potential

Overall the deal provides Pep with tremendous potential in entering the city areas

The first Metro Pep in Johannesburg has had a bright debut and the swing away from small country stores to larger and more profitable trading units is a bull point for the share

Pep Stores' extremely low-priced merchandise has a huge potential among black consumers and the group is ideally positioned for investors seeking a stake in that high growth market.

Hurdles which remain include returning the men's clothing division to profitability but progress is being made and this should occur in the coming upswing.

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SA Brews braces to meet Rennies beer challenge

S. Times 17/3/84

By Alec Hogg

GIRDING its loins for the battle in beer against Rennies, SA Breweries has set up a divisional board of directors for the R1 000-million a year beer division.

This and the recent commissioning of one of the largest breweries in the world, has put its beer division in its strongest position ever.

From this month, SAB's R279-million brewery in Rosslyn is capable of full production. It can supply 7-million hectolitres of beer a year — more than half SA's consumption of 12-million hectolitres.

Top managers of the beer division have been appointed to the new board

SAB managing director Meyer Kahn says "This puts the beer division on a par with all our other listed subsidiaries. It is motivational and they fully deserve it."

Lloyd first

Mr Kahn insists that the new division will not be listed separately on the Johannesburg Stock Exchange "We are emotionally attached to our beers and want 100%"

Last week Peter Lloyd became the first head of the beer division to be appointed to the main SAB board. But Mr Kahn says there is nothing unusual in this "We have an informal agreement that when a chief executive is successful after three years he is appointed to the main board"

Rennies' share price has risen since it announced it was contemplating beer production This is strange because the last three companies which took on SAB lost more than R100-million before quitting.

Business Times believes that Rennies will market a new brand name, not a South African version of its imports Carlsberg and Tuborg.

Mr Lloyd says SAB's experience is that the marketing cost of getting a brand established can run into millions of rands

A brewery to provide only 10% of the market involves a capital outlay of at least R75-million.

18 months

It would take at least 18 months to build a brewery, and only months later would the first beer be sold. A brewery like Rosslyn takes at least five years from the idea stage to production, construction alone lasting about three years

Any new beer would have to be directed at the black market. Mr Lloyd says about 75% of beer is consumed by blacks

Rennies would also have to be prepared to carry a large loss until the brand had established itself

SAB's management insists that a competitor will be welcome. Mr Lloyd says "The last time we had a competitor, beer as a percentage of the total market grew We see ourselves as competing against all beverages, including wine, spirits and sorghum beer, so the bigger beer's share, the better it suits us"

Mr Kahn says "I have a simple philosophy I have the highest regard for all our competitors in every part of our business, and that's the best way to approach it. But I can assure you that if Rennies comes in, we will compete aggressively Nobody gives up market share on a platter"

□□□

COMMENT: History shows this is not mere talk. Rembrandt, for instance, spent a fortune trying to get its brands into the market. But when Rembrandt sold ICB it held 8% of the market.

The market has changed significantly since Whitbreads, Louis Luyt and Rembrandt made their challenges. The racial composition of the beer rand has changed significantly TV2 and 3 and Bop TV offer new marketing channels, and with the advent of black-owned taverns and bottle stores in the townships, the distribution network may change.

Still, buying Rennies' shares in the belief that an announcement on beer is imminent could prove risky.

SAB's beer division board is under the chairmanship of Ken Williams Former general manager Peter Lloyd is managing director.

Other members are SAB chief executive Meyer Kahn, SAB financial director Selwyn MacFarlane, and beer division executives Tony Bates, Roger Crosby, Gert Goedhals, Joe Horner, Jack McCallum, Graham MacKay, Peter Savory, John Seton and Ted Turner.

The beer division is one of the biggest industrial concerns in SA, and ranks in the top 12 brewing organisations in the world

Picardi to benefit materially from Kanhym sale

N. Mercury 12/3/84 (232)

JOHANNESBURG—The Picardi group will benefit materially from the windfall of R42,4m flowing from the sale of its Kanhym investment to General Mining Union Corporation.

The sale to Gencor arose from the original agreement by which the Karoo Meat group was incorporated into Kanhym, and the R42,4m is now in Picfoods, whose only asset was the Kanhym investment.

According to the interim results published at the weekend, Picardi Investments (Picbel) is expected to earn 60c a share for the year to June 30, a substantial improvement from the 36,6c a share earned during the year to June 1983.

For the six months to December Picbel's attributable profit rose to R753 349 from R683 309 and earnings rose to 17c a share from 15,4c.

Picardi Finance (Picfin) reports an increase in attributable profit to R494 334 for the six months from R450 815 in the half-year to December 1982. Earnings rose to 13,8c a share from 12,6c.

Picfin controls Piccan, Union Wine and Picfoods, and in comments on the three subsidiaries Picfin says Piccan is expected to achieve a satisfactory improvement in earnings for the full year and a dividend increase is possible.

At Union Wine, the directors say the downturn in the business cycle is continuing to exert its influence on profit 'but steps are being taken to arrest the deterioration in the company.'

Picfoods has been transferred to the cash assets sector of the Johannesburg Stock Exchange, and its cash will be used to generate profits for the second half.

RDM 14/3/84 (232)

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military activity leading to a reduction in defence spending But this will be offset to some extent by costs that will arise from the new constitution and necessary spending to improve education and to provide housing"

Assocom says unless expenditure is drastically curtailed the Government will take an even bigger slice out of the national cake

"Growth by Government spending is something that we do not need We must achieve growth by production and output if that growth is to be well-founded and sustained"

Assocom says of the coming Budget "It is not the revenue side .. that demands the Minister's closest attention but the expenditure side of the accounts He has to take a firm stand and he should get the fullest support of the Prime Minister"

MUTUAL SEEKS BIG FISH

By JOHN MULCAHY

WHILE the Old Mutual would seem to be playing second fiddle to Sanlam in the chase after equities, it is taking the lead in the bigger deals

This week has seen Abercom go to Sanlam, with Malbak and Protea likely to follow, to the apparent exclusion of Old Mutual, which seems destined to end up as a minority shareholder in the enlarged Sanlam-controlled Malbak

But Old Mutual has also been active of late, having virtually assured itself of ultimate control of Safmarine

While the sale of the Industrial Development Corporation's stake in Safmarine is conditional on no single shareholder holding more than 25% of the company, at some point down the line the IDC must shed its influence over the company, leaving Old Mutual to take control

Old Mutual already has a pre-emptive right to the 21% stake held by the British group, British and Commonwealth (B&C). B&C has already given Old Mutual its rights to the shares to be sold by the IDC. Safmarine is B&C's last remaining investment in shipping

Old Mutual is deeply involved in Rennies Consolidated Holdings, which is soon expected to launch an assault on the beer market.

No final decision has yet been taken, but assuming Rennies does go ahead with beer, it will probably need capital As its main shareholder, Old Mutual will have to contribute the bulk of the funds required from shareholders

Meanwhile, Malbak and Protea returned to the Johannesburg Stock Exchange lists yesterday, with details of their "merger" expected to be announced next month. Protea put on 15c from its ex-dividend price of 330c and Malbak was bid unchanged at 650c

It is still not clear how the deal will be structured, so shareholders in both companies are best advised to hold onto their shares until the situation clarifies

Cape Wine's interim and profits increased

Financial Reporter

LIQUOR and wine sales are buoyant enough for Cape Wine & Distillers to lift profits for the interim to December by 16% to R29,8m (R25,6m)

"Despite unfavourable trading conditions we are satisfied with the growth in profits," said the managing director, Mr Pieter Steyn, yesterday

The interim dividend has been increased by 1c to 6c

Net income was up 14,1% at R58,4m (from R51,2m) but a reduction in short-term borrowings to R34,8m (R57,4m) led to a 23% decrease in the interest bill to R4,7m (R6,1m)

With a virtually unchanged tax rate of 44%, the shrinking interest charge was the main reason for the rise in the bottom-line growth to 16%

Comparison of the net income figures takes into account a R3,3m upward adjustment in profits for the comparable six months to December 1982 as a result of the final lifo calculation which was initially over-estimated

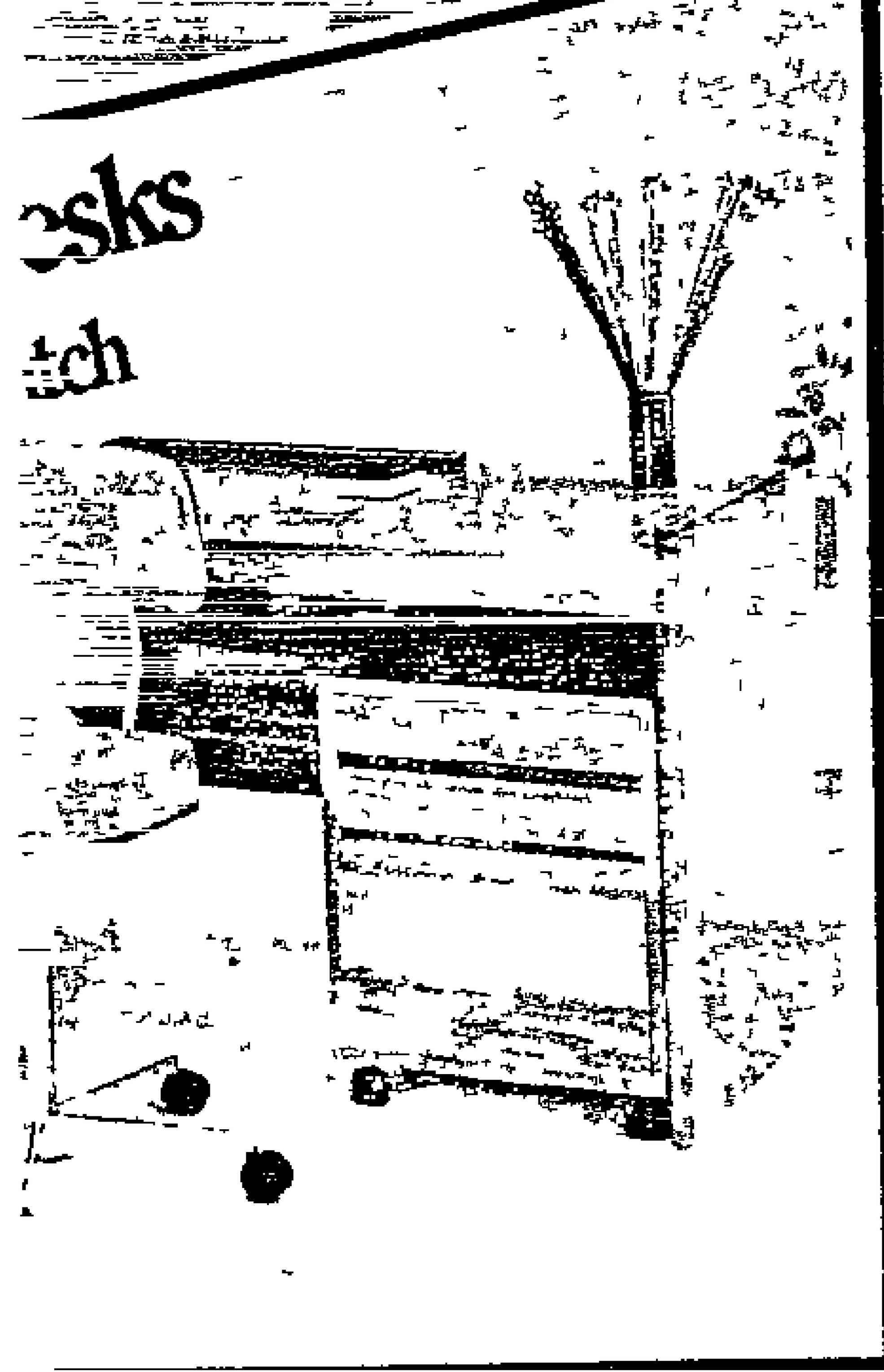
The 20% increase in interim has been at the slight expense of cover which drops from 2,6 times to 2,5

Mr Steyn warned shareholders not to expect earnings growth for the remaining six months to be on par with those just reported

"Profits would have been substantially greater if trading conditions had been better in the period to December and we cannot expect to sustain income at these levels A major reason for this is that the price adjustments in January were very moderate"

COMMENT: Despite Mr Steyn's cautious prognosis, Cape Wine has done well to increase profits Having survived this far into the recession with consistent, albeit minor, rises in earnings, shareholders should be happy with the dividend increase.

At yesterday's price of 265c, the share has a dividend yield of 6% — slightly above the sector average.



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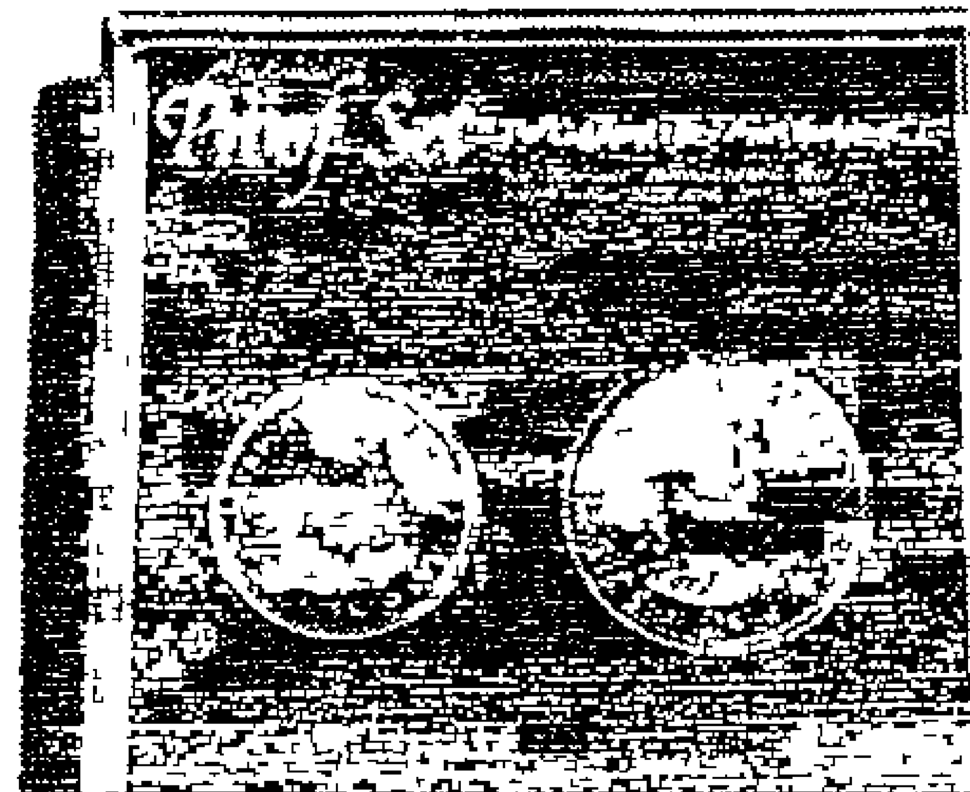

Malbak and Protea may follow Abercom

Sanlam on the hunt for industrials

RDM 14/3/84 (232)

By JOHN MULCAHY

SANLAM seems to be in the process of creating another major industrial group incorporating Malbak, Protea Holdings and possibly the Abercom Group.

Hot favourite to be top of the pile is Malbak with its highly-regarded management team.

After raiding the market to acquire control of Abercom, Sanlam is now believed to be involved in negotiations which will lead to the takeover of Protea by Malbak

Protea's and Malbak's listings were suspended on the Johannesburg Stock Exchange on Monday, for of 72 hours, which means that an announcement will have to be made before the opening of trading tomorrow.

According to Business Day's information the price for Protea will be settled by the issue of Malbak shares, which could give Sanlam control of Malbak.

Sanlam has at least 45% of Protea, or 13,5-million shares, which at the pre-suspension price of 340c a share is worth about R45,9m

Malbak's pre-suspension share price was 650c, which suggests that for R45,9m in value Sanlam would receive 7,061-million new shares

Sanlam already holds about 20% of Malbak, which means that if there were a new issue, which could well happen, of 7,061-million shares, the total capital would be 17,642-million shares, of which Sanlam would hold 9,177-million, or 51,7%

A neat acquisition of control thus follows. The only questions remaining would be Who would run the group? Would an offer be made to Malbak minorities? What would happen to Abercom?

To address the last question first, the Abercom deal, by which Sanlam acquired control of the engineering group through the market, is close enough to the suspensions of Malbak and Protea to suggest that Sanlam's intentions for Malbak and Protea also involve Abercom

There seems little doubt that Malbak's management would retain control of the enlarged group because of its high reputation

Sanlam's choice of management is also likely to be swayed by the defensive action attempted by Protea to ward off the Sanlam threat Protea is believed to have gone pavement-pounding in vain to find an alternative to Sanlam

Malbak's market capitalisation before suspension was R68,77m, that of Protea was R102,023m and Abercom at yesterday's 290c is valued at almost R60m, which puts a total market value of more than R230m on the three companies.

In second place in this race, as in several previous battles, is the Old Mutual, Sanlam's arch-rival

The Mutual has traditionally been content with a minority, or "strategic" holding in companies, and this policy was fine when there was still a wide selection of free-floating companies on the JSE.

But the growth in institutional cash flows over the past few years, accompanied by a shrinking equity market, has seen more and more of the independents succumb to institutional control.

It can be argued that the Mutual did not really want control of Protea but, if that were true, what possessed it to build up a big stake through the market?

The one remaining question is what has motivated Sanlam to zero in on what are regarded by the market as little more than second-liners?

The answer must be that there is so little left that Sanlam has been forced to go for companies which could have recovery prospects

Malbak's fortunes are closely linked to the economy Protea has some way to go before making up ground lost in the year to June Abercom recently emerged from a difficult patch and to be on the road to better things

Sanlam may be creating new industrial group

Cape Times 14/3/84

By JOHN MULCAHY

JOHANNESBURG. — Sanlam seems to be in the process of creating another major industrial group, incorporating Malbak, Protea Holdings, and possibly Abercom Group.

Hot favourite to be top of the pile is Malbak, which has one of the most highly regarded professional management teams in South Africa

After raiding the market to acquire control of Abercom, Sanlam is now believed to be involved in negotiations which will lead to the take-over of Protea by Malbak.

Protea and Malbak's listings were suspended on the Johannesburg Stock Exchange on Monday, for a period of 72 hours, which means that an announcement will have to be made before the opening of trading tomorrow.

Sanlam has at least 45 percent of Protea, or 13,5m shares, which at the pre-suspension price of 340c a share is worth about R45,9m

New shares

Malbak's pre-suspension share price was 650c, which suggests that for R45,9m in value Sanlam would receive 7,061m new shares

Sanlam already holds about 20 percent of Malbak, which means that of the hypothetical share capital after the new share issue of 17,642m shares, Sanlam would hold 9,177m shares, or 51,7 percent.

A neat acquisition of control thus follows, and the only questions remaining are Who runs the group? Is an offer made to Malbak minorities? What happens to Abercom?

To address the last question first, the Abercom deal, by which Sanlam acquired control of the engineering group through the market, is close enough to the suspensions of Malbak and Protea to suggest that Sanlam's intentions for Malbak and Protea also involve Abercom

This, however, is for the time being a peripheral issue

Control

There seems little doubt that Malbak's management will retain control of the enlarged group, headed by Mr Grant Thomas

Sanlam's choice of management is also likely to be swayed by the defensive action attempted by Protea to ward off the Sanlam threat

Protea is believed to have gone pavement pounding to find an alternative to Sanlam, but to no avail

Malbak's market capitalization before suspension was R68,77m, that of Protea was R102,023m and Abercom at yesterday's 290c is valued at almost R60m, which puts a total market value of more than R230m on the three companies

In second place in this race, as in several previous battles, is the Old Mutual, Sanlam's arch-rival

The Mutual has traditionally been content with a minority, or "strategic" holding in companies, and this policy was fine when there was still a wide selection of free-floating companies on the JSE

Growth

But the growth in institutional cash flows over the past few years, accompanied by a shrinking equity market, has seen more and more of the independents sublimate to institutional control

It can be argued that the Mutual did not really want control of Protea anyway, but if that were true then what possessed it to competitively build up a big stake through the market?

The one remaining question is what has motivated Sanlam to zero in on what are regarded by the market as little more than second-liners

The answer must be that there is so little left that Sanlam has been forced to go for companies that could have recovery prospects, and in all three of this week's cases that description must apply

Malbak's fortunes are closely linked to the economy firstly, and more topically, to the agricultural and motor sectors

The one certainty about the agricultural sector is that it will rain again, although the timing for this eventuality is less certain

Recovery

This must also be true of the economy, and specifically, of the motor sector, so the recovery argument certainly applies to Malbak.

For Protea, which is essentially an agency business, there is some way to go before making up ground lost in the year to June 1983, although the six months to December showed that there had been no further deterioration

Protea's directors have for years complained that the group is misunderstood, that doing with the the set to do a similar trick with Protea, and is likely to do a deal with Old Mutual on Malbak.

Abercom has recently emerged from a particularly difficult patch, and after applying radical surgery seems to be on the road to better things

In the case of Protea and Malbak, the issues are more complex While effective control of Protea was vested in Sanlam, the same cannot be said of Malbak, where until recently Old Mutual had the bigger stake

RDM 13/3/84 (232) Business day

Let South Africa take a leaf out of the Japanese notebook

The Rand Daily Mail Business Achievement Award was presented last night to the Liberty Life Group. It was accepted at a function in Johannesburg by Liberty Life's chairman, Mr Donald Gordon. This is the text of his remarks.

FOR Liberty Life, 1983 was certainly a red-letter-year.

Being a service company, what we have achieved would not have been possible without the dedication and loyalty of the men and women of Liberty Life who have built our group into what it is today

Our business is people and our success certainly reflects the commitment each and every one of the Liberty Life team has made to the attainment of our goals and aims

There were some momentous developments in the past year that have significantly changed the structure of our group and which will have a profound impact on the future of Liberty Life

This year, for example, we have embarked on our first major capital-raising exercise since Liberty Life was founded

We did this because we want to ensure that Liberty Life has the right mix of financial resources and enough capital to finance both the heavy development costs its rapid growth is imposing and to meet the challenges and opportunities we anticipate over the next decade

The rights issue is still in progress, but all the indications point to its being a resounding success

The issue is the largest ever made by a South African financial institution and will boost Liberty Life's capital base to around R500m and increase total assets to over R3,5bn

A wide range of institutions responded very positively to our initial soundings and we therefore decided to increase the issue from R120m worth of new shares to R152m

I might mention here that there is one aspect of the new issue about which we are particularly pleased

It is that we are going to get an inflow of some

'I first drew public attention to the burgeoning power of certain financial institutions in 1982 and predicted the economy would be dominated by no more than six big groups by 1990. Since then, the trend has accelerated beyond my expectations and we have almost reached that position already.'

On the basis of past experience, and despite having to grow from a progressively bigger base, I have stated that by 1990 — in less than six years — Liberty Life will be a R10bn group and a major force on the international scene, as well as in South Africa

In terms of acquisitions the highlight of the year was, of course, our participation with JCI and Anglo American Corporation in the acquisition of control of the Premier Group from Associated British foods and, via Premier, the consolidation of our respective holdings in South African Breweries

This was a R1,5bn package — one of the biggest deals ever done in South Africa.

It also triggered some fascinating corporate manoeuvres and, unfortunately, considerable trauma for the players

Fortunately the dust has settled and the enlarged grouping is set fair to make an even bigger contribution to the consumer-goods and hotel industries

The fall-out from this deal involved plenty of drama and generated some explosive headlines and provocative copy for the business pages So you must agree that some of us did our bit last year to help sell more newspapers and magazines

I am well aware that the growing size and influence of large business groups is attracting the attention of critics who point to what they see as an undue concentration of economic power in South Africa

I first drew public attention to the burgeoning power of certain financial institutions in 1982 and predicted that the economy would be dominated by no more than six big groups by 1990

Since then the trend has accelerated even beyond my expectations We have just about reached that position already, although the pattern of concentration has been more towards the formation of corporate groupings, most of which include a major bank and a major life insurance company

I would therefore like to add a new thought or two to the debate

But before I do I would like to recall what was said recently by William Francis Baxter, chief of the US Justice Department's Anti-Trust Division

"Companies get big," he said, "because they are successful at pleasing customers Not because they are successful at ripping them off"

Companies grow into large corporations, not by restrictive practices, but by innovation and supplying what the public wants efficiently and at competitive prices

The resulting economies of scale permit a reduction in costs and so intensify price competition to the ultimate benefit of the customers.

Indeed, I believe that South Africa actually needs more, not fewer, big companies and that our big companies need to become even bigger

Far from looking for ways to limit the growth of successful companies we should welcome — and make better use of — the international muscle that large size confers

When one talks of international muscle and corporate size today, it's difficult not to think of Japan, South Africa's second-largest trading partner in 1983 In just 35 years, the Japanese have transformed a pile of radio-active rubble into an industrial powerhouse that can boast having the next largest gross national product in the free world after the United States

One of the developments that helped Japan rise, phoenix-like from nuclear ashes and national disgrace, was the reunification of the old Zaibatsu — the large, family-controlled financial, industrial and commercial conglomerates — with names like Mitsui, Mitsubishi and Sumitomo — that General MacArthur had earlier decided should be broken up

Once Japan regained its independence, the Zaibatsu were quickly reconstructed into huge, though more loosely knit, industrial and trading groups

MR DONALD GORDON

To facilitate this return to economic concentration, Japan's American-designed Anti-Monopoly Act was relaxed to permit the required inter-corporate shareholding and interlocking directorates

Japan's post-war industrial structure was thus restored in a highly concentrated form, although with one vital difference from the pre-war structure the holding companies controlled by the old Zaibatsu families were dissolved and the tightly centralised control they exercised from the top gave way to a greater degree of autonomy for the various operating companies within each group

At the hub of each financially linked group is a large bank that provides associate companies with almost unlimited credit, while Japan's business community enjoys the benefit of one of the most supportive governments in the free world

Just how successful this combination of available finance, concentrated economic power, and government support has been in propelling Japan to the forefront of world commerce is shown by the fact that the combined sales of the big nine trading houses were equivalent to no less than 32% of Japan's gross national product in 1982, a year in which total sales of Mitsubishi alone reached R70bn.

Japan's big groups have developed into international traders in the fullest sense together the nine handled no less than 12% of America's own exports in 1982

Let's take Japan as a model again and look at two critical indexes for South Africa productivity and export performance

The comparison is illuminating Between 1980 and 1982 the volume of South Africa's merchandise exports fell by over 16%, whereas Japan's exports rose by more than 21%

Over the same period, South Africa's productivity growth (output per economically active person) declined by 0,35%, whereas Japan's increased by 3,5%

Taking a longer time-horizon, over the decade 1972/82 Japan's productivity growth averaged 3% a year South Africa achieved rather less than half the rate — a disappointing 1,3%

In terms of both export performance and productivity growth, Japan leads not only South Africa, but most of the world as well

Can it be that its positive attitude to big business has had something to do with its miraculous post-war performance?

While big business has been a major element in the Japanese miracle, Japan is a country that also believes small is beautiful

Indeed, the smaller companies enjoy great encouragement and support and are often in the forefront of technological innovation and thrive in industries where expertise and entrepreneurial flair are more effective than the individual resources of the big battalions

Japan's great trading houses also made the major contribution to restoring the nation's self-respect and the refurbishing of its tarnished international image, as well as to its emergence as a great economic power

Can South Africa's major companies do the same for this country?

I've no doubt we need large and powerful groups that attain international stature, that enjoy international prestige and whose senior executives command respect in the commercial capitals of the world

After all, it's not far-fetched to say that our business leaders — men like Harry Oppenheimer and Anton Rupert, Gavin Relly and Ian Mackenzie, Mike Rosholt and Philip Sceales — are among the best ambassadors we've got

They don't attract the flak that our politicians and sportsmen do

And what they have for sale, the international world actually wants

They are welcome everywhere and by everyone.

Make no mistake

The world respects economic power, understands it and can relate to it.

It despises apologists.

And the inferiority complex that South Africans

'I believe that South Africa needs more, not fewer, big companies, and that our big companies need to become even bigger. Far from looking for ways to limit the growth of successful companies, we should welcome — and make better use of — the international muscle that large size confers.'

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...um of foreign capital, representing shares placed with UK institutions

We feel this is another vindication of our decision in 1981 to seek a listing on the London Stock Exchange and to develop a more active market for Liberty Life's shares abroad

There is an ongoing debate over the relative advantages of proprietary life companies like Liberty Life and mutual life associations such as Sanlam and the Old Mutual

The latter argue that, as mutuals, their policyholders enjoy an advantage when it comes to improving benefits because, unlike proprietary insurers, mutual insurers do not have to allocate any part of surpluses to shareholders and are not under the obligation to make profits in order to service equity capital

However, the economics of life insurance are such that writing new business requires the deployment of substantial capital resources because of heavy front-end costs

Furthermore, capital in one form or another is required to ensure policy-holder security and to provide a buffer against adverse experience in investment markets or other unforeseen circumstances

This capital has to come from somewhere — either from shareholders or, in the case of mutuals, from surpluses attributable to existing policyholders

In this respect, therefore, proprietary company policy-holders enjoy an advantage

The decision of another long-established mutual insurer — Southern Life — to change to a proprietary company is further confirmation that in life insurance the profit motive is a positive concept

After all, profit is not only a reward for risk-bearing, innovation and success in the competitive race — it is also an objective yardstick of management performance and of how effectively resources have been deployed in meeting the public's changing needs

Talking of the public's changing needs, I am pleased to record that the Standard Bank group, the United Building Society and ourselves are steadily forging closer links

We are making rapid progress towards introducing a new concept in South Africa — a "family of institutions" Our "family" will eventually be able to offer a complete range of financial and investment services from current accounts, credit cards, overdrafts, foreign exchange, leasing and hire purchase to mortgage finance, insurance broking, household and life insurance, pension fund management and unit trusts

We believe this new family grouping represents a major step forward and a constructive response to the need for greater simplication and professionalism in the financial services industry

Overall, the Liberty Life group today controls some R4,5bn of assets, including pension funds and properties under group administration

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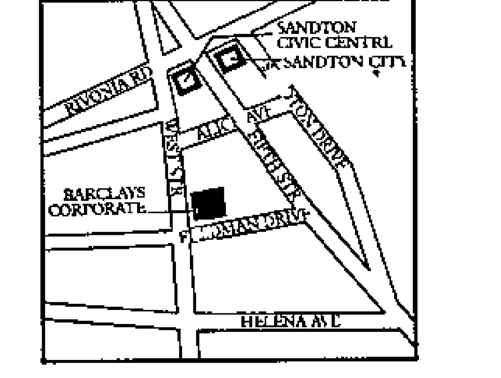

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BARKER McCORMAC 1385/2

...influence people.

No matter how hard they try, our politicians and sportsmen are unlikely to break South Africa's long-standing isolation

It was Japan's economic power, personified by its business ambassadors, that restored Japan as a respected nation in the world

South Africa's business leaders can do the same for South Africa, given the right conditions and enough encouragement

So let's take a leaf out of Japan's book

Let's stop this furore over economic concentration and focus our efforts on other, more relevant, priorities

In the meantime, the authorities have asked us all to apply our minds to the broad question of economic concentration and, more specifically, to whether interlocking holdings and directorates diminish competition

I personally have no hesitation in asking whether, with all the problems that South Africa faces at the present time — a prolonged drought, chronic inflation, a deep recession, excessive growth in the money supply, enormous budget deficits, diminishing productivity growth, urban poverty and rural hunger — whether we should be spending so much effort, scarce manpower and the time of hard-pressed Government officials and businessmen worrying about a handful of company directors who sit on two or more boards and where, occasionally, there may be a conflict of interest?

Isn't this a case of fiddling while Rome burns?

My approach to this whole over-publicised issue of concentrated economic power is very simple

If there are documented cases where it is proved that businessmen have behaved badly, in an anti-social manner, and deliberately stifled the competition, such behaviour should be dealt with appropriately

Otherwise, let our businessmen be about their business increasing the wealth of the nation and applying their internationally acknowledged entrepreneurial flair, management skills and innovation to lowering costs, raising efficiency, nurturing new products, developing new markets and establishing new enterprises here and abroad

As for Government, may I suggest it remove the mote from its own eye before it points to the beam in the private sector's

I believe that today there is more restrictive licensing, more limitations on competition and new entrants, more quasi-monopolies, more artificially protected enterprises in the public sector and in agricultural-product marketing and retailing than you'll find anywhere in the private sector

May I leave you with that final thought and thank you again, Mr Chairman, and the Editor and staff of the Rand Daily Mail, for honouring Liberty Life this evening. May I close by asking you all to drink a toast — to private enterprise!

Business Day/TAXATION

232 RDM 14/3/84

Trusts attractive for tax avoidance

BUSINESSMEN are turning increasingly to forming trusts rather than private companies in an attempt to cut their tax bills, say tax experts.

"The present tax system is forcing South Africans into trusts," says one specialist, Mr Costa Divaris

"If individuals form private companies, they are subject to 46,2% company tax in addition to dividend tax"

This would then bring the tax rate to over 64%. Also, loans from a company are now taxed, as is a portion of profit after the sale of a company.

However, as beneficiaries of a trust, or as individuals, South Africans are only taxed at a maximum rate of 50%

"When the authorities changed the tax rates, the possible consequences were not recognised", says a company lawyer.

Furthermore, private companies are not able to re-direct funds by paying large salaries to directors to enable them to enjoy the tax advantages

If a salary paid to a director is considered too high for his function, the authorities may disallow a portion of it.

There are distinct disadvantages in the trend towards trusts, say some specialists, as trusts are not as controlled as private companies

From the individual's point of view, they constitute a loss of flexibility

Another drawback is that limited liability may be forfeited

The solution, says Mr Divaris, is for directors' salaries to be allowed, no matter how high, and taxed at the company rate

Firms could then switch back to private companies, he says

To throw the sophisticated body of company law out the window now would be a great pity, says another specialist

The Commissioner for Inland Revenue, Mr Carl Schweppenhauser, says the increase in trusts because of their tax advantages has been brought to his attention

While he is unable to comment on whether the authorities envisage any specific action, he says he does not believe in hindering businesses in the formation of institutions of their preference — Reuter

Business Day

Triomf buys some NPI assets for R23m

By JOHN MULCAHY

TRIOMF Fertilizer Investments has emerged as the buyer of assets of R23m in the troubled chemical group, National Process Industries (NPI).

The assets are the Maputo ammonia terminal, which has gone for R11m, and fertiliser stocks worth R12m

The deal amounts to a coup for Dr Louis Luyt's group, which has stepped in ahead of Abercom Investments

It puts Triomf in an immensely powerful position over ammonia supplies, imports of which are now free of restriction.

The site of the terminal will open doors to imports from countries traditionally hostile to South Africa, which means that Triomf has unlimited sources for its raw materials.

According to Business Day's sources, the financing for the Maputo deal was readily agreed to by the Swaziland banks, which are under pressure from the their government to keep Swaziland Chemical Industries (SCI) afloat.

The link between the Maputo terminal and the SCI is that Maputo is the closest port to land-locked Swaziland

Exports from SCI have previously been channelled through Maputo

A spokesman for Triomf confirmed yesterday an initial agreement had been reached and the company would issue a statement once details had been finalised

The stocks bought by Triomf have a theoretical market value of R18m, which explains why Triomf has been able to sell fertiliser at discounts of up to 30%.

Abercom is understood to have made an unacceptable bid for the Maputo terminal

The snatch by Triomf makes Abercom's option to acquire Hanhill Industries less likely to materialise.

It seems the tortuous Abercom negotiations were moving too slowly for the interested Swaziland parties, who snapped up the Triomf offer.

Abercom is clearly holding out for as long as possible, in the belief the price will be reduced in time

But the longer it delays, the more opportunities present themselves to others.

Perhaps this is precisely what Abercom, or big daddy Sanlam, would like to see The first prize, and possibly the only worthwhile prize in the NPI group is National Explosives If the bits and pieces are sold off piecemeal, Abercom will be left with the explosives company and none of the headaches.

But the ace in the hole, as far as the present controllers are concerned, is the licence to produce Tovex explosive

There is no certainty about which way the licence will go, as it is vested in a private company controlled by Mr Oliver Hill The decision on what to do about South African production of Tovex rests with Du Pont Industries.

As much as AECI likes to dismiss the Tovex challenge, that did not prevent the group from approaching Du Pont for the licence last year, and there is still an outside possibility the licence will eventually go to AECI

Meanwhile, NPI is continuing to operate, largely on a hand-to-mouth basis, with the co-operation of its customers, while the wolves fight among themselves over the scraps

RDM 14/3/84 (232)

INVEST YOUR TIME IN OUR SHA...

Macsteel acquires Flekser from Lucem

An agreement has been reached between Lucem and Macsteel in terms of which Macsteel has acquired from Lucem the business of Flekser Steel

The price payable by Macsteel to Lucem is the net asset value of Flekser as at March 31, which net asset value will be established by an audited balance sheet of Flekser as at that date

It is expected that the price will be about R6 million

Macsteel will take possession of Flekser at close of business on March 31, when it will pay to Lucem the sum of R2 million, the balance of the purchase price being payable on June 30

The transaction will have no effect on the net asset value for every ordinary share of Lucem but will reduce its debt to equity ratio by about 25 percent

Had the transaction been effective for the whole of Lucem's financial year, which ends on March 31, it would have had the effect of increasing Lucem's earnings by about 2,5c a share.

Commenting on the transaction, Mr Alistair Isabelle, chairman of Lucem Holdings, said "As referred to in our interim report, the group's high debt to equity ratio is of foremost concern

"The opportunity to conclude a mutually beneficial deal with the Macsteel organisation materialised as a result of discussions in the last 12 months

"This transaction will enable Lucem to reduce meaningfully its debt and it is considered that it will accelerate the group's recovery by easing the burden of servicing that debt."

The deputy chairman of Macsteel, Mr Arthur Browne, said "We have expressed interest in this acquisition for well over a year now, and the purchase of Flekser as a going concern is a natural extension for Macsteel" — Sapa

T&I buys 42% more Danperk

ROM 20/3/84 (232)

By JOHN MULCAHY

TRADE & INDUSTRY Acceptance Corporation has acquired another 42% of Dan Perkins Holdings for R4,9m, taking its interest to 74%.

The deal, by which T&I has bought a total of 2,7-million Dan Perkins shares from Dan Perkins Family Investment Company (Pty) and from Ivan Finger Investments (Pty), was concluded at a price of 181c a share.

The cash is payable to the sellers by April 2

The T&I acquisition falls within the "control within control" provision of the Johannesburg Stock Exhange rules, which means that because there has been no change in "effective control", an offer need not be made to minority shareholders

The 26% minority is in the hands of about 600 shareholders, of which 15% to 20% is in general public hands

Mr Ivor Jacobson, T&I's chairman, said yesterday the acquisition was in line with T&I's policy of developing its industrial interests.

The other major industrial interests are the listed subsidiaries, Svenmill (62%), President Catering (64%) and the unlisted Multisound, a distributor of radio and audio products, in which T&I holds 42%

T&I's total investment in the industrial division — after the Dan Perkins top-up — is R16m.

The group's industrial and commercial division is expected to report pre-tax profit of about R8,5m for the year to June T&I's attributable share of taxed profit will be R3,5m

T&I's involvement in Dan Perkins goes back to 1968 when it had a banker/client relationship with the motor distributor

In 1979, T&I acquired a 30% stake in Dan Perkins In 1980 Dan Perkins was listed on the JSE T&I subsequently built up its stake in Dan Perkins to 32%

The increased Danperk stake is not expected to have any material effect on T&I's net tangible asset value or earnings a share for the year to June

Mr Jacobson said there was no special reason for the timing of the acquisition of the Perkins/Finger holding in Dan Perkins

Mr Perkins, who now lives in Connecticutt, was in South Africa in December when T&I spoke to him about his holding

Further discussions resulted in the take-out of the Perkins and Finger shareholding. Mr Finger is Mr Perkins' brother-in-law

Both Mr Perkins and Mr Finger have signed restraint of trade undertakings In Mr Perkins case, this will be settled by the payment of R240 000 in cash, spread over 48 equal monthly instalments beginning on March 31

No cash is involved in Mr Finger's case, but he has a two-year service contract beginning on July 1

Danperk's existing management team, with Mr Alan Jacobson as managing director, will continue to run the company.

Mr Jacobson said the increased stake in Danperk would have no effect on planning or strategy. "Administration and everything else will continue as before"

Mr Jacobson said there was no particular desire or intention to take out the minorities in any of the listed subsidiaries.

T&I equity accounts its industrial division, regardless of whether the companies are associates or subsidiaries

Because the industrial business is entirely different from that of the holding company, the two are kept separate on the consolidated accounts

Business Day

B&S embarks on buying spree

RDM 20/3/84 (232)

By MIKE JENSEN

B&S Furniture, formerly B&S Steel Furniture, has bought Furnsteel and Furnsham from Dundee Industries for R2,1m and will announce more acquisitions tomorrow.

Furnsteel has been acquired for a cash consideration of R800 000, effective from January 1. Furnsham cost R1,3m.

Furnsteel makes office furniture similar to that produced by another company in the B&S group — Steelbrite

B&S's managing director, Mr Bert Davids, said yesterday the cost of buying Furnsteel was related to assets acquired Furnsham's price arose from B&S's evaluation of the property

The acquisitions are not expected to have a significant impact on earnings in the current year. They have been funded by medium-term loans from the holding company and by external sources

Mr Davids said further acquisitions would be announced tomorrow

Whereas the group's activities were previously confined to the manufacture and marketing of products made from steel sheet, they now cover a wide range of domestic and office furniture.

After the offer to B&S minority shareholders in October last year, Clifcor acquired 96% of B&S's issued share capital To fall in line with Johannesburg Stock Exchange requirements, Clifcor has undertaken to reduce its holding in B&S to 85% by next November

The surplus of R8,7m revealed on revaluation of all B&S group properties has been transferred to non-distributable reserves This, together with the additional shares issued, has resulted in an increase in ordinary shareholders' interest to R22,7m from R7,7m

The net asset value a share, based on the higher number in issue, has risen to 404c from 341c.

The directors expect significant improvement in the level of income as a result of the restructuring

"These earnings will, however, only reach their true potential once new management has been able to settle down"

Surplus funds are expected to be redeployed in operating assets and working capital as the business grows

"The primary financial objective is to achieve a sustainable return of 20% on equity employed The dividend policy will be changed to cater for a dividend twice covered by earnings"

COMMENT: B&S is gearing up for dramatic developments in the furniture industry

At yesterday's share price of 460c, B&S yields only 1,7% on historic dividend, suggesting the market has anticipated a substantial improvement in results.

'150 secret companies don't give information'

RDM 22/3/84

232

AT LEAST 150 companies in South Africa are exempt by ministerial decree from disclosing information and are operating in secret, according to the deputy registrar of companies, Mr Hans Coetzee

The files on "secret" companies are removed from circulation and are not available to public scrutiny in the company's office.

Mr Coetzee said there were about 150 companies operating in "secret", but many of these were major companies with subsidiaries that pushed the figure even higher.

He said the "secret" companies included businesses involved in arms, petroleum and strategic minerals, and companies involved with "sensitive" trading partners.

If some of the information was revealed, it could damage South Africa on the world market, he said

In terms of an amendment to the Companies Act of 1978, the Minister may prohibit the disclosure of, and exempt a company from, the obligation to disclose information

He said companies affected would be involved in strategic trade and it would be in the public interest not to make the information available

He said, however, that any one investigating a company exempted under these conditions could apply to the registrar for information. The registered address and the name of the company would then be released, he said

In terms of the Companies Act, a company must disclose to the Registrar of Companies its registered address, the names and addresses of its directors, the officials of the company, the purpose and sphere of interest of the business, the share capital and how many shares have been issued and the names of the shareholders — Sapa

'Three giants control most firms on the JSE'

(232) Star 22/3/84

By Michael Chester, 24 Hours team

Three mammoth companies now control most of the several hundred companies listed on the Johannesburg Stock Exchange, according to new disclosures

Controversy is bound to break out afresh in the wake of publication within the next few weeks of the latest edition of "Who owns whom", now a regular monitor of stock market trends.

The author, Mr Robin McGregor, assesses that the Anglo American Corporation alone — dominating the entire private sector by the clout of its interests ranging from gold mines to supermarkets — has increased its control to no less than 54,1 percent of the R108 billion current price tag on all JSE shares.

He estimates that the insurance and pension fund giant Sanlam has steadily broadened its control from 9,4 to 10,7 percent of the market within the past year.

And he calculates that the Barlow Rand conglomerate has lifted its share of JSE control from 7,4 to 8,6 percent

Between them, the Big Three now control over 73,4 percent of the JSE, measured in terms of capitalisation, compared with 69,3 percent a year ago They are not far short of the 80 percent control shared between seven corporate giants only 12 months ago.

The number of companies with a market capitalisation of R500 million or over and still regarded as independent, has shrunk from 13 to 10 in the wave of takeovers and mergers.

"With so much economic power in so few hands, the South African economy could run into troubled waters," Mr McGregor says.

● See Page 14, Metro section.

'Secret' companies exempted from public scrutiny

C. Times 23/3/84 (232)

PRETORIA — At least 150 companies in South Africa are exempt by ministerial decree from disclosing information and are operating in secret, according to the Deputy Registrar of Companies, Mr Hans Coetzee

The files on "secret" companies are removed from circulation and are not available to public scrutiny in the company's office

Mr Coetzee said there were about 150 companies operating in "secret" but many of these were major companies with subsidiaries that pushed the figure higher.

Damage

The deputy registrar refused to disclose the names of the "secret" companies, but said they included businesses involved in arms, petroleum and strategic minerals and companies involved with "sensitive" trading partners

If some of the information was revealed, it could damage South Africa on the world market, Mr Coetzee said

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Disclose

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A balance sheet and annual report must also be made available to the public at the end of each financial year. — Sapa

M & R profits surge 27,7% — div raised

By JOHN MULCAHY

JOHANNESBURG. — Murray & Roberts lifted attributable profit by 27,7 percent to R28,044m for the six months to December from R21,961m in the corresponding 1982 period.

Earnings rose to 108c a share from 85c and the interim dividend has been raised to 2[illegible]c from 15c

M & R's directors note that profit for the six months should be viewed in the perspective of a relatively low base in the preceding half-year and the acquisitions made in the six months.

The directors also warn that full-year earnings will not reflect the same growth rate as the first six months

Outlook

Mr J E D "Bill" Bramwell, M & R's chief executive, said yesterday the outlook for the general construction industry this year was clouded by the low level of government spending on infrastructure

Within the definition of construction there were several areas that were, however, doing well, including building, where the emphasis on black, coloured and Indian housing was continuing to grow

M & R was also fortunate in having a reasonable share of the central business district-type building work, such as the Reserve Bank building in Pretoria

The group also had work in Richards Bay, including the new Mondi plant and the effluent pipeline

Mr Bramwell said the heavy engineering sector was quiet, light engineering was buoyant, and the foundries division, whose main market is the motor sector, had started slowing down again

On the future, Mr Bramwell said acquisition targets for the time being would be companies that would give existing M & R operations a bigger share of the market

"What we are looking for is to acquire companies that fit exactly with our existing companies"

In pursuance of this objective M & R last year bought 60 percent of GMCE Holdings (Pty), the holding company of the Gillis Mason group of companies, as well as the more recent acquisitions of Armco Robson (Pty), B E Morgan & Associates (Pty) and Frigicool Engineering (Pty)

All of these acquisitions dovetailed into existing M & R divisions

The directors say in the interim report that the Suppliers & Services and Property subgroups are performing well, and the consumer-related interests are also showing real growth

"Industrial operations are, as is to be expected from the sluggish state of the economy, still operating below normal levels"

In spite of the acquisitions M & R's borrowings are below last June's level, and are not expected to increase materially for the rest of the year

CAPE TIMES 23/3/84

(232)

Rupert restructures stake in Rothmans

LONDON — Philip Morris Inc and Rembrandt Group Ltd have restructured their interest in Rothmans International PLC in a way which makes the possibility of Morris taking over Rothmans even more remote, financial analysts said

Morris and Rembrandt announced agreement on the restructuring yesterday and said that as a result the European Commission has dropped its proceedings against the two companies

Discussions with the West German Federal Cartel office in West Germany, which also raised objections against the 1981 agreement between Morris and Rembrandt, are continuing

Agreement

Under the 1981 agreement, Morris and Rembrandt, which is owned by South African businessman Dr Anton Rupert, had an equal share in Rothmans Tobacco Holdings Ltd, which in turn held 44 percent of the equity and 50 percent of the voting rights of Rothmans International

Under the new arrangements, completed on Wednesday, the two companies have increased their equity stake in Rothmans International to around 30,8 percent each to total 61,6 percent, but have weighted the voting rights in Rembrandt's favour

Morris will have around 24,9 percent of the voting rights, while Rembrandt will have about 44 percent

Under the agreement, Morris, which is now a direct shareholder in Rothmans International, undertakes to limit its shareholding in Rothmans so that its voting power would remain under 25 percent

Each party has rights of first refusal in respect of the other's holding of shares and bonds in Rothmans International

The agreement involved Morris and Rembrandt each converting £25m nominal value of 6,95 percent convertible junior sub-ordinated sterling/mark bonds due 2012 of Rothmans International and receiving 34,24m of new shares of Rothmans International, thereby increasing their overall stake

Dr Anton Rupert

Rothmans then transferred 34,24m of the new shares to Morris in exchange for Morris's 50 percent interest in Rothmans Tobacco Holdings, thus making Morris a direct shareholder in Rothmans International

Both Morris and Rembrandt will now each hold, as part of their interests in Rothmans International, £7,36m of 6,25 percent convertible senior sub-ordinated sterling/mark bonds due 1992 and £8 655m of junior bonds

Rembrandt said it had no intention of increasing its holding of shares and bonds in Rothmans International, other than by conversion of its existing holding of bonds, to a level exceeding the position held yesterday

Restructuring

Morris and Rembrandt said the British take-over panel, which supervises the UK takeover code, has confirmed that the restructuring does not give rise to an obligation on either party to make a general offer to the shareholders of Rothmans International group

No representative of Morris is being appointed to the Rothmans International board

A spokesman for Rothmans International said as far as Rothmans itself is concerned the restructuring cleans up the balance sheet by removing £50m of debt through the bond conversion

Rothmans' equity base is also broadened, he said

Shares of Rothmans fell 5p on news of the restructuring to 135p a share from 140 at Wednesday's close — Reuter

RDM 24/3/84

Freight Services expands

232

THE Freight Services group has acquired a majority interest in an American airfreight company as part of a programme to increasing its effective control over the management of cargo at both ends of the main trading routes

Freight Services says the company, Vet-Aire Inc, is an IATA-licensed forwarder with a network of offices in the USA

Its existing management will continue to run the company and have a minority shareholding It will change its name to Freightair International Forwarding Corporation and will form an important link in the group's international Freightair network

Mr Neville Organ, chief executive of Freight Services, says "We have long had agency representation in the US, but in view of the increasing importance of the American airfreight market and of our international expansion, we have for some time felt the need to have our own operation there

"Vet-Aire is a well-established company with sound management and advanced systems

The 60% interest we have taken in it will provide us with an already entrenched position in the market

"The investment this represents will, we believe, be justified by the higher level of service we shall be able to provide and the greater volumes we expect in consequence"

The Freight Services group already has subsidiaries in the UK, Europe and Australia, as well as in most southern African countries, and is represented worldwide by franchises and agents — Sapa

SUNDAY TRIBUNE, MARCH 25, 1984

COMPANY COMMENT
By Mike Chester

Anglo's control growing

S-Tribune 25/3/84 232

MORE explanations of the phenomenon behind the chronic shortage and immobility of most shares on the Johannesburg Stock Exchange will be read between the lines in the 1984 edition of "Who Owns Whom", now a regular monitor on the changing face of the JSE

Researcher and author Robin McGregor is bound to rekindle the entire debate about the merits and demerits of the enormous power concentrations inside the private sector and the JSE in particular when the publication comes out in the next few weeks

The most significant message is that the big go on growing bigger — and fewer.

Mr McGregor finds that the number of companies with a market capitalisation above R500 million and still holding all the reins of control, has shrunk from 13 to 10 since the last count only a year ago

He slices off the list both SA Breweries and Premier and packs them into the Anglo American Corporation stable and decides to lump Nedbank into the Old Mutual sprawl

When all the takeover and merger manoeuvres have been counted, he estimates that the Anglo share of ultimate control over the overall R108 billion value of all JSE shares has swollen from a staggering 52,5 percent to an incredible 54,1 percent

Sanlam, next in the batting order, has increased its share of control from 9,4 percent to 10,7 percent The Barlow Rand slice has grown from 7,4 to 8,6 percent.

Simple arithmatic shows that the big three alone now control the destinies of no less than 73,4 percent of shares as measured by value

Mr McGregor also sees enormous significance of the climb of the ladder by Old Mutual, now with control of 2,7 percent of the market compared with only 0,6 percent a year ago, perhaps displaying through its takeover of Rennies and Safmarine a shift in policy from a stance of insistence on staying in the background with no more than a minority interest when possible

Liberty life is not far behind with a 2,1 percent share of overall market control

The rankings, of course, concern themselves only with control situations Add the rest of shareholders and the mind boggles And still vast amounts of new cash are pumped daily into the insurance companies and pension funds, much it seeking a sojourn on the JSE

No wonder there's a rush at the rarer and rarer moments of scrip changing hands

The tightness of the market was demonstrated in an exercise carried out by Sanlam a couple of weeks ago. It unearthed some fascinating comparisons.

By 1982 the total turnover of the JSE as against market capitalisation had shrunk to a miniscule six percent To put it in perspective, that compares with 44 percent in Holland, 35 percent in the United States and 34 percent in such centres as London, Tokyo and Hong Kong

An examination of individual front runners reflects the trends

Between 1972 and 1982, for instance, the number of issued shares in Barlows that were traded shrank from 8 to 5,6 percent OK Bazaars shares traded were down from 7 to 2,5 percent, Pick 'n Pay from 11 to 3,8 percent, Remgro from 6,1 to 2,6 percent, Sappi from 11,3 to 7,8 percent And so on

Unhappily for private investors seeking a piece of the action, there do not appear to be any obvious reasons why the scenario is likely to alter, at least as far ahead as one can see at the moment.

Two Wit Nigel for one Af Lease

RDM 26/3/84 (232)

By BRENDAN RYAN
Mining Editor

AMBITIOUS plans to rejuvenate the marginal gold mine, Witwatersrand Nigel, have been set in motion with a private offer being made by Mr Peter George of two Wit Nigel shares for every Afrikander Lease share he can get.

Market sources say Mr George aims to acquire a total of 2-million Af Lease shares, which would give him 30% of the company's issued capital

Mr George declined to comment on the offer at the weekend.

The offer for Af Lease shares forms part of Mr George's recovery plans for Wit Nigel, control of which he acquired last year in a proxy fight with the former managers, African Exploration (Afex)

Financial proposals released at the time of the battle said Mr George intended concluding negotiations for the acquisition of a large minority interest in a quoted gold mining share

Since winning control Mr George has had Wit Nigel's share capital increased to 16-million shares by the creation of 7,2-million new shares.

These shares are held under the control of the company's directors and Mr George apparently intends issuing 4-million of them to buy the 2-million Af Lease shares he wants

Mr George won control of Wit Nigel by gathering proxies to represent about 46% of shareholders.

By issuing the new shares in this way Mr George will effectively be diluting the stake held in Wit Nigel by the existing shareholders.

There seems to be no shortage of willing participants in the Wit Nigel/Af Lease deal and market sources believe Mr George may already have acceptances giving him a million Af Lease shares

Wit Nigel closed at 360c on the JSE on Friday and Af Lease at 565c, suggesting that Af Lease shareholders accepting the offer would make a paper profit of 155c a share.

What they will gain in real terms is as uncertain as what Wit Nigel shareholders will gain from holding 30% of Af Lease Both shares are highly speculative

A number of JSE analysts have advised that neither share should be bought at present levels and any investor showing healthy gains at current price levels should take them and sell out

Mr George apparently believes that the uranium market is about to boom and Af Lease shares are destined to reach R20

Wit Nigel needs approximately R25m to complete an expansion programme which would put it on its feet Market sources believe Mr George hopes to borrow this money using the Af Lease shares as collateral or to sell the shares at the higher levels and get the money that way.

The one problem is that Af Lease shares are already grossly overpriced and the bombed-out uranium market holds no hope of a sudden recovery

The international uranium market is expected to be heavily oversupplied until the 1990s

Uranium spot prices had been expected to rise slowly but steadily to $30-$35/lb by about 1987 but that was before the recent, unexpected slump in the market which knocked prices from more than $20/lb back to $17,50/lb

The market low was about $17/lb in November 1982 Illustrating the gloomy state of the uranium market was the announcement that Harmony gold mine is to close one of its three uranium plants this month

Af Lease's uranium operations have been mothballed and its contract commitments are being met by Vaal Reefs

Vaal Reefs has an agreement to mine uranium and gold at Af Lease in terms of which it is to pay a royalty.

A separate small project to mine only gold is being carried out at Af Lease and building up to capacity of 15 000 tons/month milled

A recent report by JSE brokers E W Balderson estimated earnings from the small gold project could be 4c an Af Lease share at a gold price of R400 and 8c a share at R500

The profitability of the uranium-/gold project depends on the uranium market because gold profits are only a bonus to the mine and will not sustain operations alone for long, the brokers said

The brokers also said a rapidly rising gold price would be detrimental to Af Lease because the R/$ exchange rate would firm with the rising gold price

This in turn would reduce the rand revenue from uranium sales the mine would receive.

Af Lease has long been one of Mr George's favourite shares and this appears to be the only reason for his move as it cannot be explained on fundamentals

It seems unlikely that he might use his stake in Af Lease to take on Anglo American Corporation or engineer some kind of deal with Anglo

The Anglo group controls 44,6% of Af Lease and Vaal Reefs has the mining lease sewn up for the productive life of the mine.

This situation is vastly different from Wit Nigel where the Afex managers directly owned only 2% of the shares and in the proxy fight could gather only a total of 10,6% of the shares to its side.

4 Business Day

RNM 26/3/84

Rothman's restructuring won't hit Rembrandt

(232)

By NEIL BEHRMANN

LONDON — Analysts doubt whether the recent change in the Rembrandt Group holding in Rothmans International will have a material effect on the South African company's earnings.

Rothman International's two major shareholders, the Rembrandt Group and the US tobacco company, Philip Morris used each to have a 50% holding in Rothmans Tobacco Holdings (RTC

RTC in turn owned 50% of the votes and 44% of the ordinary shares in Rothmans International

This meant the indirect equity interest of Rembrandt and Morris was 22%, although they also held convertible bonds (debentures).

Now Rembrandt and Philip Morris have converted part of their convertible bonds, and Rembrandt now holds 30,8% of the equity capital and 44% of the voting rights in Rothmans International

Philip Morris has 30,8% of the equity but only 24,9% of the voting rights

Both companies decided to restructure their holdings because of complaints that a giant United States and British company would hinder competition in the European tobacco industry

When Philip Morris originally bought a \$350m stake in Rothmans, the West German Cartel Office complained that Rothmans already had a majority interest in Martin Brinkmann, a dominant West German tobacco company

It feared a merger between Philip Morris's West German subsidiary and Brinkmann would control too much of the West German cigarette market

Under West German law a 25% interest in a company is deemed to be a controlling holding To prevent anti-trust action, the restructure plan reduces Philip Morris' stake to 24,9%

That move satisfied the European Commission's fears about monopoly but discussions with the West German Cartel Office are continuing

A Financial Times report however says the West German Cartel Office intends vetoing the common market's decision

Ahead of the announcement there were rumours that Philip Morris would bid for more shares Following the notice, disappointed speculators sold the shares and they dropped from 140p to 126p

Mr Peter Temple, tobacco analyst of Hoare Govett, estimates that the change in structure will reduce Rembrandt's income from Rothmans by about £700 000 (R1,25m)

drops

ly

Closing gold prices

(In $ an ounce)
LONDON:
387,50-388,00
Fixing am: 388,50
Fixing pm: 388,50
ZURICH:
387,00-390,00
— Reuter

good turnover, dealers said

The afternoon fix was unchanged from the morning but the slightly easier tone resumed in late afternoon This was ascribed to light liquidation, perhaps prompted by a marginally firmer dollar

-ity bank

D DEPOSITS

funds to invest for 12 longer, you will be rates of interest in the

,25%

12 months

,75%

24 months

Mike Doble and let make an investment to needs. Phone 23 1380, 19 St George's Street

Take-over talks with Grandbaz?

Pep on take-over trail as Christo Wiese grooms Shoprite for growth

Cape Times 31/3/84 232

By PAUL DOLD, Financial Editor

PEP is once more on the take-over trail and destined to expand its retail base considerably. Only weeks after buying Ackerman's from Edgars, Pep is flexing its muscles again and seeking to enlarge its Shoprite chain into one of the country's major food retailers.

There was strong speculation in Johannesburg stockmarket circles earlier this week that Pep and Grandbaz had been holding informal talks with Pep seeking to buy Grand and merging the group with Shoprite which has some 22 stores

Grand Bazaars' chairman, Mr Manual Sachar, declined to comment yesterday and Pep Stores' Mr Christo Wiese was equally reticent. But Mr Wiese did confirm that Pep is interested in acquisitions and is aiming to expand the Shoprite chain

In the absence of a formal statement by last night it can be assumed that the preliminary talks have not yet been successful

Cost cutting

Retail sources say a deal between Pep and Grandbazaars would have had valuable cost cutting benefits and could vastly have improved their strength in the aggressive food market.

When announcing Pick 'n Pay's excellent results this week, the chairman, Mr Raymond Ackerman, said that the past year had been the toughest of his career

Analysts noted that the huge price war which has marked the recession had led to even Pick 'n Pay with R1,5 billion sales and the best food retailing operation in the country cutting margins And Pick 'n Pay has been using its booming sales of relatively high margin hardgoods to cushion food margins

This week's Budget and possible future increases in General Sales Tax are likely to lead to stepped up competition for the consumer's rands Corporate liquidity will be under pressure due to increased taxation and finance costs will remain high as no early downswing in interest rates can be expected

Upswing

The outlook for some of the smaller retailers is far from bright. The economic upswing may now only occur next year

Pep is rapidly expanding the Shoprite chain and the first stores outside of the Western Cape have been opened It is a fair guess that Mr Wiese intends expanding Shoprite nationwide

The recent take-over of the Ackermans stores will provide Pep with the ideal opportunity to quickly increase the number of Shoprite stores Some of the Ackerman's stores are to be converted into supermarkets

Pep's board has now decided to continue operating under the Ackerman's name and not to switch the stores to Metro Pep trading outlets Both Greatermans and Edgars have spent millions on the new look Ackerman's and Pep is clearly seeking to capitalize on this investment in the coming boom

Pep's Mr Christo Wiese . strong expansion ahead.

Shoprite itself is showing rapid sales and profit growth having found a lucrative slice of the market out of reach of the mass merchandizing chains such as Pick 'n Pay, the OK and Checkers

Grand Bazaars is in a head on clash with Pick 'n Pay, Checkers and the OK and in common with the other smaller food retailers clearly needs to expand its sales base if it is to increase market share Grand's margins have been under pressure in the fierce food price war but it has been marketing aggressively

Pick 'n Pay is believed to have gained considerable market share in the Western Cape, with both its Brackenfell Hypermarket and supermarkets showing the highest growth in the group Pick 'n Pay is also increasing the number of stores in Cape Town's northern areas the traditional Grandbaz heartland

Grand has considerable strengths The ultramarkets — a smaller version of the hypers — have proved extremely successful and the chain has high consumer loyalty in the Western and Eastern Cape It recently bought a successful mail order company operating in the black consumer market

Which Apple to p...

...ick an Apple?

ARGUS 2/4/84 (232)

Grandbaz turns down Shoprite merger proposal

A proposal by Pepkor that its subsidiary, Shoprite, should be merged with Grand Bazaars has been turned down

Mr Manual Sachar, chairman of Grand Bazaars, said today "Pepkor have put forward certain conditions which were not acceptable to Grand Bazaars and to me"

His statement explained that the approach came from Pepkor "The suggestion was that Grand Bazaars would buy Shoprite

"Pepkor would receive shares in Grand Bazaars in payment of the purchase price"

However, in view of the unacceptable conditions "Grand Bazaars will not buy Shoprite and there will be no merger"

Both the Shoprite and Grand Bazaars chains are expanding Mr Sachar has given assurances at annual meetings that he had no plans for control of Grand Bazaars to pass out of his family

● **Foschini**, the Cape Town-based women's fashions store chain, is slimming down and stepping up its productivity for what it expects will be a tough year, its annual report shows

Stocks in the year ended December in the 567-store chain were cut from R37,6-million to R27,5-million, while overdraft and unsecured loans dropped from R21,2-million to R7,4-million

Current assets rose from R99,0-million to R105,8-million, while current liabilities dropped from R55,0-million to R50,0-million

Further savings are expected this year when all the group's stores will be linked to the main computer through point-of-sale terminals, says the executive chairman, Mr S Lewis

He sees no improvement in the economy unless the price of gold changes dramatically He also expects interest rates and inflation to remain high and expects continued pressure for higher salaries and wages

In this situation he says the company's strategy lies in the vigorous enhancement of productivity in all areas

Audrey d'Angelo

Volkskas Industries buys Drury Wickman

RDM 5/4/84 (232)

By GAIL PURVIS

VOLKSKAS INDUSTRIES, the non-banking arm of the the Volkskas group, has acquired the total issued share capital of Drury Wickman (SA) from John Brown of Britain for an undisclosed sum.

It has also acquired, through its subsidiary, Bonuskor, a majority shareholding in the Comaco Stainless Steel Group.

Comaco, mainly suppling the food industry, has a turnover of R20m.

Drury Wickman has a turnover of R15m in a machine tool market now reckoned at being worth R75m.

In the boom period when the market was estimated as worth R200m, the company enjoyed a peak turnover of R40m.

'Volkskas' ownerhip of Mitco Tool, coupled with its 51% stake in Redman Machine Tools and its 26% share in Somta put it among the top two companies in the SA machine tool business, with some 20% of the market.

Mr Gerhard Scholtemeijer, managing director of Volskas Industries and chief executive of Bonuskor, also announced yesterday that VI has acquired 33% of the issued share capital of Senvleis.

Senvleis owns the total issued share capital of Country Bird and Kroon Koelkamers

Part of the deal which gives VI its shareholding is an agreement to extend the R20m Country Bird project

This currently produces 100 000 broilers weekly at Botshabelo, near Thaba'Nchu.

City Press

8/4/84

UPFRONT COMMENT

232

City Press

By PERCY QOBOZA

THIS newspaper has changed hands from today. In an agreement signed yesterday, proprietor J R A Bailey has ceded the rights for City Press, Drum and True Love to the Cape-based Nasionale Pers.

The editors of the three publications met with the managing director of Nasionale Pers and his executives yesterday to seek clarification on matters that deeply affect us and our readership.

The result of the meeting is our insistence — and Nasionale Pers' agreement — that we will maintain our highest journalistic integrity and interpret our people's aspirations the way they expect us to.

In addition, our journalists — proud of their integrity — will continue to enjoy the same degree of freedom of expression they have enjoyed over the years.

A charter guaranteeing this was signed by Nasionale Pers.

Black journalism, as has been typified by the contents of this newspaper, has shown remarkable consistency in the face of formidable odds.

We have, for years, suffered to establish our right to freedom of expression and self-determination. We are not about to throw all that suffering down the drain by compromising any of our principles.

This determination is shared by the editors of both Drum and True Love. In that determination, they are joined by every member of the editorial staff of the three publications.

One of the undertakings given to us is Nasionale Pers' desire to have more and more blacks investing in these publications. Our dream is to be wholly black-owned in time — and the sooner, the better.

Here is the charter signed by Nasionale Pers:

- City Press, Drum and True Love will continue to be run as publications aimed primarily at mass markets
- Their journalists will continue to enjoy the same degree of freedom of expression within the law that they have known in the past
- The same standards of good journalism will apply, including adherence to the Code of Conduct of the SA Media Council, established by the Newspaper Press Union and the Conference of Editors.
- As in the past, the publications will — without being tied to any political movement — endeavour to further the development of a society in which all its members may enjoy full participation, regardless of cultural origin, colour, language or sex
- Each publication will act as a forum for

SOW

Ten white coffins line the stage at the Eye

Thousan-

SOWETO yesterday mourned the deaths of the ten Rosherville bus disaster kids in a deeply-moving service that brought together people of all political persuasions

A mournful atmosphere en-

By

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THREE of four policemen in the "electric shock" murder trail in the Volksrust Circuit Court were yesterday found guilty of assault with

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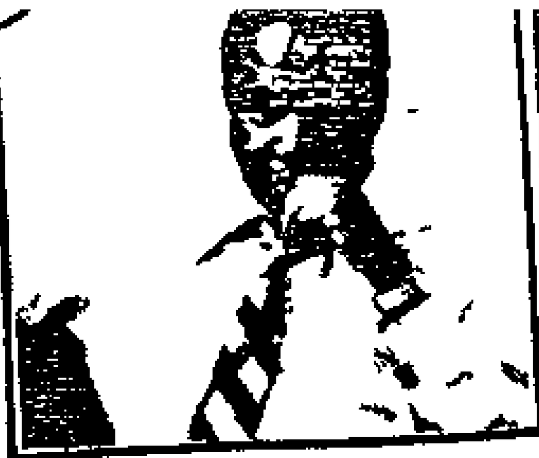
By PERCY QOBOZA



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- Each publication will act as a forum for the public it serves, and will enable different sides of a question to be aired by the holders of opposing views
- Special recognition will be given by staff, management and directors to the importance of:

Genuinely presenting the view and ideals of present and potential readers;

Maintaining and enhancing the integrity and credibility of the publications, and

Promoting frank and meaningful communication between all people of Southern Africa and their various institutions.

Ten white coffins line the stage at the Eyethu Cinema yesterday at the funeral se

Thousands mour

SOWETO yesterday mourned the deaths of the ten Rosherville bus disaster kids in a deeply-moving service that brought together people of all political persuasions

By LEN KALANE

A mournful atmosphere engulfed the Eyethu Cinema where thousands of mourners gathered to pay their last respects to the children who died last Sunday.

Black unity was the central

them funer retai the ingir poli

'Electric sh guilty o

By DESMOND BLOW

THREE of four policemen in the "electric shock" murder trail in the Volksrust Circuit Court were yesterday found guilty of assault with intent to do grievous bodily harm.

Their conviction arises from an incident in May last year when two stock theft suspects were arrested and interrogated at the Dirkiesdorp police station

Mr Timothy Themba Manana was later found

on both murder and attempted murder counts

Judge J P O de Villiers, sitting with two assessors, found that Const Mkwanazi had only acted as an interpreter during the interrogation of the Mananas and had no influence

assault with intent both charges

The three white policemen had admitted giving electric shocks, had pleaded guilty common assault only

Prosecutor Jan D viera criticised the accused for not going

RDM 5/4/84 (232)

City Press and Drum sold

Nasionale nets black papers

By SUE FAULKNER

NASIONALE PERS announced yesterday it had taken over three of the country's five biggest black publications

Mr Jim Bailey, whose name has figured in the South African publishing world for 33 years, signed an agreement with Nasionale Pers on Friday in which he sold the titles of City Press, Drum, and True Love and Family for an undisclosed but "substantial sum"

Mr Bailey is retaining ownership of the East African edition of Drum

The announcement was made yesterday by Mr Bailey, chairman and main shareholder of Bailey Publications, and Professor P Cillie and Mr David de Villiers, chairman and managing director, respectively, of Nasionale Pers

The changeover took immediate effect and staff members on all publications were informed of the move at a meeting yesterday

Commenting on the sale, Mr Bailey said in a joint statement with Prof Cilliers and Mr De Villiers that Nasionale Pers books and free sheet newspapers enjoyed extensive black readership This was now being supplemented

Mr Bruce Cohen, news editor of the City Press, said yesterday a large contingent of senior management from Nasionale Pers addressed the staff of the Sunday paper yesterday afternoon

Mr Cohen said after the address he was optimistic "because the future of the paper had been assured"

He added however, that only time would tell what sort of a future that was

According to a charter read out to staff on the three publications, "journalists will continue to enjoy the same degree of freedom of expression as they have in the past"

The charter said the publications would not be linked to any political movement

"Each publication will act as a forum for the public it serves and will enable different sides of a question to be aired by the holders of opposite views," the charter said

One member of the City Press staff described the charter as "a patronising document that could only come from a company which was dipping its feet into untried waters"

Mr Raymond Louw, a former editor of the Rand Daily Mail who joined the Bailey Group on February 1 on a consultancy basis, said last night he thought the publications would benefit from the take-over

"The injection of expertise and capital from Nasionale Pers could benefit the publications enormously," he said

Mr Louw said his consultancy work for the publications would be "coming to an end over the next few weeks".

Mr Keith Lister, deputy chairman of the Bailey Group, said Mr Bailey was not retaining any shares in either one of the three publications

Mr Bailey could not be contacted for further comment last night.

Mr Dave Bleazard, the president of the Southern African Society of Journalists, said the SASJ was extremely concerned at the take-over of the three publications

"The society is opposed to any move which will further restrict the already limited diversity of viewpoints provided by the Press," he said

Business Day/INDUSTRY

RDM 9/4/84 (232)

Mines split on timber fears

By BRENDAN RYAN

THE GOLD mining industry is assessing the supply of essential mining timber amid forecasts of possible future shortages

Some mining industry executives are concerned about the control of mining timber supplies now that Anglo American Corporation, through subsidiary Mondi, has built up a 49% stake in HLH Timber Holdings, which controls the bulk of South Africa's mining timber supply

Executives from other mining houses believe that in the event of a supply crisis, Anglo's gold mines would get priority claim to HLH's mining timber

This possible scenario has resulted in Gencor's pulp and paper subsidiary, Sappi, diversifying into the mining timber field

Sappi last year bought 12 000ha of hardwood plantation ground around Piet Retief, of which about 60% is already planted to hardwoods

Timber industry estimates on how much of South Africa's mining timber is controlled by HLH range between 70% and 75% HLH itself says it controls only 60% of the supply

The head of HLH's timber division, Mr Robert Cox, disputes predictions of future shortages of mining timber He adds that Anglo's mines account for only 50% of HLH's timber business

"Our supply situation is tight at present but none of our customers has lost a blast through lack of mining timber and I do not expect this tight situation to last longer than a year," he says

Apart from Gencor and Anglo, the only other mining house with an in-house supply of mining timber is Rand Mines, through T C Land subsidiary Lotzaba Forests Lotzaba cannot meet Rand Mines' requirements and has to buy in some 40% of its output

A spokesman for Gold Fields of South Africa said the group had started to plan for a forecast timber shortage GFSA had entered long-term supply contracts spread over all the mining timber suppliers and over the various regions where mining timber was grown

Factors which could lead to a future shortage of mining timber are the shortfall in the rate of planting of all kinds of timber to meet future demands and the effects of the drought

Demand from Mondi's Richards Bay mill, which will start operations this year, is also seen as a possible cause of shortage as the plant could compete with the mining industry for timber supplies

The effects of the drought on the forests are difficult to assess because they vary from region to region, and even from plantation to plantation

Mr Cox estimates HLH forests have lost about two years growth because of the drought, which has caused the present tight supply

However, a large grower of mining timber near Tzaneen estimates it has lost a year's growth and will run short of mining timber in about three years

The year's new planting has been lost in some areas This means there will be a shortage of this timber in eight years, when it is due to be felled for use as mining timber

A crucial factor is railage rates, which have increased by an average of 23% annually from 1980-1983 and have reached the point where railage amounts to 33,3% of the delivered cost of timber to the mines

The mines have, until recently, absorbed railage cost increases but will be asking for adjustments in the timber price to balance railage increases

The result is that growers are looking more closely at supplying the pulp market, where Mondi and Sappi's Ngodwana mill are looking for extra supplies The pulp industry pays less but the quality of timber it takes is lower

Growers pay railage Rate 14 to supply soft wood for pulp This is about 15% cheaper than Rate 12, which they have to pay for railing mining timber

The difference is that pulp timber can be loaded wet, which means that 36 tons of timber can be loaded into a truck

Mining timber must be supplied dry The same truck volume of dry timber weighs less than wet timber and the higher railage rate is applied as a result

Such a switch would reduce the amount of mining timber available, which could lead to supply problems

Mr Cox, however, believes this fear is unfounded He says the advent of Mondi's Richards Bay plant means that otherwise wasted wood from mining timber forests could now find a market

Sections of the felled trees are the wrong size to be used as mining timber but could be sold to Mondi for pulp wood

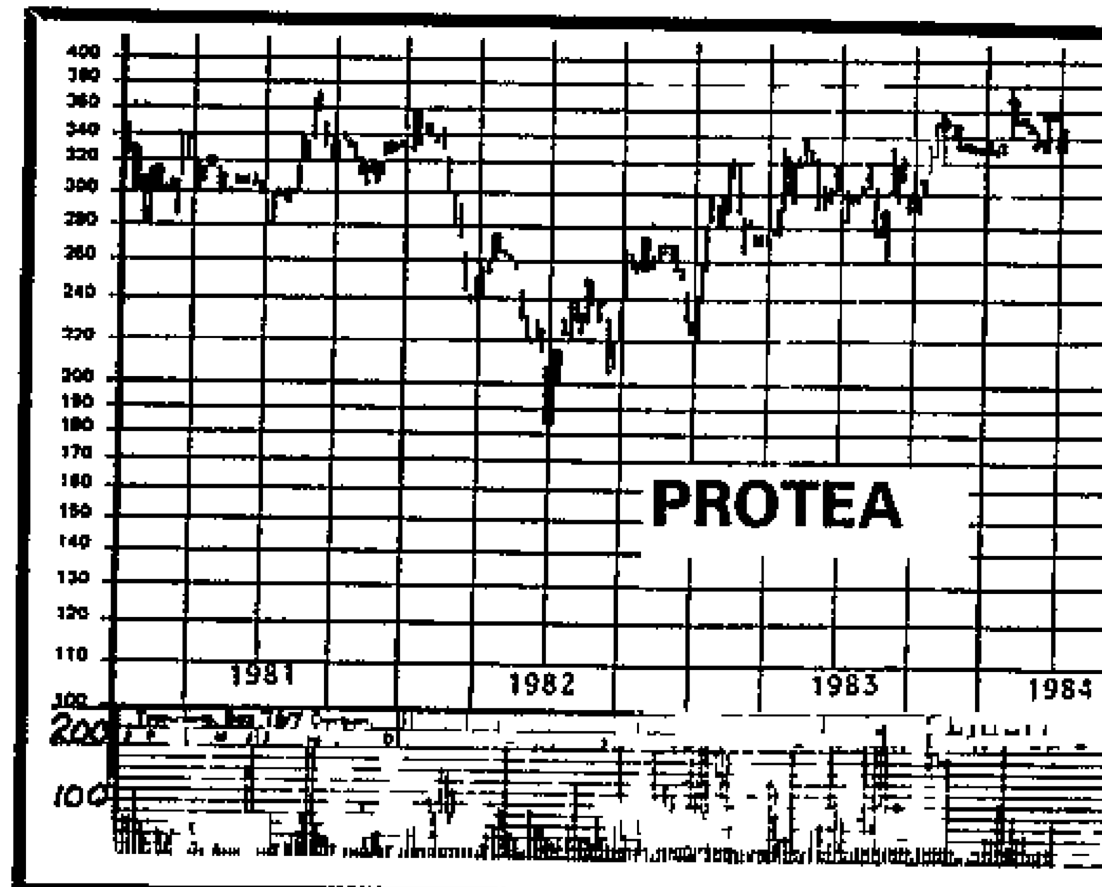
"South Africa already has the timber to supply the Mondi mill For example, each year 500 000 tons of timber is exported as chips to Japan through Richards Bay Some of that could conceivably be sold in future to Mondi"

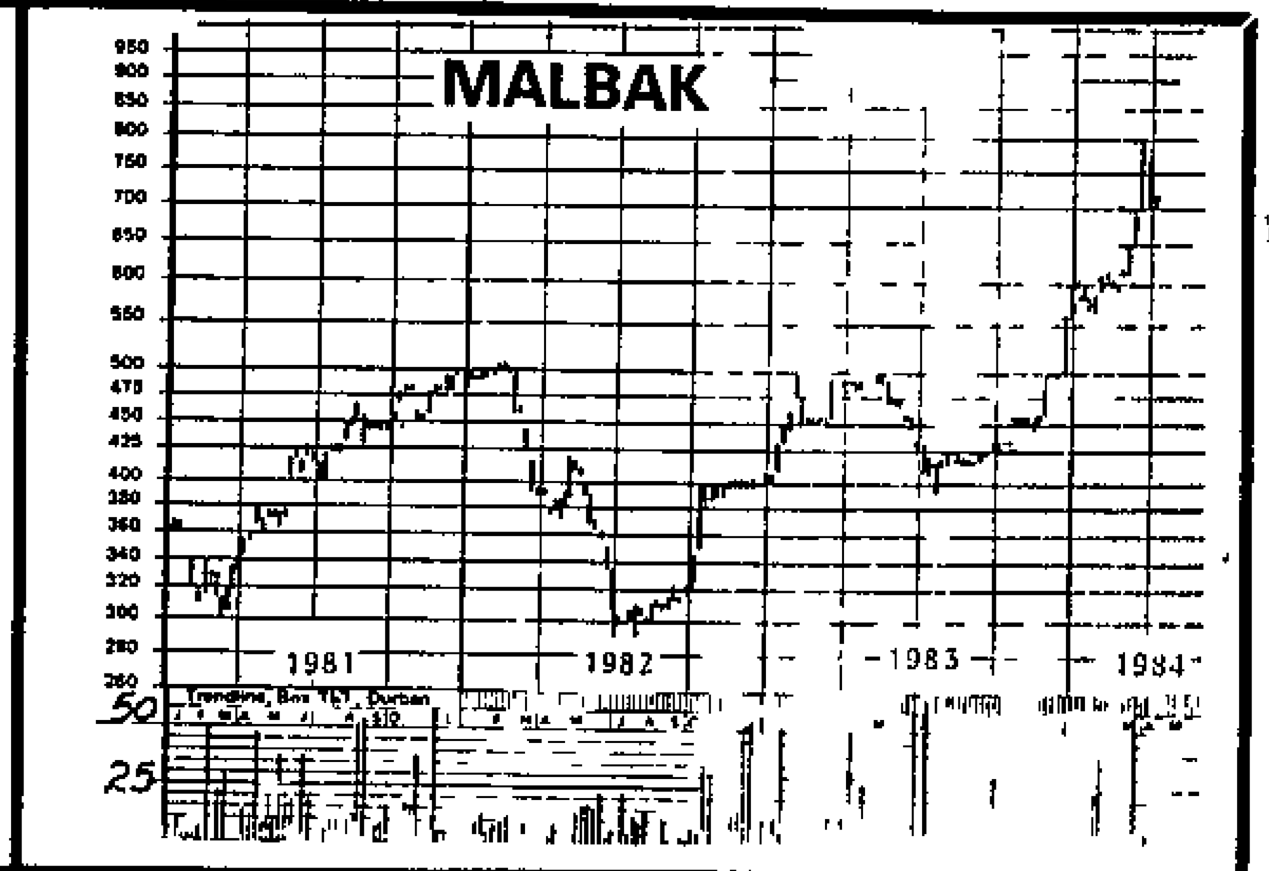
By Peter Farley

Malbak move makes sense

Takeover of Protea can bring re-rating

(232) Star 18/4/84





The purchase of control of Protea Holdings by Malbak could lead to a significant upwards re-rating of the chemical and medical supplies group — which was for a long time the poor cousin of the industrial sector.

Malbak MD Mr Grant Thomas is clearly looking forward to the challenge of revitalising Protea, but accepts that at least a year of digestion and integration will be needed before Malbak is ready to take on anything else.

Apart from strengthening the longer-term prospects of Malbak, and improving the performance and returns at Protea, the move signals the next step by Sanlam towards further consolidating its industrial interests.

However, it is interesting to note that Malbak was keen to expand in this direction before being offered the opportunity by Sanlam — which meantime was building up a stake in Protea

SHARE PRICES

Protea has long been virtually discarded as an investment vehicle by the stockbroking and institutional fraternities and was therefore offering a yield much more attractive than counterparts in the industrial market

The two companies' respective share prices (see graphs) bear this out

Although Malbak has had a difficult time, with a more than 40 percent earnings slump in the first half of the current financial year, the share price has been extremely well supported, but Protea stagnated

When Sanlam presented Malbak with the opportunity to consolidate Protea it therefore had a double bonus.

It was not only taking over a company at a relatively bargain price, but also being able to do so without diluting its own firepower.

Malbak had accumulated some R25 million for expansion and also brought gearing back below 50 percent.

Sanlam is obviously not interested in cash, given the current shortage of decent scrip, and all Malbak had to do was increase its share capital and allow Sanlam to take a controlling 72 percent stake

Mr Thomas says the biggest challenge will be properly to integrate Protea into the Malbak business philosophies, which hinge on giving more responsibility for downline management

Malbak already operates on extremely decentralised principles, so it is likely such autonomy will be given to more managers at the operating end of the Protea subsidiaries

The issue of Malbak shares also emphasises the confidence Sanlam has in the company's ability to gear Protea up into a more efficient workhorse

The 770c valuation placed on the new shares representing a near 10 percent premium over current market prices.

In fairness Protea was also valued at a premium to the market, with 350c placing an around seven percent premium over the ruling market price

Malbak completed its 1984 financial year last week and Mr Thomas says the market should be in for a pleasant surprise

With figures not yet finalised and due for release at the start of June he was unable to elaborate

But he did say that bottom line earnings — including extraordinary income on the sale of a subsidiary should be double those of last year's depressed level

All subsidiaries were in the black and Mr Thomas says the most pleasing aspect was the strong perfomance of the agricultural equipment division despite depressed trading conditions which resulted from the drought

Overall the deal makes sense. But it will take a while before any significant benefits will accrue

In the shorter term, however, there are unlikely to be many Malbak sellers around — and there may even be a few fresh buyers of Protea

It would be a rash decision to accept the offer to minorities at this stage

FINANCE

Industrial group's assets to top R350-m

Argus 10/4/84

232

By DEREK TOMMEY

Financial Editor

SANLAM is using the industrial investment company Malbak to create a major industrial group which will have assets of more than R350-million, will rank among the country's top 30 industrial companies and will have an outstanding management team

The new group will be Sanlam's third major industrial investment venture after Federale Volksbeleggings and Gencor

Sanlam is to sell its 71,5 percent stake in Protea Holdings to Malbak for R68,5-million The purchase price will be met by an issue of Malbak shares which will increase Sanlam's stake in Malbak from 24 to 58,6 percent

The move will effectively double the size of Malbak, increasing its assets from R133-million to more than R365-million. Its turnover will rise from R280-million to more than R700-million

MANAGEMENTS

However, an important factor in the decision to group the two companies is the quality of their respective managements

Mr Marinus Daling, Sanlam's general manager, who masterminded the deal, said today. "We believe if we take the combined strength of the Malbak-Protea managements we have a very good team which will go places,

"Once the new management has settled in we expect them to identify where they want to go and expanmd into those areas"

DIVERSIFIED

Malbak is a diversified investment group with interests in packaging, farm machinery, motors and engineering

Protea also has diversified interests, ranging from chemicals, packaging, and electrical items to medical and laboratory equipment and workwear

The results of both companies last year were affected by the recession, with Malbak's earnings dropping from 99c to 51c a share and Protea's earnings falling from 66,4c to 41,5c a share

However, both companies are on the recovery track and Malbak has increased its interim dividend from 10c to 11c a share

TAKEN YEARS

Earnings of the new group are expected to be comfortably ahead of last year's figures

Malbak's managing director, Mr Grant Thomas, said he was excited by the deal It had given Malbak the size and influence which otherwise would have taken years to achieve.

He was delighted at what he had seen of the Protea team and looked forward to consulting them before any major decisions were taken

New industrial giant on local scene

Malbak buys 59% of Protea

RDM 10/4/84

(232)

By DAVID ROSS

MALBAK has bought 59% of Protea from Sanlam, it was announced yesterday. The deal will create a third major industrial arm for Sanlam besides Gencor and Fed Volks.

Malbak is to settle the purchase price of 350c a Protea share by the issue of Malbak shares valued at 770c. Malbak is extending the same offer of 100 Malbaks for every 220 Proteas to Protea minorities.

The result will be a new giant on the South African scene. Malbak will rank among the top 30 industrial companies in the country on assets, which will jump from R133m to more than R365m. Turnover will rise from R280m to R700m.

Malbak's managing director, Mr Grant Thomas, said last night "We're very excited by this deal, which Malbak initiated last September.

"In one move, Malbak has achieved a size and influence it would otherwise have taken many years to have achieved"

At Sanlam, Mr Marius Daling commented "This new arm under Sanlam control, with a strong management team and Sanlam cash flow, can certainly develop further

"There has been much speculation that the new group would involve Abercom, but this announcement shows that the speculation was wrong It is to be a Malbak group."

It is believed the purchase, effective immediately, will boost Malbak's earnings and net asset value.

Had Protea been part of Malbak for the financial year to end-March, Malbak's earnings would have increased by about 10%, and net assets would have improved by 22%.

Had the acquisition been effective for the financial year ended March 1983, and taking Protea's results for its fiancial year ended end-June 1983 into account, Malbak's earnings would have risen from 55,4c per share to 71,8c, and its net asset value would have increased from 361c to 472c.

Mr Thomas said it had not yet been decided whether the new group's year-end would become June or March. Results from the old Malbak to end-March, due out in early June, will be "comfortably ahead" of those for the previous financial year.

Mr Thomas continued "We've been delighted at what we've seen of the Protea top team, and look forward to consulting with them before any major decisions are taken."

However, he expects changes in Protea's financial approach to bring it more into line with the Malbak philosophy. "Our policy to cover dividends between 2,6 and 3,6 times has enabled us to produce acceptable real growth for shareholders."

Mr Thomas appears to believe an objective will be to reduce the gearing of the new enlarged group by increasing retentions.

COMMENT: There has for some time been the intention within Protea itself that some of its divisions be listed separately.

On this idea, Mr Thomas comments that he has no objection in principle to such a development. He suggests further he believes Barlows' strategy in this respect has been a sound one.

The problem facing individual shareholders is whether they should accept the offer from Malbak or retain their holdings in Protea.

Mr Thomas says that, although the ultimate structure of the group will depend upon minority shareholders' decisions on Malbak's offer, second largest shareholder Old Mutual will have around 13%.

Although management of the new group may require considerable diplomacy, the backing of SA's two major institutions should help to ensure success.

If Protea's separate listings plan is pursued, it should help to maintain shareholder enthusiasm through what is likely to be a difficult year or two for the new Malbak.

Mining 12/4/84

Gencor takes a share in Thermal

JOHANNESBURG—The Gencor Group has taken a share in the South African subsidiary of the Deutsche Babcock Group's company, D B Thermal (Pty) Ltd and their subsidiary, D B Construction (Pty) Ltd. The agreement includes an option for Gencor to further increase its shareholding, a statement by Gencor said yesterday

The move stems from a decision in 1983 by the Gencor Group to become engaged in high technology and capital investment sectors such as power generation, oil-from-coal plants and chemical process plants, with the assistance of overseas expertise and where possible, joint shareholding

The Gencor subsidiary Sandock-Austral will take up this shareholding with the understanding that associated Gencor Group companies will participate where feasible and/or possible

Deutsche Babcock, with approximately 25 000 employees and an annual turnover of R3,2 billion, has felt the need for a local partner for their company D B Thermal for some time, the statement said.

Dr E Bitterlich, chairman of D B Thermal, Mr G Clark, executive director of Industries in Gencor and Mr P de Villiers, managing director of Sandock-Austral, said in a joint statement the agreement was another effort to bring overseas expertise on a permanent basis to South Africa — (Sapa)

Surefire buy for Chubb

ROOM 232 12/4/84

By MIKE JENSEN

SECURITY firm, Chubb Holdings, has increased its involvement in fire protection with the purchase of Protea Technology's Fire Protection Division for R2,7m

The acquisition is effective from May 1 and will reduce Chubb's net asset value by 20c a share With 4,184-million shares in issue, Chubb is paying about R837 000 for goodwill

The group's financial director, Mr Rob Firth, said yesterday this was reasonable, considering the profitability of Fire Protection, which is expected to yield R83 680 during the year to March 1985

"Faced with the early retirement of Fire Protection's general manager, Protea Technology was faced with two options — either to find a new person to run the division, or to get rid of it

"Considering that the division was not really compatible with Protea's other activities, it was a logical sale for them"

The division manufactures and markets a range of fire extinguishers and other fire protection equipment, as well as providing recharge and service facilities for its customers

Chubb's Fire Security division already competes with Fire Protection in these areas but Mr Firth says the companies will continue to be run separately as "competition will be beneficial to both groups"

Commenting on the results for the year to March 31, Mr Firth said he was "fairly confident that our earnings will be well received"

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RDM 12/4/84 (232)

GENCOR BUYS INTO D B THERMAL

Financial Reporter

GENCOR has taken a substantial shareholding in D B Thermal (Pty), the South African subsidiary of Deutsche Babcock of West Germany.

Thermal controls D B Construction (Pty) in this country

The exact size of the Gencor stake has not been disclosed but it is thought to be about 26%.

The price has not been disclosed

According to Mr George Clark, Gencor's executive director of industries, the move stems from Gencor's wish to become actively engaged in high technology and capital investment sectors such as power generation, oil from coal and chemical process plants

The Gencor subsidiary Sandock-Austral will take up the Thermal shareholding, while other associated Gencor Group companies are likely to participate where this is feasible.

"Deutsche Babcock has felt the need for a local partner for D B Thermal for some time," said Dr E Bitterlich, chairman of D B Thermal, in Johannesburg yesterday

Deutsche Babcock is active worldwide in mechanical, power and process engineering

Headquartered in Oberhausen, West Germany, the group's turnover for the last financial year was R3,2bn, according to a company spokesman

GEORGE CLARK

SA cable makers on the ball

By JOHN MULCAHY
In Port Elizabeth

THE South African cable industry has reached an advanced state of technology and is abreast of the industry world-wide, according to the chairman of Aberdare Cables Africa, Professor Louis van Biljon

Prof Van Biljon was speaking in Port Elizabeth after his appointment as chairman of Aberdare, in succession to Mr Cornelis B van de Panne

He said the continuing change that could be expected in the South African cable industry would lead to new opportunities

Mr Van de Panne, addressing shareholders at Aberdare's annual meeting yesterday, said the group's 1983 profit would be at least maintained in 1984

Last year, Aberdare's net income fell to R5,364m from R11,318 in 1982, as adverse conditions in the cable industry saw one company plunge into losses, while others suffered profit declines of up to 80%

For 1984, Mr Van de Panne said Aberdare had carefully considered its investment requirements and would continue its programme to ensure its market position

"Planned capital investments are mainly targeted at improvement of production methods, reduction of unit cost and further rationalisation

"In addition, facilities for new product lines, including the manufacture of optical fibre cables, will again require resources"

He added that because of the cost of short-term borrowing, together with the existing capital expenditure programme, Aberdare had decided to continue with conservative financing and to limit borrowings

At the end of December, Aberdare's long-term liabilities totalled R672 000, and bank overdrafts were exceeded by bank balances and cash, so that gearing was virtually non-existent

Reviewing 1983, Mr Van de Panne said the directors were obviously disappointed that the results were not better, but "we believe that in the difficult circumstances prevailing in the market, our performance has met the challenge"

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Zimbabwe farm prices are unchanged

Own Correspondent

HARARE — Producer prices for all controlled agricultural products will remain unchanged for the 1984/1985 cropping season, the government has announced

The crops, struck by a third year of drought, are maize, sorghum, groundnuts, soyabeans, sunflower seed, wheat and cotton

The three presidents of the Commercial Farmers Union expressed "extreme disappointment and deep concern" at the price package

In a joint statement the CFU presidents said in arriving at the package "little heed had been taken" of the effects of the drought and inflation on producer costs

Meanwhile, tobacco farmers reacted cautiously to prices paid at the start of auctions yesterday, but hope reaction to the record harvest will help growers cope with inflation

The average price was 140,95c a kg, compared with 146,59c a kg last year — Sapa-Reuter

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Decision sparked by US investment laws

Nedbank sheds all of its Sage holdings

ROM 13/4/84

232

By HAROLD FRIDJHON

NEDBANK has sold its entire investment of 5 668 510 shares in Sage Holdings to the Mines Pension Funds, Remgro and Mr Louis Shill.

The current market price of the transaction is R46m.

The Mines Pension Funds — the officials' fund and the employees' fund — have bought 2 451 872 of the shares

This will increase their holding to about 34% of the issued capital

The Rembrandt group, a pillar in the Anton Rupert empire, and Mr Louis Shill, the executive chairman and founder of Sage Holdings, have jointly bought 3 216 638 of the shares, giving them a joint interest in Sage of 4 716 638 shares — about 33,8%

Mr Rob Abrahamsen, the chief executive of Nedbank, and Mr Shill say the sale of Nedbank's 40,7% interest in Sage was sparked by the requirements of American authorities such as the Federal Reserve and the Securities Exchange Commission (SEC) in connection with the activities of the two groups within the US.

A bank holding company in the US may not have any significant investments in property, financial planning and similar companies

In 1983, Nedbank's Northern Hemisphere operations were expanded with the formal establishment of a New York branch

The Sage group, on the other hand, has been active in the US for the past six years through Finplan of America, a wholly owned subsidiary of Sage International BV

From its initial base in Dallas, Texas, Finplan has established itself in the financial planning services field

Finplan has also been associated through a technical and management agreement with Lucy Dulin, a Dallas specialised life assurance brokerage operation

In 1983, Finplan took a major interest in a newly established company, Independent Financial Services (IFS), which has opened its first office in White Plains, New York State

Finplan's partners in IFS are a group of highly experienced American executives who are managing the company, and Marine Midland Bank, a major US banking group controlled by the Hong Kong & Shanghai Bank.

The Sage group's property activities have also been extended to the US where Finplan has entered the real estate development field with American partners

Rembrandt's investment in Sage is a further diversification into financial services and industry.

Sage Holdings earned a group profit before tax of R30m in 1983 The assets managed by the group are in excess of R1bn They generated a total net taxed income exceeding R60m last year

Mr Louis Shill said last night that in an environment of concentration of control in the South African corporate sector, Sage had been committed to retaining its absolute independence in the financial services industry.

"We are pleased to have entrenched that independence in association with two influential and respected organisations."

RDM 24/4/86 (232)

T&I ISSUES PAPER FOR DANPERK

By JOHN MULCAHY

TRADE and Industry Acceptance Corporation is issuing shares instead of paying cash for the additional stake in Dan Perkins acquired last month.

The altered method of paying for the Dan Perkins' holding will increase T&I's equity base by about R4,9m and obviate the need to reduce cash resources by a like amount.

The purchase of the additional Dan Perkins' shares took T&I's stake in the motor distributor to 74% from 32%, and the vendors, Dan Perkins Family Investment Company (Pty) and Ivan Finger Investments (Pty), were to have received R4,9m in cash for their combined holding of 2,7-million Dan Perkins' shares.

According to today's announcement, the new T&I shares were issued on April 16 at 850c each, representing a discount of 10% to the 960c market price on that day.

Based on the share capital structure at the end of the last financial year — June 30 1983 — the additional 576 470 new shares issued last week takes issued capital to 4,933-million shares from 4,357-million.

The new shares issued represent 11,7% of the expanded capital. As at the end of June last year, T&I's directors controlled 45,6% of the capital.

Assuming there has been no change in the directors' shareholding, the new issue will have diluted their holding to 40,3%.

According to the directors, the acquisition of the additional 42% of Dan Perkins and the subsequent share issue will result in a minimal change in net asset value a share.

Cape Times 27/4/84

Romatex interim earnings up 70%

232

Own Correspondent

JOHANNESBURG — Romatex, the textile group controlled by Barlows, had a remarkably successful six months to March with earnings up 70 percent on a lifo depreciation basis

Net attributable profit, excluding non-trading items, rose from R4,7m to R8m

The company warns, however, that "there is every indication that conditions will be more difficult" in the second half of the year.

Even so the chairman, Mr Jack Ward, expects lifo earnings to be 20 percent up this year against 1982/83

Dividend

The interim dividend has been increased from 10c to 15c but the directors caution that this is partly because of the intention to reduce the disparity between interim and final payments

The much better than expected results for the six months to March are an indication of the way that spending in the economy forged ahead strongly in the last quarter of 1983

A consequence of that spree — or, more accurately, of the lax monetary and fiscal policies that permitted it — is, however, that inflation is now still far too high

That in turn necessitates tough policies for the rest of this year which will take an inevitable toll on most companies.

Romatex makes floorcoverings, textiles, packaging foam, automotive textiles, ropes and quilted products.

C G Smith, which is controlled by Barlows, has just under 60 percent of the equity.

Turnover

In the six months to March Romatex showed a 22 percent increase in turnover to R196m.

There was a 60 percent jump in trading income — from R11,1m to R17,7m — but profit was further boosted by a reduction in the proportionate interest rate burden and by tax benefits from capital spending

On a pre-Budget fifo depreciation basis — first in, first out — taxed profit was up by 91 percent to R10,7m from R5,6m

The increase in company tax, however, from 46,2 percent to 50 percent knocked R500 000 off the actual profit.

There was also a R2m (R0,9m) lifo deprecation write-down but, thanks also to the Budget, no tax benefit this time against R700 000 in the first half of the previous year

Lifo earnings

The net result was a 70 percent rise in lifo earnings to 33,5c from 19,5

For the full year Mr Ward expects earnings to grow from 68,1c to about 82c

On that basis the total dividend is likely to rise from 34c to 40c

Comment The Romatex results for this first half will obviously be welcome to shareholders but they should be seen in context.

The company has had some difficult times recently and estimated earnings of 82c this year should be seen against 96,3c in 1979/80 and 135,1c in 1980/81.

The latest results also point to the impact the Budget will have on company results

Instead of the 33,5c reported Romatex would have been looking to around 39,5c for this latest six months without the Budget tax and allowance changes

The company also warns that consumers are now curbing their spending

At 770c (buyers) Romatex shares are on prospective yields of about 10,6 percent for earnings and 5,2 percent for dividend

FAST AND FRIENDLY
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GFSA gets Liberty stake in Clydesdale

232 ~~275/275~~ Cape Times 2/5/84

By BRENDAN RYAN

JOHANNESBURG. — Goldfields of South Africa (GFSA) is acquiring the Liberty Life group's controlling stake in Clydesdale Collieries.

The deal has been struck at R14,50 a Clydesdale share which compares with the suspension price on the Johannesburg Stock Exchange of R13 and places a value of R146m on the market capitalization of the company

The Liberty Life group is to take payment from GFSA in the form of new convertible redeemable cumulative preference shares (prefs) issued at R29 a share which compares with yesterday's JSE closing price for GFSA ordinary shares of R29,50

Dividend rate

The Liberty Life group will receive 50 prefs for every 100 Clydesdale shares held

The dividend rate on the prefs will be 10 percent and the prefs will be converted to GFSA ordinary shares on a one-for-one basis when GFSA's annual dividend reaches R2,90 a share

GFSA's dividend for the year to end-June was R1 a share

If conversion in this way does not take place by July 1, 1987 then the shares can be converted at the choice of the holders on July 1 of any of the years 1987 to 1996 inclusive

GFSA will also make an offer to all other shareholders in Clydesdale to acquire their shares on the same terms

The chairman, Mr Robin Plumbridge, said at a press conference in Johannesburg yesterday, "we are making the offer to other shareholders because we are required to do so by the regulations of the Johannesburg and London stock exchanges

"We are not after the full shareholding in Clydesdale and will be quite happy to have as many of the other shareholders stay with us for the future operations of the company"

Option

Guardian Bankers Growth Fund, which holds 250 000 shares (2,4 percent) in Clydesdale will have the option of taking either the GFSA prefs or the R14,5 cash alternative for its shares

The executive director of Liberty Holdings, Mr Roy McAlpine, said at yesterday's conference the fund would certainly take up the offer and sell its shares to GFSA

However, the fund is an independent trust which was not part of the Liberty Life group and could therefore not be included with the rest of the group in accepting the GFSA pref offer

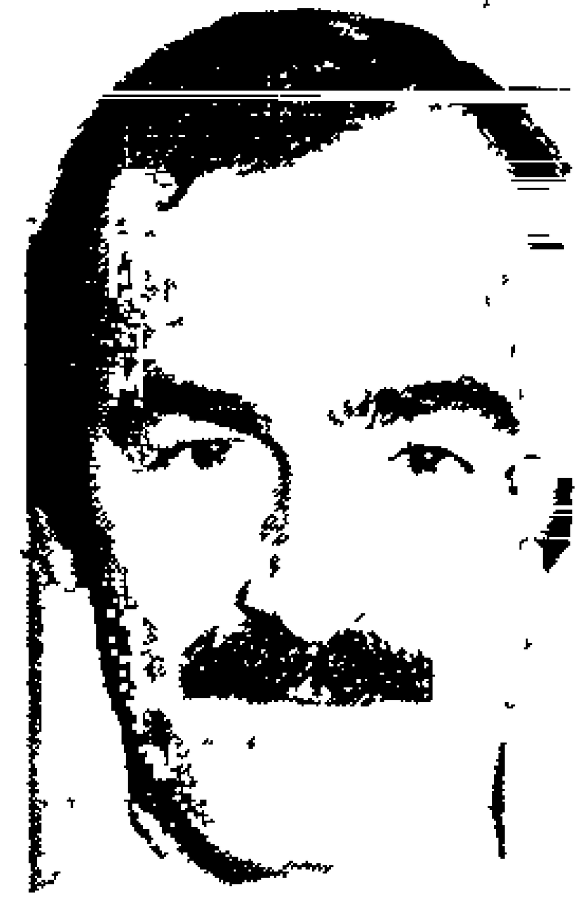
Mr Plumbridge said the deal had resulted from a recent conversation between himself and Liberty chairman Mr Donald Gordon and had been put together in a short space of time

He said the acquisition was consistent with GFSA's overall strategy of increasing its investment in mining operations where suitable opportunities were seen

The acquisition would have a small financial benefit for GFSA in the medium term

He said GFSA's main concern at present was

To page 13



Mr Andy Maclaurin human resource executive for Checkers, has been appointed to the executive committee of Checkers SA Ltd

South... earnin...

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NILFISK

Joint Announcement

by

GOLD FIELDS OF SOUTH AFRICA LIMITED
("GOLD FIELDS")

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
("LIBERTY LIFE")

LIBERTY HOLDINGS LIMITED
("LIBERTY HOLDINGS")

FIRST UNION GENERAL INVESTMENT TRUST

GFSA takes Lib Life Clydesdale stake

By BRENDAN RYAN

GOLDFIELDS of SA is acquiring the Liberty Life group's controlling stake in Clydesdale Collieries as predicted in Business Day yesterday.

The deal has been struck at R14,50 a Clydesdale share, which compares with the suspension price on the JSE of R13 and places a value of R146m on the company's market capitalisation.

The Liberty Life group is to take payment from GFSA in the form of new convertible redeemable cumulative preference shares (prefs) issued at R29 a share, which compares with yesterday's JSE closing price for GFSA ordinary shares of R29,5

The Liberty Life group will receive 50 prefs for every 100 Clydesdale shares held

The dividend rate on the prefs will be 10% The prefs will be converted to ordinary shares on a one-for-one basis when GFSA's annual dividend reaches R2,9 a share

GFSA's dividend for the year to June was R1 a share

If conversion in this way does not take place by July 1 1987 the shares may be converted at the choice of the holders on July 1 of any of the years 1987 to 1996 inclusive

GFSA will also make an offer to all other shareholders in Clydesdale to acquire their shares on the same terms

The chairman, Mr Robin Plumbridge, said at Press conference in Johannesburg yesterday "We are making the offer to other shareholders because we are required to do so by the regulations of the Johannesburg and London stock exchanges.

"We are not after the full shareholding in Clydesdale and will be quite happy to have as many of the other shareholders stay with us for the future operations of the company"

Guardian Bankers Growth Fund, which holds 250 000 shares (2,4%) in Clydesdale, will have the option of taking either the GFSA prefs or the R14.50 cash alternative for its shares

Mr Roy McAlpine, the executive director of Liberty Holdings, said the fund would certainly take up the offer and sell its shares to GFSA

However, the fund is an independent trust and not part of the Liberty Life group It could therefore not be included with the rest of the group in accepting the GFSA pref offer.

Mr Plumbridge said the deal had resulted from a recent conversation between himself and Liberty chairman, Mr Donald Gordon, and had been put together in a short space of time

He said the acquisition was consistent with GFSA's overall strategy of increasing its investment in mining operations where suitable opportunities were seen

The acquisition would have a small financial benefit for GFSA in the medium term.

He said GFSA's main concern was the acquisition of the controlling shareholding with a minimum of disruption to operations

After this the group would look at what rationalisation could take place between Clydesdale and GFSA's existing coal operations through Apex Mines.

Gencor, through its main coal arm, Trans-Natal, has a 14,4% stake in Clydesdale and is a 50/50 partner in the Matla colliery which supplies Escom's Matla power station.

Gencor holds the technical and management contract for Matla as well as for Clydesdale's other collieries at Coalbrook and New Clydesdale

Mr Plumbridge said GFSA would take over the management contracts of New Clydesdale and Coalbrook collieries, but that Gencor would remain in charge of operations at Matla

Mr McAlpine said Liberty's decision to sell was taken after the group had questioned whether it should have a direct controlling stake in a coal mining operation.

He said the 10% return on the pref shares acquired in GFSA was very attractive to Liberty.

When fully converted, the Liberty group, including Guardian Bankers Growth Fund, will hold 2,642m shares in GFSA — equivalent to 3% of the enlarged share capital.

ROBIN PLUMRIDGE

Some mining shares lose attraction

ARG4S 2/5/84

By DEREK TOMMEY, Financial Editor

TWO news items today show that some mining shares are no longer the attractive investments they were thought to be.

The Liberty Life group has announced that it is selling its stake in Clydesdale Collieries to Gold Fields of South Africa, and Gencor has announced that it is shutting down its Beisa gold and uranium mine in the Free State.

Liberty Life's sales of its controlling interest in Clydesdale to Gold Fields seems a sensible move for both parties

It is seen as a sound protective move by Liberty Life. Selling its major stake in Clydesdale will stop the value of its investments being dragged down if the coal market should weaken and coal share prices drop.

With export coal prices falling, there seems a strong possibility of this happening.

It also a good acquisition for Gold Fields. This group has only a small stake in coal and gaining control of Clydesdale will rectify that shortcoming

R146-MILLION

Gold Fields is paying just over R146-million for control of Clydesdale by offering 50 preference shares at a price of R29 a share for every 100 Clydesdale ordinary shares

This values Clydesdale shares at R14,50 each.

The preference shares carry a dividend of R2,90 a year and will be automatically converted into Gold Fields shares when Gold Fields' dividend reaches this amount.

URANIUM WEAK

The closure of Beisa should not be a surprise. The mine is predominantly a uranium producer with gold produced as a by-product

The uranium market is known to have been weak for some time, and in the first nine months of last year the mine had an operating loss of almost R5-million.

As the mine is not eligible for state assistance, and with production costs rising, Gencor's decision to cut its losses and close down Beisa seems the right decision.

The move should help ease slightly the shortage of skilled labour in the industry and, in depriving suppliers of a customer, may perhaps help stabilise mining costs.

Beisa, a subsidiary of St Helena, was financed mainly out of St Helena's tax savings, so its closure will not greatly affect shareholders

The real loser would seem to be the Government, which through tax concessions put up the finance for Beisa and will not get any return on these concessions.

232 11/5/84 FM

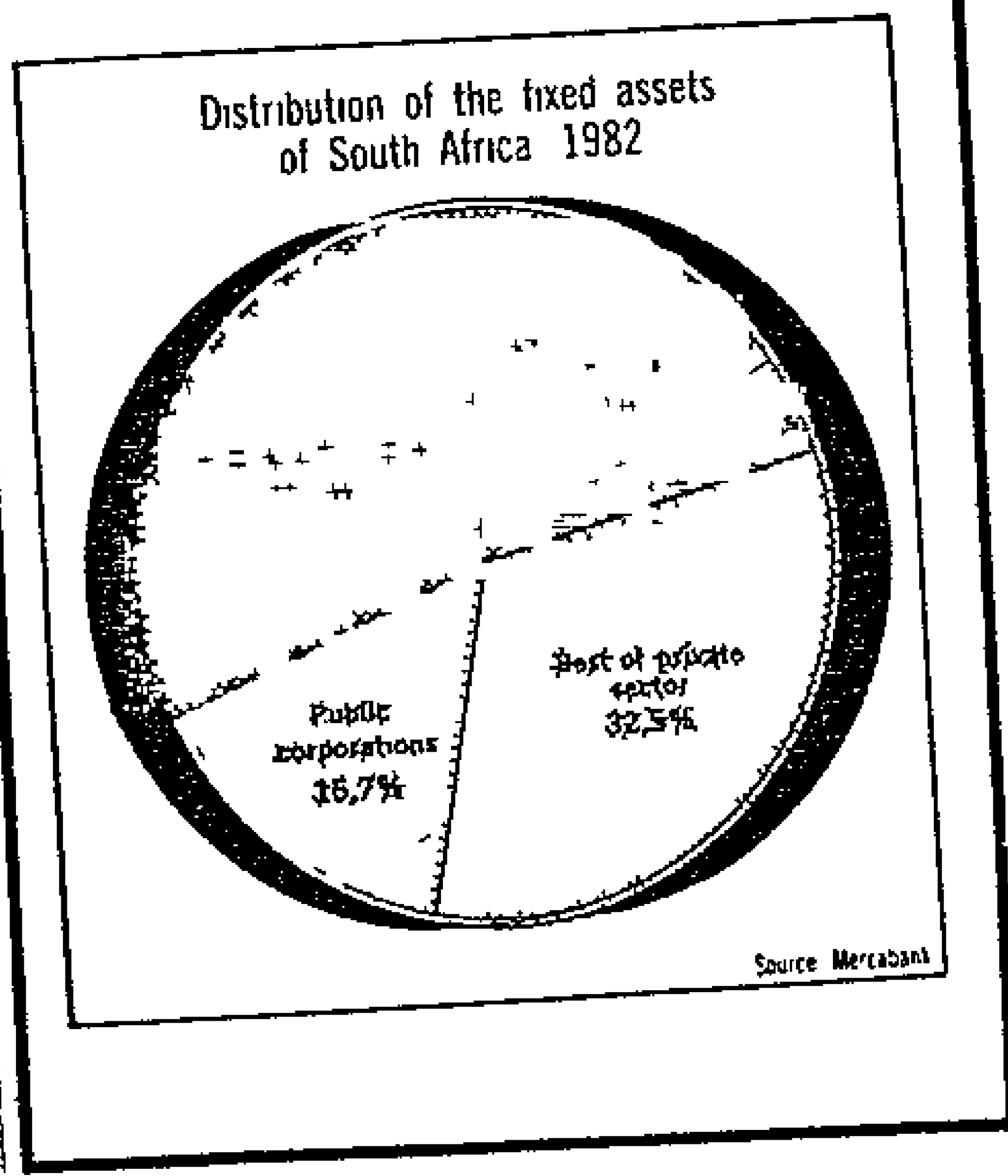
WHO CONTROLS WHAT?

It's well known that a few large companies control the bulk of SA's private sector — in 1982, in fact, 80% of the total assets of listed companies But these 11 conglomerates control only 16% of all fixed assets in the country

Other listed companies control about 4% to 5% But the private sector as a whole controls only about 53% The rest, according to the latest Mercabank *Focus*, is controlled by the public sector

However, this breakdown does not necessarily reflect the real loci of control A large part of the 47% controlled by the public sector consists of public parks, nature reserves and other forms of public land ownership which are not directly related to the operation of the economy.

The only areas of the productive economic processes in which the public sector's share is substantial are electricity, water, transport, and community and social services In manufacturing, the share of the public sector in gross fixed investment declined from 39% in 1973 to 18% in 1982 So the modest 16% share of the big conglomerates in SA's total fixed assets disguises a much larger share in assets related directly to economic processes



Sanlam takes major stake in Kirsh group

By Peter Farley

Sanlam is understood to have bought a significant stake in the Kirsh Group's unlisted ultimate pyramid, Kirsh Industries.

Mr Natie Kirsh says that he is unable to confirm these reports, but says that Kirsh Trading has bought the 31 percent stake held by Tiger Oats in the Kirsh group's Metro Corp operation.

This pushes Kirsh's holding in Metro to over 81 percent, in a deal worth R30 million. It is believed that the opportunity to buy the Tiger shareholding prompted bringing in Sanlam as a major shareholder

Mr Kirsh says that the Metro deal makes sense to both sides as Tiger were not benefiting from an investment in a downline operating company, while it also gives the Kirsh camp firm control over one of its major subsidiaries

The Kirsh group has been seeking to increase its liquidity for some time and, to this end, has been gradually arranging sale and leaseback deals on a large number of its properties

Last year several of the Checkers properties were sold in this way and plans are under way to sell the rest this year But Mr Kirsh says that any property deals would be separate transactions to an outsider taking a substantial shareholding in the group

He would not comment on speculation that Mr Jan Pickard has injected cash into the group in return for a greater scrip interest But he did say that his group still controlled 29,9 percent of Union Wine, in which Mr Pickard already has a significant shareholding

All the listed companies in the Kirsh empire have attracted substantial investor interest on the market in the past couple of weeks These have centred around the group receiving additional cash finance through the sale and leaseback deals

While in essence this has been correct, it now appears there has been a further major boost to liquidity through the sale

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... that the maximum Ladofca rate would be raised to 29 percent from 26 percent, but it appears that politically this was unacceptable and the authorities have decided to let banks sweat out the pressure on margins.

Having raised GST to 10 percent, it was unrealistic to expect Finance Minister Mr Owen Horwood to agree to an increase in HP and leasing maximum rates together with the more crucial overdraft rate which would have hit that protected lobby — the farmers — even harder

Commercial banks which had shown record earnings for the past year, are now largely reconciled to the fact that, while the Reserve Bank might, for control purposes, require that interest rates be allowed to move even higher, politically the authorities cannot let consumers pay more on interest charges and that "the banks must do their bit"

From a free market point of view, and given the Reserve Bank governor's acceptance of this ethic, commercial banks were hoping that he would at least be able to win a token one percent hike in Ladofca, but this has now generally been ruled out by bankers

Mr Horwood leaves for a two week overseas visit this weekend and with no announcement forthcoming yesterday it appears political clout has yet again won over the practical.

Following Mr Horwood's statement in Parliament a week ago, when he raised GST, that he expected interest rates to ease as a result of the move, bankers were more than confused this week, because of the acceptance by authorities that the spread of Ladofca over prime should be increased to eight points

While some argued that a token increase was a possibility, others are now convinced the eight point spread will only be introduced when rates start to ease and when prime moves down to around 15 or 16 percent from 21 percent.

Meanwhile on the money market trading was very quiet yesterday and the TB rate was fixed unchanged at 17,82 percent on applications of R162 million for the R80 million tender.

The three months BA was set 18,05 percent, little changed from the 18,15 percent a week ago and also unchanged from the 18,05 percent a month ago.

On the foreign exchange market the rand, which reached a new low of 77,40 US cents during the week, closed near this level at 77,50/60.

Senior Deputy Reserve Bank Governor Mr Chris Stals said the rate had been supported during the week and dealers said it was likely forward rates would continue to be manipulated by the bank if the dollar continued higher

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Sanlam ... cash 19/5/84 (232) gives Kirsh

muscle to move ahead

Star

By Peter Farley, Investment Editor

The presence of Sanlam as a major shareholder in the ultimate pyramid of the Kirsh Group would provide the strength necessary to ensure the final consummation of the retail group's restructuring

And, apart from placing a mark of institutional respectability on a group seemingly bypassed in recent years, it provided the scope for major acquisitive expansions once existing companies had settled under the new structure

The new set-up establishes an unlisted pyramid, Sanki Holdings, in which family company Kirsh Industries would hold 50,1 percent and Sanlam 49,9 percent.

Sanki would, in turn, hold 55 percent of listed pyramid Kimet and 31 percent of holding company Metro. Kimet would have a controlling 50 percent stake in Metro, which would have of 60 percent of Kirsh Trading.

The latter was the main listed vehicle for the Kirsh operating divisions and has 100 percent of Russells, Checkers and Metcash, plus significant stakes in Dion, Union Wine and others.

The new holding company's 31 percent stake in Metro was the recently purchased shareholding from Tiger Oats.

Sanlam chairman Dr Fred du Plessis said the investment in Kirsh, which he declined to quantify, represents the insurance group's first major forray into the retail sector

He added it was a step that had been considered, but taken at this point as it was felt the group's internal restructuring was beginning to bear fruit.

Mr du Plessis said the step was also taken to prevent another major shareholder getting in first and to protect the job existing management was carrying out.

While he did not rule out the possibility of Sanlam seeking a controlling stake at a later stage, he said it was company policy to try to secure that position should existing management not work. "This does not appear to be the case in the Kirsh Group"

Both he and Mr Natie Kirsh stressed that this arrangement was a separate deal to those already being structured on the property side

Mr Kirsh said his group had already sold and leased back some R100 million worth of the R250 million group property portfolio and he expected the balance to be sold before the end of June

But Mr Kirsh said full details of the Sanlam deal would not be disclosed as it was a private arrangement.

The shareholders of the respective companies were aware of what had taken place and there was no need to inform the public There were those who would disagree

Apart from Sanlam policyholders, there were numerous minority shareholders in companies within the Kirsh Group

And, although not directly affected, the ramifications of this deal were likely to have more far-reaching consequences on Checkers and Russells.

The one aspect of the Kirsh Group which did not now seem to fit into the final structure was the 29,9 percent stake in Union Wine — down from around 37 percent a couple of weeks ago

Mr Kirsh says he would like to have full control of Union Wine, but that major shareholder Mr Jan Pickard was not selling He added that his companies were better placed to run Union Wine than its existing structure

He nevertheless says that he now has plans to sell any further shares and would be in the market for the whole thing should it become available.

While the Sanlam deal provides scope through major equity funded acquistions, Mr Kirsh says the group has enough on its plate for the time being.

The cash injection from Sanlam, that has given the scope initially to buyout Tiger Oat's 31 percent stake in Metro Corp, would mostly be used to take the debt pressure off the rest of the group.

Mr Kirsh expected that by the June end there would be no short-term debt in any group companies.

But the deal would certainly go a long way to justifying the faith placed in the group companies by the Stock Exchange over the past couple of weeks, with some listed companies in the group up by more than 10 percent

It was, however, unlikely to please the authorities who were understood to have been meeting on the issue late yesterday.

Rival packaging giants in massive cash and asset exchange

Cape Times 19/5/84

232

By DAVID ROSS

JOHANNESBURG. — Kohler, Nampak, and Nampak's subsidiary Metal Box, the listed major SA packaging companies, today announce a swap of assets which also involves cash for Kohler.

Kohler is to sell to Nampak the businesses of Masterform and Tension Envelope. The price is R12,5m in cash

Conditional upon this transaction, Kohler will acquire from Metal Box the Safepak business for R5,3m in cash

Mr Ian Willis, managing director of Kohler explains that Safepak operates in the monoweb area of flexible packaging, making such items as the zippered plastic bags used by banks

He feels that it is a further opportunity for Kohler to build up its interests in flexible packaging Kohler has identified this area as one with prospects of growth.

Kohler's sale of Masterform and of Tension Envelope, which constitute Kohler's business systems division, is in Mr Willis' view, a continuation of the strategy which led to the sale of Palladium Stationers last year

At the same time the cash differential of R7,2m will help Kohler to reduce its level of borrowings. Mr Willis says that the debt.equity ratio of the group, which stood at 80% at the past year-end, is already down below 60%, before taking account of the latest deal He believes that by the current year-end it will be "well below 60%".

On the other side of the deal Mr Derek Jacobs, managing director of Nampak notes that continuous business stationery manufacture is a sophisticated process, which Nampak believes it can contribute to, especially in the print area

Nampak is presently involved in such activities in Durban. The acquisitions will give the group businesses in both Johannesburg and the Cape, so to make its operations in this field country-wide.

Nampak, says Mr Jacobs, also sees this as an area in which it can diversify away from strictly packaging activities.

The Kohler strategy, which Mr Willis describes as to get the group back to being a packaging business", appears to be just the reverse

Mr Willis says that the deal helps Kohler "to make things tidy" "We will welcome the Nampak people who operate Safepak into our group", he says.

COMMENT: The deal makes sense for both parties. On the other hand, while Kohler appears at first sight to be getting the better part of the bargain, monoweb operations are not especially high-tech, and it is not difficult to set up in them. Nampak is especially involved the field of multi-layer flexible packaging, which involves higher-tech processes.

The news that Kohler is getting its debt:equity ratio down as quickly as it appears to be doing will be welcomed by analysts.

Prices of the transactions are based upon net book asset values, so will have no effect on net asset values of either Nampak or Kohler. There will also be no material effect upon their earnings.

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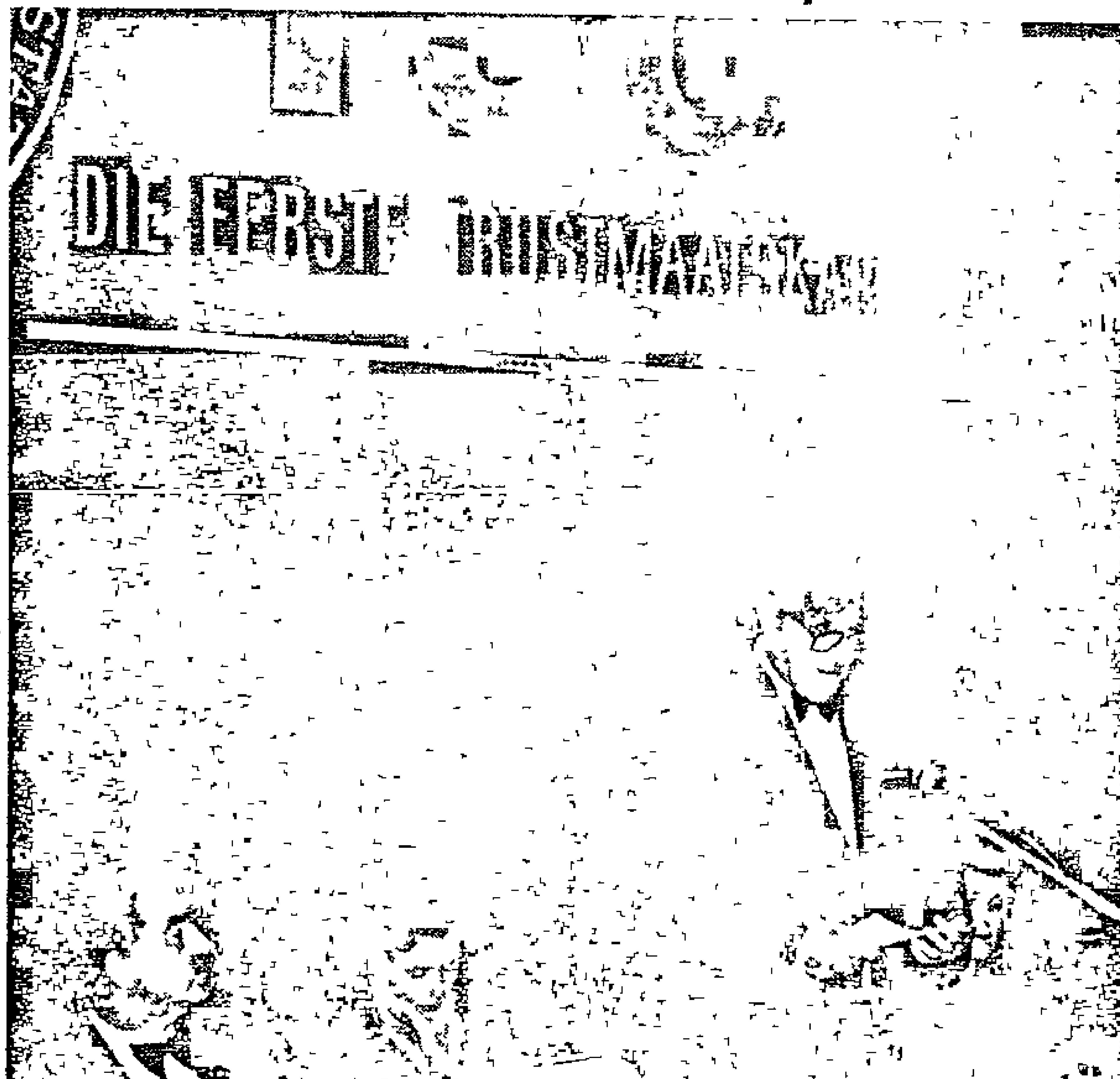

Closing gold prices

(In $ an ounce)
LONDON:
376,00-376,50
Fixing am: 375,00
Fixing pm: 375,60
ZURICH:
374,00-377,00
— Reuter

Unit trusts

JOHANNESBURG — Yesterday's quotations for Mutual Funds are

	Buyers	Sellers	Yield
Old Mutual	623,41	582,67	5,46
Ngf	340,33	320,93	5,36
Sage	651,47	612,47	5,98
UAL	619,17	585,67	5,73
UAL M/R	144,00	136,59	7,89
Sats	270,94	255,82	5,67
Sanlamtr	559,60	528,93	5,84
Trust	137,84	130,36	6,75
Santam	196,05	185,94	9,68
Guardbank	614,44	579,85	5,85
Standard	339,33	322,49	5,79
Std Income	82,22	80,92	14,37
Std Gold	129,83	121,39	7,53

— *Sapa*

Mr Sim... ty has ... ed ... tor, T... a maj... the T... Group. ... ty was ... directo... Mines ... sponsi... base ... ations.

Mid-East te... boosts dolla...

LONDON — The dollar surged against other major currencies yesterday, boosted by increasing tension between Iran and Iraq and economic data which showed the American economy roaring ahead, thus putting pressure on US interest rates to rise further.

The US currency was quoted in Europe at 2,7750 West German marks, more than a pfennig above the previous close. The dollar also reached a three-month high against the Japanese yen and touched its highest levels for five months against the Australian dollar, which closed at 89,30 US cents in Sydney.

Yen vulnerable

New Iraqi attacks on oil tankers and ships in the gulf were a major factor behind the dollar's rise, particularly against the yen, which is vulnerable to threats to Japan's oil supply.

The dollar rose to 234,20 yen in Tokyo, shortly after Iraq announced it had attacked two more ships in the gulf, but eased back after profit-taking ahead of the weekend. It was later quoted at 233,30 yen in London.

"The yen could weaken further if the gulf situation worsens," said one Tokyo dealer.

Also aiding the dollar ...

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The ... deficit ... nearly ... widely ... factor ... terest ra...

Sterl... petrocur... it firm ... jor curr... speculat... plies th... could be ... yesterda... curren... 1,3892 d... half-cent ... previous

The ... slipped ... dollar fr... end of tr... day

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Despi... current ... against ... cies, de... they exp... central ... soon ... down

"Every... with the ... level. F... buy the ... nervous ... banks c...

20/5/84 (232) S. Times

Sanlam-Kirsh embrace

Business Times Reporter

IN a deal that could be worth R55-million, Sanlam is set to take a stake in the Kirsh group.

Sanlam has put up the cash to allow Kirsh to buy Tiger Oats 30% stake in Metro for an undisclosed price. This holding in Metro would go into Kimet in exchange for new shares in Kimet to be issued to Sanlam. So Sanlam and Kirsh end up as partners in Kimet.

Kirsh would retain control of Kimet, the top listed company in the Kirsh empire, as well as Kirsh Trading, which controls Metro Cash, Checkers and Russells and has 30% of both Dion's and Union Wine.

The sale of Tiger's shares in Metro could have followed an edict from Barlows, new controller of Tiger Oats, which probably saw little point in a large minority position in Metro

Sanlam and Mr Kirsh refuse to put a price on the deal, but market prices indicate R55-million.

The deal depends on Johannesburg Stock Exchange approval.

Marinus Daling, head of investments at Sanlam, said Sanlam had bought into Kirsh "as it is a good investment, a fine recovery situation".

He denied the investment was a quid pro quo for Sanlam's providing funding for Kirsh. If Sanlam entered any leaseback on Kirsh properties or provided any other kind of funding, it would be at arm's length.

Insurance

Asked if Sanlam would receive much insurance business from Kirsh, Mr Daling said Checkers pension fund had been a customer of Sanlam for years

Kirsh has significant short-term insurance interests, controlling AA Mutual, one of the Big Four. This company and Santam, Sanlam's short-term arm and SA's biggest, have been drawing closer.

The market had wind of this deal well in advance and all Kirsh shares strengthened in the past two weeks

CAPE TIMES 21/5/84

232

Sanlam in huge retail trade deal

By PAUL DOLD
Financial Editor

IN ANOTHER massive deal which could be worth more than R50-million, Sanlam has bought near-control of the Kirsh group and has taken a huge slice of South Africa's retail trade, including Checkers, Russells and Metro Cash

The three retail chains combined have annual sales of R3-billion and represent well over 13 percent of the retail sector.

The deal was structured through the creation of a new company, Sanki, which is not quoted on the Stock Exchange, with Sanlam taking 49,9 percent and Mr Natie Kirsh owning the balance Thus while Mr Kirsh retains control, Sanlam has acquired the largest minority stake

Sanlam's general manager (investments), Mr Marinus Daling, last night denied that any of the Kirsh companies quoted on the Johannesburg Stock Exchange were involved in the deal

While Kirsh Industries would have been the natural vehicle, its non-retailing interests such as AA Mutual insurance ruled this out and it was decided instead to form the unquoted Sanki.

In the first stage of the deal, food giant Tiger Oats, which is part of the Barlows group, sold its 30 percent stake in Metcash to Mr Kirsh

Sanlam is likely to provide extensive lease-back finance for the Kirsh group, whose Checkers chain is currently launching one of the largest expansion programmes in South African retailing, but this was not a prerequisite for the deal.

Clearly with Checkers now in effect backed by Sanlam, the war between the supermarkets is likely to be stepped up with the Checkers managing director, Mr Gordon Utian, being able to further cut Checkers food prices

Strong cash flow

Mr Daling says Sanlam considers Kirsh to be an investment with exciting potential This is the second major deal by the Cape insurance giant in a matter of weeks Recently it paved the way for the merger of conglomerate Protea Holdings with Malbak.

The takeover spree signifies that the cash flow of the insurance groups remains strong in spite of the recession and the impact of rights issues by Sasol and Gencor

Fedfood lifts profits 24%

JOHANNESBURG — Federale Volksbeleggings' food wing — Fedfood — has continued its dramatic earnings performance and lifted attributable profits 24 percent for the year to March.

On the back of improved conditions in all divisions except frozen foods, Fedfood reports an increase in the bottom line to R19,65m from R15,76m in the previous year

Turnover rose 11 percent to R720,65m (R650,16m) and operating income advanced 17 percent to R52,87m (R45,13m).

However, interest payments only increased six percent so pre-tax income was lifted by 26 percent to R32,25m (R25,6m) which resulted in after-tax income up 27 percent at R21,91m (R17,26m)

Outside shareholders took R2,7m (R1,49m)

In line with the group's policy of gradually increasing its dividend cover to eventually three times earnings, the final dividend has only been increased 3c to 18c, bringing the total dividend to 30c or 2,7 times earnings, 13 percent up on last year's 2,4 times

Describing the reasons for Fedfood's encouraging performance, the managing director, Mr Jan Louw, said last night one of the reasons was that pelagic fishing in the Namibian waters had improved considerably

"In 1984 the group benefitted mainly from excess fish catches which yielded very good fishmeal and oil returns. In addition the pilchards we are now catching are very much bigger and this in combination with improved technology means a larger proportion of the fish is ending up in the can," said Mr Louw

Factors

In the milling division the availability of maize, wheat and sorghum had an adverse impact on profits but other factors outwieghed this including

- The reconstruction of the Ruto group, which is undergoing a R5m expansion programme at present.
- Increased demand for basic foodstuffs caused by the drought and the recession
- Intergroup rationalization of processing activities, especially oil extraction between Nola and Ruto
- Diversification of product ranges and optimization of production capacities

The bakery division — Fedbake — recorded especially good growth in the rural areas, neighbouring states and homelands

But the directors say "The low controlled margins in the wheat and bakery divisions, and the consequent return on capital, create a condition where only the fittest can survive. Any relaxation in the subsidy system will result in substantial price rises to the consumer

The frozen foods division experienced "very tough trading conditions which resulted in the failure to achieve expected returns on capital"

CAPE TIMES 22/5/84 232

Barlows raises earnings in spite of higher taxes

JOHANNESBURG — Thanks to better trading and greater efficiency Barlow Rand's attributable earnings rose by 19 percent in the six months ended March

The interim report released yesterday shows that this rise, from R103,1m to R122,7m, was achieved after taking into account R8,1m of additional taxes arising from changes in the basis of taxation announced in the March Budget.

But for the significant impact of the new tax measures, earnings per share would have been up by 17,3 percent. As it was earnings per share were up by 10 per cent, from 68,8c to 75,7c

An unchanged interim dividend of 21c a share was declared, and the chairman, Mr Mike Rosholt, says it should be possible at least to maintain the dividend for the year at 70c

Expectations

Trading results for the six months exceeded expectations, he says

Increased operating profits resulted from better trading and from improved efficiencies in all divisions, but trading conditions were expected to be more difficult in the second half

"With the decline in the gold price, the cost of the drought and the consequent weakening of the South African balance of payments position together with the recently announced increase in general sales tax, it has become clear that the upturn, which manifested itself in the second half of the previous financial year, cannot be sustained," he said.

Turnover rose by 20,4 percent to R4 711,8m There was a 24,5 percent increase in group operating profit before interest.

Group profit before tax showed a 28,9 percent leap to R392,7m Group profit after tax showed a 26,8 percent gain to R236,2m

The ratio of current assets to current liabilities has improved from 1,46 at end of September to 1,48 at end of March

In the same six months, total liabilities to total shareholders funds were reduced from 88 percent to 84 percent, and total borrowings to total shareholders funds were pulled down from 44 percent to 41 percent.

Capex

The chief operations officer, Mr Warren Clewlow, said capital expenditure estimates for the group as a whole now stand at R1 541m.

"This includes mining proposals of R864m, of which the major portion will only be spent in 1988 and onwards. The remainder of the expenditure will take place by the end of 1985 and relates to expansion in the cement and lime division, and in the C G Smith group"

Commenting on the divisional trading performance, Mr Clewlow said the ferro-alloys and stainless steel division had improved its position, with a loss at the half year of R3,9m against a loss of R8,1m for the corresponding period last year.

The export market for ferro-alloys had improved steadily but the local market for stainless steel remained depressed

The other divisions also improved except the mining division due to lower gold prices being received and the lower margins that have prevailed in the coal and base minerals markets

Commenting on group-wide activities, Mr Clewlow said "It has been a busy six months, and the group ended the first half on a confident note

"Looking ahead, there must be hesitancy about what will be achieved in the second half of the year The upturn in the economy of the past nine months has faded, and the further increase in general sales tax announced so soon after the budget will further undermine business confidence.

"The group is fortunate to have further internal potential to improve profitability This will come in time through rationalization benefits arising from recent acquisitions, the benefits that will arise out of our capital expenditure in recent years, and making better use of non-performing assets" — Sapa

FINANCE/STOCK EXCHANGE

Anglo top power with assets of R30-billion

ARGUS 22/5/84 232

Financial Editor

ANGLO American controls the biggest business empire in South Africa and its largest rival is Sanlam, a survey by a group of economists at the University of Pretoria for Mercabank shows.

The economists, led by Professor J A Lombard, estimate that, on 1982 figures, Anglo American controls assets of around R30-billion. Sanlam is a distant second, with assets of R17,9-billion.

Some way behind these two are three other roughly equal "powers" — the Old Mutual with business assets of R10,9-billion, Barclays with R10,4-billion, and the Standard Bank Investment Corporation (Stanbic) with R9,5-billion.

However, the Old Mutual's muscle is increased by a shareholding in Barlows, which has R5,8-billion in assets, and a share in SA Breweries, which has assets of R2,2-billion

LIBERTY LIFE

Similarly, Stanbic's stake in Liberty Life, estimated to have assets of R2,7-billion, and its links with United Building Society, estimated as being worth R4,7-billion, also help increase its importance

The Rembrandt group was estimated to be worth R1,7-billion, but its powers are greatly heightened by its links with Volkskas, which controls about R4,8-billion worth of assets

These large groups control about 80 percent of the total assets of South African companies whose ordinaryu shares were listed on the Johannesburg Stock Exchange

Foreign interests were largely confined to the 9,1 percent held by Barclays and the 8,3 percent held by Stannic — the two banking groups which at least in a formal sense are controlled from abroad.

The Government, through the Industrial Development Corporation and Iscor, controlled 3,2 percent .

INCREASING

The survey found that the share of the biggest industrial companies in the total assets of listed industrial companies was steadily increasing

In 1973 the five biggest companies accounted for about 22 percent of total assets But by 1982 this figure had risen to about 33 percent

Premier Group earnings reach record levels

CAPE TIMES 23/5/86

232

JOHANNESBURG. — Earnings by Premier Group Holdings in the year to March have exceeded expectations at the halfway stage. Turnover, trading profit and earnings per share all reached record levels.

Releasing the group's preliminary financial results in Johannesburg yesterday, the chairman, Mr Tony Bloom, said net attributable profits at R120m are not comparable with the previous years R53m due to the fact that the group's 36 percent interest in SA Breweries has been equity accounted for the first time

However, trading profits increased by 13 percent — R137m compared with R121,6m — which Mr Bloom describes as reasonably satisfactory in view of the economic recession and the drought.

Group turnover at R2 049,1m rose by 19 percent over last year's R1 716,4m

Earnings per share — on the new share capital of 56,1m shares (25,8m) — increased by four percent from 206,5c last year to 214,5c in the year under review

With the company declaring a final dividend of 54c a share (37c), the total annual dividend has been increased by 30 percent to 86c (66c)

Mr Bloom said all major divisions in the food group — except the poultry division — increased profitability

Market shares for all the important products had either been increased or maintained

"This was a creditable performance in the face of increasingly competitive activities which manifested themselves as excess capacity chasing diminished markets and margins put under severe pressure"

The profits of the good group had however been adversely affected by the lower demand for mielie meal, arbitrary reductions in the milling and baking margins by the government, increased costs associated with the importation of wheat, maize and oilseeds plus the poor performance by the poultry division

Mr Bloom predicted that in the current year the Premier group would achieve at best a 10 percent increase in earnings per share.

In view of the current adverse conditions this seemed optimistic but a major factor likely to have a beneficial impact on the group was the abolition of GST on basic foodstuffs announced recently by the Minister of Finance, Mr Owen Horwood

He announced that Mr Peter Wrighton has been appointed chairman of Premier Food Industries with Mr Wally Wolthers as joint managing director in charge of mills, bakeries, distribution and international marketing and Mr N B Fowler joint managing director in charge of poultry, animals feeds, pet foods and edible oils and derivatives — Sapa

Anglo raises its stake in GFSA

RDM 24/5/84 (232)

By BRENDAN RYAN
Mining Editor

THE Anglo American Corporation has acquired a further 5,6% stake in Gold Fields of South Africa in a deal worth more than R125m.

Anglo has accomplished this through a share swap of 8,5-million Barlow Rand shares for 4,6-millon GFSA shares with the Old Mutual. The shares were registered with their new owners on Friday.

The deal was revealed yesterday in a circular to GFSA shareholders concerning the group's acquisition of the controlling stake in Clydesdale Collieries.

The document showed that Anglo's stake in GFSA had risen to 8,9% at May 22 from the 3,3% reported in the last AAC annual report.

It also showed that the Old Mutual no longer had a stake of more than 5% in GFSA It held 6% at June 30

The implications of the deal are significant in terms of the shareholdings being built up by the Anglo greater group in GFSA and the Old Mutual in Barlow Rand

Old Mutual held 29,5% of Barlow Rand before the deal, which has given it an additional 5,2% stake to take its total holding to 34,7%.

Anglo now holds a direct 8,9% stake in GFSA while 49%-held associate Anglo American Gold Investment Company (Amgold) has another 10,9%.

However, the Anglo group has a significant indirect holding in GFSA through its international arm, Minerals and Resources Corporation (Minorco), which in turn has a large stake in GFSA's controlling company, Consolidated Gold Fields.

There has been repeated speculation that Anglo is keen to acquire control of GFSA.

The speculation has concentrated on the activities of Minorco and the possibility that it might launch a take-over bid for Cons Gold

AAC holds a 41% stake in Minorco, while De Beers Consolidated Mines holds a further 22%

Minorco in turn holds 29% of Cons Gold, the largest shareholder in GFSA with 48%.

If Minorco wants to take its stake in Cons Gold to more than 30% then, in terms of London stock market regulations, it will have to make a take-over offer to all Cons Gold shareholders.

Apart from AAC, Amgold and Cons Gold there are no other holders of more than a 5% stake in GFSA.

An AAC spokesman yesterday denied the acquisition of an additional 5,6% stake in GFSA was part of an overall plan to gain control of the company

The deal signals a recognition of the strengths of strategic investment stakes held by AAC and Old Mutual after the rift which grew between the two investment giants in 1983.

As a result, Old Mutual chairman Dr Jan van der Horst resigned abruptly from the AAC board of directors in June

The rift resulted from growing conflict of business interest between AAC and Old Mutual which was probably started by the Old Mutual's decision, early in 1983, to swap its stake in Tiger & Sugar for Barlows shares.

This took its stake in Barlows to 24,8% overtaking Anglo as the largest shareholder in Barlow Rand.

That could have been one of the factors which subsequently led to the control of the other major food group, Premier, going to a JCI/Anglo/Liberty Life consortium.

Following the deal the Old Mutual took a controlling stake in Rennies, a major departure from its previous philosophy of taking only minority investment stakes.

The acquisition of a 35% stake in Barlow Rand by the Old Mutual is therefore another step towards possible ultimate control while Anglo's sale of an important minority stake in Barlows is recognition that it cannot win control itself given the Old Mutual's dominant position.

Cape Times 24/6/86 232

Anglo American Corp gets further stake in GFSA

Own Correspondent

JOHANNESBURG — Anglo American Corporation (AAC) has acquired a further 5,6 percent stake in Gold Fields of South Africa (GFSA) in a deal worth more than R125m.

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Implications

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Speculation

However, the Anglo group has a significant indirect holding in GFSA through its international arm, Minerals and Resources Corporation (Minorco) which in turn has a large stake in GFSA's controlling company, Consolidated Gold Fields

There has been repeated speculation over the past few years that Anglo is keen to acquire control of GFSA which manages arguably the finest stable of South Africa's gold mines

The speculation has concentrated on the activities of Minorco and the possibility that it might launch a takeover bid for Consolidated Gold Fields

AAC holds a 41 percent stake in Minorco while De Beers Consolidated Mines holds a further 22 percent to give a combined AAC/De Beers controlling interest in Minorco of 63 percent.

Minorco in turn holds 29 percent of Consolidated Gold Fields which is the largest shareholder in GFSA with 48 percent.

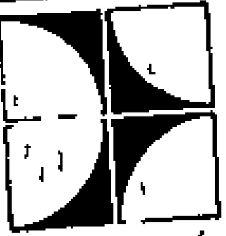
Regulations

If Minorco wants to take its stake in Cons Gold to more than 30 percent then, in terms of London Stock Market regulations, it will have to make a take-over offer to all Cons Gold shareholders.

Apart from AAC, Amgold and Cons Gold there are no other holders of a more than five percent stake in GFSA.

An AAC spokesman yesterday denied the acquisition of an additional 5,6 percent stake in GFSA was part of an overall plan to gain control of the company.

The Merchant Bankers for
Financial Engineering
for Project Financing
Finansbank
The Independents



Anglo, Mutual further apart

232 Star 24/5/84

By Peter Farley

The acquisition of a further 5,2 percent in Barlow Rand by Old Mutual, which increases the insurance company's shareholding to 34,7 percent, signifies a growing split in the investment focus of Old Mutual and Anglo American.

The shares were received in a scrip exchange whereby Anglo received 4,6 million Gold Fields shares (5,6 percent) from Old Mutual in return for 8,5 million Barlow shares.

A further development on these lines has been on the cards since Old Mutual was virtually left in the cold over the deal in which control of Premier was returned to SA.

As a result of that deal, in the middle of last year, a consortium comprising Anglo, JCI and Liberty pooled its SAB shares and exchanged them for scrip in Premier. This effectively brought SAB in under Premier, and ignored Old Mutual in the process.

Old Mutual still has a near 12 percent stake in SAB and it would now be no real surprise to see that hived off to either Anglo, or the consortium.

In seeming retaliation for being excluded from the Premier/SAB deal, Old Mutual bought control of Rennies from Hong Kong-based Jardine Matheson. The haste of that purchase was illustrated by the almost 75 percent premium Jardine was able to extract for its Rennies shares.

The sale of Old Mutual's SAB shares makes even greater sense, with Rennies now contemplating the establishment of a brewery in competition to SAB. There is already a conflict of interests through the Holiday Inn and Southern Sun hotel groups being, respectively, in the Rennies and SAB camps.

The latest development also means that Anglo's stake in Barlow Rand is effectively halved to around 7 percent.

The two investment giants now appear to have agreed it is better to have more sizeable individual stakes in effective associate companies, rather than splitting control between the two camps.

And while both companies deny at this stage that this latest share swop is a prelude to achieving control of either Barlow Rand or GFSA it remains a strong possibility at a later stage.

The most likely next step should be Anglo entrenching its shareholding in the GFSA group, with a combined assault both on GFSA and UK-listed Consolidated Goldfields, of which it holds 29 percent.

Takeover splurge backfiring — Kantor

w/E Argus 26/5/84

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Weekend Argus Correspondent

DURBAN: — South Africa's giant takeover splurge of the past few years looks as if it is backfiring.

Research by Professor Brian Kantor, of the University of Cape Town, shows that, in line with American precedents, the giant corporations — Anglo American, SA Breweries, Barlows and others — are not performing as well for their investors as are their smaller operating divisions

Professor Kantor warned in an address to the Economic Society in Durban that if the trend continued it could lead, as in America, to "de-conglomeration"

He said analysis of the performance of 50 shares on the Johannesburg Stock Exchange over an 18-month period showed that these giants were not "offering the combination of risk and return that would have been expected".

It was their operating interests, like Durban's McCarthy Group for Anglo, which really were showing the best gains for their investors

More powerful

If this trend continued the operational managers would grow more powerful in themselves, raising capital directly from the public rather than through the giants which controlled, or had large stakes in them.

The American trend, which had been going on some time, was illustrated by calculations on conglomerates showing "the value of the sum was far less than the value of the parts"

In South Africa, too, divisional managers could come under increasing pressure to cut their companies loose

The study, done for a new publication which he is editing, also suggested that investors

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Takeover splurge

w/E Argus 26/5/84

From Page 17 232

could do better by themselves spreading investments, rather than by buying the shares of one huge corporation, like Anglo, with its spread of interests.

Bull phase

The research project had been on the basis of percentage return a week The gold price had been stable in rand terms over this period while the Johannesburg Stock Exchange had been in a bull phase

Substantial takeover pressure in South Africa flowed from the regulation which prevented companies from buying their own shares.

This meant companies with large cash flows had to seek avenues for investment outside of themselves. He suggested that the Registrar of Financial Institutions could remove the barrier on companies buying their own shares. No such bar existed in the United States

Another suggestion for improving competition in the capital market was that companies not be taxed at source — but only when the profits reached their shareholders

SASJ chief hits at Argus moves

Cape Times 26/5/84

Own Correspondent

JOHANNESBURG — The Media Council and the "trend towards concentration of ownership of the media" were singled out this week as two developments with implications for press freedom in South Africa.

They were given special mention by the outgoing president of the Southern Africa Society of Journalists, Mr David Bleazard, during his presidential address to the 1984 annual congress of the SASJ, being held here

Mr Bleazard, who is employed by the Argus, pointed to the "internecine strife" between the Argus and Saan groups and the take-over of the Jim Bailey group of publications by Nasionale Pers

"In the extreme case, if the Argus initiatives results in the destruction of Saan, there will be a monopoly of the English-language press by Argus threatened only perhaps by Nasionale Pers

"A lot of journalists stand to lose their jobs and the public will lose valuable sources of information The relatively independent Saan newspaper viewpoints could be replaced by what has been described as 'pallid Argus clones'"

Referring to the one seat on the 14-man council being offered to the SASJ, Mr Bleazard said he believed the role allocated to the SASJ by the architects of the council was that of rubber stamp

An effective Media Council may be preferable to direct government action against the press But it did not necessarily follow that a union of journalists should support a disciplinary body over which it had no control, but which had the power to criticize its members and fine their publications

The congress is due to vote today on the issue of joining the Media Council.

'SA tendency to media monopoly'

(232) (235) E. Post 26/5/84

JOHANNESBURG — The Media Council and the "trend towards concentration of ownership of the media" were singled out here as two developments with implications for Press freedom in South Africa

Mr David Bleazard, the outgoing president of the Southern Africa Society of Journalists, said "I believe the role allocated to the SASJ by the architects of the Media Council is that of a rubber stamp"

Mr Bleazard, in his presidential address to the 1984 Annual Congress of the SASJ, being held in Johannesburg, was referring to the one seat on the 14-man council now being offered to the SASJ

"It may be that an effective Media Council is preferable to direct Government action against the Press — the lesser of two evils argument

"But it does not necessarily follow that the SASJ, a union of journalists, should therefore lend its support to a disciplinary body which it has no control over but which has the power to criticise its members and fine their publications"

Mr Bleazard warned against the dangers of the "accelerating trend" towards concentration of ownership in the media He pointed out the "internecine strife" between the Argus and Saan groups and the takeover of the Jim Bailey group of publications by Nasionale Pers

"In the extreme case, if the Argus initiatives result in the destruction of Saan, there will be a monopoly of the English language Press by Argus, threatened only perhaps by Nasionale Pers

"A lot of journalists stand to lose their jobs and the public will lose valuable sources of information The relatively independent Saan newspaper viewpoints could be replaced by what has been described as 'pallid Argus clones'".

He added that Nasionale Pers's takeover of the black readership "Bailey publications", including City Press, Drum and True Love, opened up a whole new dimension for the company as a mouthpiece of National Party policy

Mr Bleazard listed a number of "body blows" to Press freedom over the past year

These included

- The "brutal assaults" on journalists by East Rand Administration Board officials at Katlehong
- The subsequent arrest of other journalists protesting against the Katlehong attack.
- Cabinet ministers trying to curtail reporting on parliamentary debates
- Prosecution of the Star newspaper for quoting the president of the African National Congress, Mr Oliver Tambo
- Zimbabwe's enforcement of the Kadoma declaration against SA-based correspondents, barring them from that country
- The use of the Publications Act against the Windhoek Observer — once it had resigned from the Newspaper Press Union — to prevent publication of its nude pictures
- Mr Carlos Cardoso, director of Mozambique's news agency, AIM, delivered the Fairbairn Memorial Lecture at the congress

He told journalists "Today there are whites who are African and blacks who are European"

Witbank-born and University of the Witwatersrand-educated Mr Cardoso said South Africa had produced internationally-renowned journalists who, through their profession, had struggled for the freedom and equality of human beings irrespective of race, sex or religious belief

He paid tribute to, among others, Allister Sparks, Brian Bunting and Govan Mbeki

Mr Cardoso said that according to the East-West conflict theory, the African had to choose between the two To have to make the choice was "to accept a secondary role in the act of fashioning the destiny of the world"

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The irresistible and the immovable get together

By David Carte

THE business community is dumbfounded by the unlikely partnership struck up between Natie Kirsh and Sanlam.

Apart from the obvious cultural differences between the marriage partners, Mr Kirsh has for years been a free wheeling and dealing entrepreneur used to doing precisely what he wants.

Shameless

Far from co-operating with the multi-billion rand corporate giants, he has delighted in tweaking their tails He has done it with Mutual, Tiger Oats and SA Breweries

The one thing Mr Kirsh has relished more than his millions, it seems, has been his independence

Now he's in with Sanlam, an irresistable force if ever there was one — a juggernaut bulldozing determinedly through such apparently immovable objects as Wim de Villiers and Rembrandt to get its own way. Sanlam shamelessly controls its investments

The question is whether it will control this one Who calls the shots from now on? Are the boys from Bellville aboard a tiger in Kirsh? Is Natie too smart for them, or are they too strong?

Between partners these questions do not normally arise But between a strong individualist on one hand and an equally strong-willed colossus on the other, partnership in the normal sense is difficult to visualise

"One thing I told Sanlam," Kirsh told Business Times this week,"was that control was out of the question" Now Kirsh has 50,1% and Sanlam 49,9% of an unlisted company which controls Kimet, the top listed company in the Kirsh empire

Ruled out

Sanlam's Marinus Daling says Kirsh was no more than a good investment, carrying high risk and high reward

On the surface Natie is in control and Sanlam is a happy investor

But outsiders speculate that Kirsh, under pressure from the banks, needed Sanlam funding to turn Checkers around If this is true, perhaps Sanlam has some leverage over Kirsh in the form of loans or leasebacks

Or is this the old situation of the lender having the problem when the debt is millions and millions?

So far there has been precious little information on the deal because the Johannesburg Stock Exchange remains to be convinced about some aspects of it

Above all, it appears, the JSE wants to know that control has not changed On what we know, it is hard to see how the question arises

The price at which the deal was done remains a secret. But Barlows' Warren Clewlow has disclosed the price at which Tiger Oats sold its 30% stake in Metro, the first part of the deal. This was at R18 a share, the market price obtaining a few weeks ago before the market got wind of the deal and hoisted Kirsh shares skywards.

Kirsh would not be drawn on whether this price was the basis of his deal with Sanlam.

Managers

The rise in Kirsh shares appears to have been justified Although Sanlam insists that any loans and leasebacks will be at arm's length, Sanlam can hardly walk away from Checkers and other problems now.

One commentator says Sanlam, which, unlike other insurers, tends to control its industrial interests, needs management badly It has acquired this in Kirsh and his team — and in Grant Thomas and his team at Malbak, which has merged with Protea The expectation is that Abercom will go into the Malbak-Protea fold

Records at KWV

The KWV achieved a record taxed profit of R12,9-million in the year to December 1983

The profit compares with 1982's R10-million, and is "attributed largely to KWV's successes on foreign commodity markets and various cost-saving measures," says KWV

The KWV reports record export earnings of R14,5-million

Pietman Hugo, MP for Ceres, recently took over the helm at KWV after Andre du Toit's 26-year stint He says expected gross producer income this year is R220-million, with consumer turnover of wine and its derivatives

Sanlam's troubled house

WHILE its main rivals, SA Mutual and Liberty, have focused on blue chips and let these get on with running themselves, Sanlam has several problems in its portfolio because of its hands on approach.

It can certainly use all the management it can get

Gencor has yet to find a successor to Ted Pavitt, although the latest hot tip is Floors Kotzee, who retired early from Iscor.

In Gencor, there have been problems — to the extent that it has the lowest rating of any of the major mining houses It yields a historical 7,3%, against Anglo's 5,1%, indicating great value, according to Sanlam

It was not Gencor's fault, but uranium mine Beisa has been closed, never having made a profit after R250-million of spending, not all of which will looks sick Though other minerals are picking up, the gold and coal outlook is far from brilliant.

Kanhym has been devastated by drought, debt and a gloomy coal environment Kohler ran into a brick wall after the DRG acquisition, but appears to have picked itself up Darling & Hodgson lost R15-million in structural engineering last year, but with Group Five under its belt appears to have recovered.

Sappi's R800-million Ngodwana paper mill is coming on stream and is designed for exports. But it complains about foreign competitors dumping in SA, suggesting an unhealthy international paper outlook Fortunately for Sappi, the rand has crashed — and there was some effective tax avoidance. Otherwise there would be red ink oozing out of Sappi today or at

Sanlam's non-Gencor industrial interests have also been a headache Everyone knows about Sentrachem and its R350-million rubber plant problem

Federale Volksbeleggings has been hard hit by recession and high gearing, but should do better now that Fedfood is doing well again and the rights issue has reduced gearing.

Marinus Daling reckons Sanlam is not as risk averse as its competitors, that it is more prepared to get into operations and into greenfields ventures It is not merely a paper investor Sanlam claims to have created such gems as Fedmyn and Gencor

It argues further that its investments are long term and if one takes into account the cost of the investments made years ago, performance has been exceptional

Rivals dispute this, but not even ac-

Gordon Utian .. we're getting better all the time

Godmother Sanlam kicks off with R70m property leaseback deal as

R110m stems Checkers rot

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S. Times 27/5/84

By David Carte

ONLY days after taking a half stake in Natie Kirsh's retailing empire, Sanlam has concluded a R70-million property leaseback with Checkers.

In other deals, Checkers plans to sell off and lease back another R40-million of property to reduce debt by more than R110-million

South Africa's second-biggest insurer takes over Checkers store properties in Pretoria North, Plumstead (Cape Town), Somerset West, Rustenburg, Upington, Germiston and Secunda for R70-million cash

Arm's length

Sanlam stresses the rentals will be market related These are believe to be between 10% and 12% compared to the 21% Checkers has paid on overdraft funds

Both Sanlam and Checkers insist that the new partnership had nothing to do with the leaseback, which was done at arm's length and was not linked to the partnership.

According to Gordon Utian, managing director of Checkers, Sanlam had large leasebacks with Checkers years ago when it was part of the Federale group Six were being negotiated when the Kirsh group took over and discovered enormous problems in the company.

Mr Utian said "For the past few years we have not done a leaseback and have funded our big defensive new store drive with bank funds. Sanlam has had a close look at us and is now happy to proceed"

Balance

Ronnie Masson, who clinched the deal for Sanlam, said his company had large leases with other store groups It had not done a deal with Checkers for years This lease restored the balance between Checkers and the other groups

Sanlam will continue doing leasebacks with other store groups and Checkers will negotiate leases with other insurers, both parties insisted.

In addition to the Sanlam deal, Checkers has sold its Ridgeway property to AA Mutual, the insurer in the Kirsh stable, for R8,1-million, and is negotiating another R25-million in leasebacks It has also sold its holding in the Balfour Park, Johannesburg, shopping centre for a sum thought to be R5-million

Westgate

In all, Checkers will release more than R110-million and save at least R11-million a year in interest.

Its half share of the finance for the huge 65 000m² Westgate shopping centre should be signed up soon.

In the year to June, Checkers expects to make a R10-million profit before tax compared with R6,2-million at the half-year to December and a monumental losses of R33,8-million in 1982 and 9,7-million in 1983.

Mr Utian says "If we are not making R20-million before tax in the year to June 1985, I don't want to be around here."

He believes phase one of the Checkers recovery from the debacle of the previous management, which led to write-offs of R42-million, has been achieved in spite of drought, recession, wary bankers and competitors

Rivals

After two more years of store development, the nation's biggest retail food group believes the recovery process will be complete and hopes to achieve the same sort of profitability as its rivals, OK Bazaars and Pick 'n Pay

Mr Utian says Checkers wants money in stocks, not in bricks and mortar.

The rest of the Kirsh group, including Metro, will continue to own most of its properties.

Although Checkers had a hectic new store programme, it was merely replacing old, uncompetitive stores and square metreage was not rising much.

The rentals are linked to turnover and are expected to escalate at 6% to 7% a year. If interest rates come down, the relative attractions of the leases will diminish

Regret

One analyst said lower rates in an easier economy could make Checkers regret its step The properties would then be worth far more than R70-million To him this suggested pressure on Kirsh to do this deal

Most of the affected properties have other stores in them apart from Checkers. At Edenvale, for instance, Checkers has only half of the store

But the leaseback was done on a "head lease" basis, in terms of which Checkers pays Sanlam the rent and collects rent from other shopkeepers.

See page 4

Warren Clewlow ... wouldn't mind some more

Barlows — the giant that still wants to grow

27/5/84 232 S-Time

By David Carte

WARREN Clewlow, operations chief at Barlows, doesn't think much of Barlows 10% earnings rise in the first half.

"Should have been better" is his attitude.

But as we spoke at the cocktail party after the Johannesburg Stock Exchange president's address at least five brokers congratulated him on the achievement.

What impressed was that had it not been for higher tax, the earnings increase by SA's biggest industrial group would have been 19%

Destocking

Bearing in mind that outside agriculture, most of the recession so far has consisted in destocking and not consumer contraction, Barlows, being in the primary productive sector, has been more exposed than most to economic circumstance This makes the achievement even more impressive.

Sure, much of the improvement came from reduced losses at Middelburg Steel (a R4,2-million tax-free lift) and a profit surge at Pretoria Portland Cement, which benefited from an active building industry and production problems at Anglo-Alpha Plascon and the unlisted earthmoving, motor and appliance interests also did better

But much credit is due to Barlows acquisition strategy Tiger Oats, Metal Box and Blaikie Johnstone also made important contributions Considering the prices paid in recent years for acquisitions, this is no mean achievement.

Barlows acquired each of its interests on favourable terms and followed up with imaginative restructuring so that they fit into the group command structure In the process, it gained some exceptional management.

It has handled Tiger superbly, maintaining morale, which might have cracked, and impetus in bread and peanut butter areas, such as milling, baking and oil extraction

In addition, it has brought cash out of the fishing companies and the 30% Metro Cash holding and degeared the whole operation at a time when this process yields 21% tax free

While other big groups have demonstrably paid too much for acquisitions in recent years, Barlows has had the guts to walk away from excessive prices It did this in the case of DRG, which went to Kohler at an inflated price, and Metal Box, which came back at a lower price

Flair

The group deserves praise for the way it runs its businesses, but even more for the way in which it acquired them It has had this flair for years and has not lost it

Looking ahead, Warren Clewlow does not like the economic weather and he frankly admits he wouldn't mind another major acquisition to give the group a boost in tough times

As chairman Michael Rosholt warns "It is expected that trading conditions for the second half will become more difficult

He does not even forecast maintained earnings for the year, only a maintained dividend.

Barlows is so big that further significant acquisitions in South Africa have become a problem and increasingly the company will have to perform in line with the economy — unless it increases the investment beach-head it has established overseas.

"I'm conservative," says Mr Clewlow, who made the happy $60-million US sugar acquisition 18 months ago, "and would need to know we have the expertise before making big offshore acquisitions"

Barlows does have expertise — in sugar, food, packaging, coal mining, mineral beneficiation — all sorts of areas It is grown up now, no longer an infant industry that needs protection to grow

With gold's future uncertain, SA needs to diversify its exports and Barlows, which in sales would rank in the top 60 companies in the US, is one of few SA companies big enough to go into the export markets and slug it out.

All it needs is the courage and more encouragement from the Government, whose export incentives pale besides those of Japan and West Germany

To a large extent, through interference with free-market forces, SA has lost its comparative advantage in cheap labour In addition, it is far from world markets.

Energy

On the other hand, energy and raw minerals are still cheap and SA has a fine transport infrastructure — so it can still beneficiate metals more cheaply than most of its competitors

This is why Middelburg Steel and investments like it must be the way for Barlows and South Africa in the future.

● **The interim numbers: turnover up 20,4% to R4 711,8-million, operating profit up 24,5%, interest up 11% to R91,1-million. Pre-tax profit up 29% to R345,1-million. Taxed attributable profit up 19% to R122,7-million. Earnings a share up 10% to 75,7c (68,8c), Interim dividend unchanged at 21c.**

The Cap

CAPE TIMES 28/5/84 232

SASJ condemns Argus Co

JOHANNESBURG — The Southern African Society of Journalists has condemned the Argus Company for its "inexplicable action in apparently trying to destroy" other newspapers

In a resolution dealing with monopolistic tendencies of the newspaper industry, the society expressed alarm at the "growing tendency of the newspaper industry to be concentrated in fewer and fewer hands".

The motion was passed unanimously at the society's annual congress which ended here on Saturday.

It also called on the Argus Company to stop what it was doing and threatened action, including asking the Competitions Board to step in.

● The society had decided not to take up a place on the Media Council for the time being, Miss Pat Sidley, the SASJ president, said on Saturday night.

After a long and hard-fought battle at the society's annual congress in Johannesburg, a motion was adopted which also stated, however, that the Society should keep in contact with the Media Council and continue to lobby for the changes it believed were necessary, and to review the decision at the next congress — Sapa

How Trust Bank was 'saved'

CAPE TIMES 29/5/84 232

Staff Reporter

BIG-BUSINESS support prevented the Trust Bank from going under a few years ago, the chairman of Sanlam, Mr Marinus Daling, said yesterday

He was speaking at a lunch-time seminar at the University of Cape Town on the concentration of economic power in South Africa The other speaker was Professor Brian Kantor of the university's School of Economics

"The Trust Bank would not have been here today if Sanlam had not stepped in," Mr Daling said

He said the intervention of Sanlam had been necessary, too, because the economy was at a critical point and would have been badly affected by the collapse of the Trust Bank.

Question

The difficult question to answer was "When does size become bad?"

There was greater competition in a market where there were three or four strong groups than in a fragmented market.

A University of Pretoria study had also shown that inflation could not be attributed to concentration of economic power

Mr Daling said the process of concentration of economic power would continue in future and would be in the interests of South Africa

As a member of the Competitions Board, Professor Kantor said, he was concerned with the efficiency and the individual's freedom of choice

Constitution

The preamble to the new constitution, he said, proclaimed the idea of effective competition which best guaranteed efficiency and choice

Professor Kantor quoted the South African Transport Services as an example of an unit which did not make for effective competition

Conglomerates were not yielding the same dividends for investors as they would have received had they invested through a diversified institution

"They are becoming less valuable than the sum of their parts"

GROUP NO 15
Transvaal 2
Moodie and Golino (251)
Moodie and Golino (252)
Bopape (65)
Graaff (60)
Parnell and Mabin (62)

GROUP NO 16
QwaQwa
Beukes (230)
Bank (282)
Sharp and Martiny (286)
Spiegel and Sharp (52)
Niehaus (297)

GROUP NO 17
Relocation
*Platzky (73)
Claassens (74)
Donald/Kerchoff (75)
*McLennan (76)
Haysom and Armstrong (
Mfenyana (78)

GROUP NO 18
Protecting Jobs
Haysom and Thompson (8
Webster (111)
* Nupen (117)
Maree (122)
Turner (283)

GROUP NO 19
Health A
Jacobs (179)
Disler (186)
Mann (191)
Raynal (280)
Roberts and Ripp (254)

GROUP NO 20
Health B
Von Schirnding (180)
Yach (181)
Moola (183)
Steyn (184)

Estimated costs of two mines R1,175-bn

TC Land, Wit Cols to set up Escom-tied coal mines

CAPE TIMES 29/5/84

By BRENDAN RYAN

JOHANNESBURG. — Transvaal Consolidated Land and Exploration (TC Land) is to form a joint venture with 71 percent-held subsidiary Witbank Colliery to set up two Escom-tied coal mines.

The contracts for these collieries were awarded to TC Land by Escom in 1982

One of the coal mines will also be developed as a multi-product colliery to meet TC Land's Phase 4A export allocation through Richards Bay of 2,5m tons of coal annually

Total cost of the two collieries is estimated at R1,175 billion in current money values

Each Escom colliery is expected to cost about R392m and the development of the export section at one mine will cost an additional R392m.

The collieries are Khutala, which will supply Escom's 3 600 MW Khutala power station near Ogies, and Majuba which will supply the 3 600 MW Majuba power station near Amersfoort.

Coal from Khutala's No 5 seam will be mined for export as this seam does not form part of the coal reserves committed to Escom for the power station's use

The joint venture will be held 70 percent by Witbank Colliery, through its wholly-owned subsidiary Douglas Colliery, and 30 percent by a TC Land wholly-owned subsidiary

TC Land will assign the use of the Escom contracts, its export allocation and its coal rights to the joint venture

In addition to its direct 30 percent share of the profits from the joint venture TC Land will also receive the royalty payable by Escom on each ton of coal its power stations burn from the collieries

Payments by Escom to the tied collieries for each ton of coal used comprise the three separate elements of return on capital invested, working cost, and royalty

TC Land and Witbank Colliery will fund the bulk of the capital expenditure through internal resources and the balance through borrowings which have to a large extent already been arranged

Minimal financial benefits from the joint venture are expected by TC Land and Witbank over the next two years but earnings a share for both companies will improve after this period

Khutala colliery, on the Bombardie-Cologne coal field, is scheduled to start coal production in 1987 and rise to full output of about 12,2m tons a year in 1992

The first 600 MW generating set at the Kendal power station is scheduled to come on stream in 1989 and the sixth and last set in 1993

Production from Majuba is planned to start in 1989 and build up to full output of 11,9m tons a year by 1994.

Majuba's first generating set is scheduled to come on stream in 1990 and the final set in 1995

Escom has already postponed the start of the first set at Majuba by a year and there is a possibility that the station may be subject to further postponement if Escom defers 5 000 MW of new generating capacity from its expansion plans to 1995

The new generating capacity will be deferred if the low growth rate in demand for electricity shown over the last two years continues

Construction

The prime candidate for deferral is the Lekwe power station, to be supplied by Amcoal, as Escom has not yet placed orders for boilers or generators for this station.

"We have received no further notification from Escom on construction delays since the initial one-year postponement of Majuba," said Witbank Colliery's deputy chairman, Mr Allen Cook, yesterday.

"Decisions by Escom which defer the construction of the colliery increase its capital cost because of the effects of inflation on that cost over the longer time span to completion.

"This in turn affects the rate of return which we require from the new colliery Should the colliery be delayed we would have to resolve this issue with Escom as it involves the price charged for coal supplied to the power station," he said

Mr Cook said the joint venture agreement provides Witbank with an opportunity to invest funds into additional Escom and export business

The company is at present restricted by its location in investing surplus cash into new coal mining ventures.

CAPE TIMES 30/5/84

Ovenstone-Diroyal in R150m merger

(232)

By PAUL DOLD, Financial Editor

OVENSTONE INVESTMENTS is merging with Diroyal to create a group with assets of R150m and interests ranging from electronics to fishing.

The merger suggests that Ovenstone is likely to be a more aggressive predator in the medium term, while it will also have the advantage of a far larger capital and asset base which should allow rapid profit growth

The Premier group has joint control of Oil with the Ovenstone family through Ovenstone Consolidated Investments an unlisted company

Subsidiaries

In essence Oil will become the top holding company with a new company Ovenstone Holdings housing the operating subsidiaries of Oil and Diroyal

Mr Andrew Ovenstone current chairman of Oil is to be group executive chairman of Ovenstone Holdings with Diroyal's Mr Harold Sender becoming chief executive of the division which will control and develop the existing Diroyal operation in Ovenstone Holdings

Mutual benefits

The deal brings Diroyal's electronics arm Lovell Proctor, the Premier Wire division and a Ford motor franchise into the group

Last night the chairman, Mr Andrew Ovenstone, said the deal would have mutual benefits for both Diroyal and Oil shareholders

Total shareholders' funds will exceed R58m and earnings this year for both groups are expected to increase

Group executive chairman of Ovenstone Holdings Ltd, Mr Andrew Ovenstone

"It is a logical step We have had a stake in Diroyal for more than 10 years and the merger will provide the core of a third leg to our business in addition to fishing and property — construction"

He added that there would be ample scope for expansion which could be in either in the fishing or non-fishing sectors

Oil assets

The deal which will provide Oil with increased diversification from its traditional fishing operations is taking place through the injection of Oil assets into Diroyal

Diroyal in turn will issue shares to Oil with Diroyal being renamed Ovenstone Holdings Oil which already owns 25 percent of Diroyal will end up with an estimated 87 percent of the new Ovenstone Holdings and become the group holding company.

The mechanics of the deal are that Diroyal will issue 58m new 50c shares plus 5m prefs Half of the prefs which have a coupon of 10 percent will be cumulative redeemable prefs of 1c which are being issued at a premium of 99c

Of these 1 250 000 are to be redeemed at the issue price in five equal instalments from 1987 to 1991 and the balance in 2 000 or earlier at Diroyal's option. The other 2 500 000 prefs will be cumulative irredeemable, issued at the same price

Earnings

The Barclays Merchant Bank says that based on Oil and Diroyal's recent 12 month results Oil earnings per share before the deal would have been 12,3c and 11,2c afterwards, while Diroyal earnings would have been 2,5c before and subsequently 9,8c

In assessing these figures it should be borne in mind that Diroyal had an unusually bad year last year.

On net assets value Oil's n a would have been 68,8c before and 72,8c afterwards with Diroyal at 87,6c and 65,8c

● Kaap Kunene has 25 percent of Diroyal and will end up with a stake in Ovenstone Holdings

(232) RDM 5/6/84

Gencor acquires more of Samancor

By BRENDAN RYAN
Mining Editor

GENCOR has bought the balance of Iscor's 39,6% stake in S A Manganese Amcor (Samancor) for R128,7m

The deal is for the 44% of the share capital in the former Iscor subsidiary, African Metals, which Gencor did not acquire last July

African Metals' sole asset is its 39,6% stake in Samancor. Last year Iscor swopped 56% of African Metals for Gencor's Hlobane Colliery and for Gencor's controlling shareholding in Dunswart Iron & Steel

At the time Iscor and Gencor announced they had an arrangement to maintain control of Samancor between them. The deal effectively put control in Gencor's hands because it had voting control of Iscor's stake

The new development transfers ownership of the remainder of the Iscor/Gencor holding in Samancor to Gencor.

Gencor has continued to acquire Samancor shares in the market and, with its associate Gencor Investment Corporation (Genbel), now controls Samancor without the need of support from Iscor.

Gencor said yesterday it would effectively control just under 50% of Samancor's issued ordinary shares

The mining house had a 7% stake in Samancor at the end of December 1982 and has bought another 3% to bring its holding up to the 50%-level

Genbel holds another 1,4% of Samancor to take Gencor group holdings over 50%.

The Iscor Pension Fund at July last year held more than 2% of Samancor, which it should still own unless it has since been sold to Gencor.

This leaves Anglo American thoroughly out in the cold with its 29,8% stake in Samancor

Gencor is now looking at rationalisation of its own chrome interests with those of Samancor.

Discussions are under way to combine the operations of Gencor's Montrose, Groothoek and Tweefontein mines near Steelpoort, eastern Transvaal, with the two mines run by Samancor's subsidiary, Cromore

"If discussions are succesful, it is expected the rationalisation of the two companies' chrome mining activities will lead to increased profits for Samancor," Gencor said yesterday

UTI to reduce stake in SA bus interests

Star 18/6/84 (232)

The Star Bureau

LONDON — At the request of the South African Government, United Transport International, the transport arm of the diversified industrial services group BET, is to reduce its stake in its South African bus interests from 75 to 60 percent

UTI's operations in SA are owned through joint ventures with Sanlam

Sanlam will increase its stake in the restructured passenger transport holding company, United Passenger Transport Investments, from 25 to 40 percent in return for the payment of an about R14 million special dividend to UTI It will also step up its interest in the freight-holding company from 25 to 40 percent in the next two years

BET said its policy was to work with local government or commercial partners in passenger transport in developing countries It has bus operations all over Southern Africa

Africa contributed about 45 percent to BET freight and passenger transport turnover of about R700 million in 1983 and the bulk of its R33 million worth of pre-tax profits, according to one analyst's estimate

Minorco may be poised for Anglo American bid

ARGUS 18/6/84 232

Argus Foreign Service

LONDON — The scene is set for a large bid by Minorco, the Bermuda-based holding company for Anglo American, according to an in-depth analysis of the giant by Charles Zorab of stockbrokers Quilter Goodison

He suggests that the bid might be accompanied or preceeded by disposals His guess is that it would be a further move into energy, either coal or oil and gas

Minorco's balance sheet is very strong with virtually no debt and around $209-million dollars held in liquid funds.

Interim results showed net profits trebled to $75 400 000, and Mr Zorab predicts the full year — to end June — will double that figure

The main thrust, he suggests, is coming from Phibro Salomon, the investment banking and commodity trading concern

Recently there were dicussions of a proposal to hive off the non-oil trading side of Phibro in a management buy-out and it was expected that the oil trading side would follow

This, says Zorab , was know to be the result of friction between Phibro's top management The de-merger is now off and Mr Zorab speculates that David Tendler, Phibro Salomon co-chairman, and Thomas O'Malley, president of Phibro, have either settled their differences or have had their heads banged together by Minorco

Whatever it is, he argues that it is worrying to have tension of ths kind and it does nothing for earnings or investor confidence

Premier buys out Ovenstone family interests

Star 19/6/84

By Peter Farley

The Premier Group has entrenched its control over Ovenstone Investments (OIL) through the acquisition from the Ovenstone family of the 50 percent in OIL's unlisted pyramid Ovenstone Consolidated Investments (OCI) that it does not already own

No offer is being made to OIL minorities The purchase of the outstanding 50 percent in OCI, which in turn holds 50,2 percent of OIL, will be settled by the issue of 590 000 Premier ordinary shares to the Ovenstone family

The new shares are being issued at an average price of R22,15 a share, or equivelant to a total of slightly more than R13 million This values OCI at R26 million.

Although no management changes are envisaged under the new set-up — Mr Andrew Ovenstone will remain chief executive — a R1,5 million restraint of trade has been paid to certain members of the Ovenstone family to prevent them from competing with OIL in the fishing industry for the next five years

The acquisition of the 50 percent in OCI which Premier did not own was made through the purchase of certain Ovenstone family investment companies and trusts which had indirect holdings in OCI.

These family businesses also have other assets, which Premier also acqures, but these are unrelated to OIL The transaction means that OIL becomes a subsidiary of Premier Group Holdings

Premier Group director Mr Derek Hunt-Davis said there is no intention of splitting the various interests within Ovenstone. It will remain intact as a seperate division under Premier Group and will not be shifted over under the recently-formed Premier Food Industries

Mr Hunt-Davis said that although in the past OIL had a poor rating on the market, he felt that this had now changed These changes, he said, were directly due to the existing management

He said Premier had no previous experience with the non-food activities (property, construction etc..) which make up a large portion of OIL and for this reason it was best to leave the group together under the present management.

Premier Milling buys out Ovenstone

ARGUS 19/6/84 (232)

Financial Staff

THE controlling interest in Ovenstone Investments Ltd (Oil) — the Cape Town-based company with interests in fishing and the construction industries — has been bought by Premier Milling in a deal worth R13-million

Premier announced today that it has increased its stake in Ovenstone Consolidated Investments, which owns 50,2 percent of Oil, by buying out the Ovenstone family

It will issue 590 000 Premier shares worth 215c each, representing one percent of the issued share capital, to the Ovenstone family

Mr Andrew Ovenstone will continue as chief executive of Oil and his cousin, Mr Neill Ovenstone, will remain a director

Mr Andrew Ovenstone is overseas inspecting the Chile pilchard fishing operation in which the group has an interest

Mr Neill Ovenstone said today that though the firm had been founded by his great-grandfather in 1901, he and Mr Andrew Ovenstone were the only members of "our rather large family" who still took an active part in it

The decision to sell out to Premier would "be good for the family" and would help Oil to grow

"We have not severed our ties with the business to the extent people may imagine"

Mr Peter Wrighton, deputy chairman of Premier, said that he and the chairman, Mr Tony Bloom, had worked closely with the senior management of Oil and "hold them in high regard"

Mr Ovenstone and his team would "continue to run the Oil group in the same autonomous manner as they have done in the past"

A statement from Premier said that Oil and Diroyal Investments proposed merging their business and Mr Andrew Ovenstone would be chief executive of the group

Premier's R13m OIL strike

RDM 20/6/84

(232)

By DAVID ROSS
Investment Editor

THE giant investment holding company Premier Group is making listed Ovenstone Investments (OIL) a subsidiary in a deal worth R13,1m.

It is being completed by means of Premier's acquisition from the Ovenstone family of the 50% of Ovenstone Consolidated Investments (OCI) it did not already own.

OCI holds 50,2% of OIL

Premier Group is paying for control of OIL by the issue of 590 000 shares at an average price of R22,15. No offer is being made to the public minority holders of OIL shares

The Ovenstone family companies acquired by Premier in terms of the deal had an indirect holding in OCI These companies also involve other assets and loans unrelated to OIL

However, an announcement yesterday stated that the portion of the deal relating to the OIL shares was completed at a market-related price

It was announced on May 30 that OIL and listed Diroyal Investments proposed to merge their businesses and that Mr Andrew Ovenstone, present executive chairman of OIL, would remain chief executive of the merged companies, to be called Ovenstone Holdings

Premier Group states that the deal will have no material effect on its earnings nor net asset value

So, on completing the exercise, Premier will have 100% of OCI, which owns 50,2% of OIL, which will have 87% of Ovenstone Holdings (Diroyal plus present operating assets of OIL)

Ovenstone Holdings will consist of fishing investments and fishing operations in SA, SWA and Chile, property investments and operations, and steel-based products, Ford vehicle distribution and consumer electronic product distribution

COMMENT: Without knowledge of the other assets involved in the deal, it is not possible to make an accurate assessment of the value placed on the OIL shares.

However, Mr Peter Wrighton, of Premier Group, points out that some guidance is offered by the fact that the deal has been under discussion for about two months. During that time the price of OIL shares has varied between 75c and 85c

Analysts last night suggested that the deal represents a second leg in a move by Premier to secure raw materials, such as fishmeal, for its animal-feed operations. Such a base is already held by Premier rival Tiger.

These analysts expect that a further move by Premier should be to acquire control of Kaap Kunene from the Du Preez and Neethling families.

Mr Wrighton, however, says that such ideas "are entirely speculative"

The new arrangements, in putting Ovenstone Holdings firmly under the wing of Premier, may mean that plans for its growth will more readily be assured

Thus far, there is little indication as to what these plans may involve The closest outside shareholders have yet come to the plans are the suggestions in the OIL-Diroyal announcement that the pre-interest and tax profit-split five years ahead are expected to consist of 50% property, with the balance divided evenly between fishing and industrial.

Oil minorities appeal to Premier for similar offer

By PAUL DOLD, Financial Editor

PREMIER'S acquisition of control of Oil without an offer to minorities is causing a ripple of protest from Cape shareholders.

Minorities champion Mr Issy Goldberg noting the Johannesburg Stock Exchange (JSE) decision on Kimet — Sanlam last night appealed to Premier's chairman Mr Tony Bloom in a sense of fairness to extend the offer made to the Ovenstone family to minorities

While it is difficult to asssess the effective price which is being paid to the Ovenstone family for their stake in Ovenstone Controlling Investments, it appears to be well above the current ruling market price of 78c

Mr Issy Goldberg

Regulations

Attacking outmoded stock exchange regulations which made a change of control possible without an offer to minorities, he called for the introduction of a long overdue take-over panel recommended by the Margo—Nadue report.

Mr Goldberg, who is a member of the Standing Advisory Commission on company law, notes however that the JSE as presently constituted is unable to enforce contractual regulations which are in any way in variance with law thus providing a loophole for powerful quoted companies at times to cock a snook at the JSE regulations

Mr Goldberg feels that in the Premier take-over of Oil, a change of control had undoubtedly taken place, Section 314 of the Companies Act defines a "take-over offer" as an offer for the acquisition of shares under a "take-over scheme" The latter is defined as a practice that will have the effect of vesting the control of the offeree company directly or indirectly in the offeror

Safeguard

Mr Goldberg points out that the whole of Chapter 12 of the Companies Act which deals with mergers and take-overs inter alia goes to great lengths to attempt to safeguard the interests of shareholders against depredation of their rights by controlling shareholders

"The time has arrived in the economic development of South Africa where the spirit of the act must be equally as important as the wording of the act in producing this spirit and safeguard

How the courts would react to this philosphy is of course dependant on the facts of each case submitted to them But Mr Goldberg avers the attitudes of powerful companies in this respect is something that should not be open to conjecture or question

"One would expect that prestigious quoted companies should go to extreme lengths to be seen to be fair in the attitudes and treatments of non- controlling shareholders — loosely referred to as minorities "

Pyramid companies

Mr Goldberg says the practice of creating both quoted and unquoted pyramid companies has prejudiced the ordinary shareholder in many cases But noting last night's announcement by the JSE that a change of control had taken place in the recent Kirsh—Sanlam deal, the stock exchange appeared at long last to be taking action and should be congratulated

"I am happy to see the JSE at last taking some positive steps in this regard The creation of a pyramid in which existing controlling shareholders have barely over 50 percent of the pyramid shares and where the offeror takes slightly under 50 percent of the shares has all the attributes of possible ' presumptive change of control

"But a take-over panel as called for by the Margo—Naude report becomes increasingly vital Their concept is aimed at bringing a sense of equity and fairness to underprivileged non-controlling shareholders and at the same time being fair to the offerors

Representation

"A separate independent panel is projected on which the JSE will have good representation and which would adjudicate on an ad hoc basis on available evidence as to whether an effective change in control had in fact taken place or was envisaged

'This would be irrespective as to whether the narrow interpretation of change of control — more than 50 percent of the shares being affected — had eventuated "

Mr Tony Bloom

He notes that a situation could arise where on the evidence available it appeared that in spite of an acquisition of less than 40 percent of the shares by a predator company it could result in effective change of control taking place

Change of control

In the UK acquisition of 30 percent of the shares constitutes a change of control but a flexible interpretation in the hands of a South African panel would be far more effective

"Such a panel would have to be armed with statutory teeth The JSE's only sanction for non compliance with their regulations is delisting a share to the detriment of the shareholders themselves who deserve protection The sanctions contemplated by a South African panel would as opposed to the British system of moral sanction be very real, incisive and doubly effective".

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Rom 21/6/84 (232)

Fed-Blaikie swallows timber giant

By MIKE JENSEN

FEDERATED-BLAIKIE — Barlow Rand's newly-formed building materials giant — has bought one of the last of the big private timber merchants.

It is believed to have paid about R5,5m in cash to acquire almost 100% of Eastern Transvaal Timbers, the Springs-based structural timber dealer which was the second largest such company after Fed-Blaikie

The company employs about 450 and was expected to have a turnover of about R40m this year.

The deal gives Fed-Blaikie — recently formed by the reversal of Federated Timbers into Blaikie Johnstone — about another 5% in turnover to add to its existing R650m to R700m It is now by far the largest such group in the country

ET Timbers has seven yards across the PWV, dealing in structural timber as well as cement, mainly for civil engineering It also supplies pallets and charging sticks to the mining industry

"The company is a useful acquisition Its operations complement our own since we don't trade in the areas they do," said Fed-Blaikie's managing director, Mr Doug Howie.

"Although the deal is a fairly marginal one, ultimately we plan to hold all the shares of the company," he added

The acquisition comes against the spectre of a shortage in the timber industry

It has been suggested by some observers that the big timber companies are on the takeover trail to make sure of their supplies

The managing director and major shareholder of ET Timbers, Mr Dave Fisher, said that since his brother — who formed the company with him — left for the US there has been speculation that he wished to join him

He denied this, pointing out that he has a two-year service contract with Fed-Blaikie to remain with the company

Model Dairy signs merger

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BY TOM LOUW
Business Editor

EAST LONDON — Model Dairy of East London and Melton Dairy of Queenstown have amalgamated under the Model Dairy banner. Beehive ice cream is included in the arrangement.

The partnership was sealed at Stutterheim at lunch-time yesterday when the instrument of amalgamation was signed by directors of the two co-operatives.

The amalgamation involves assets amounting to R2,75 million, and a total staff complement of about 400 people.

Chairman of the amalgamated body is Mr Edward Kruuse, and Mr Geoff Stead of Model Dairy continues as chief executive.

Mr Kruuse told me yesterday evening that the new structure gives the dairy industry in this area a firmer base. It will draw supplies of fresh milk from the whole of the Border area and the distribution network will cover, in addition to East London and Queenstown, King William's Town, Stutterheim and Cathcart, with sales also into Ciskei and Transkei.

Distribution, in fact, covers an area from Umtata to the Great Fish River.

Mr Kruuse said planning had already begun to improve milk production in the Border area and thus avoid the need to import supplies from other districts.

Members of both co-operatives would gain by the tying up of the whole area on a planned production basis.

"We also have plans for improved marketing and we can see economies of scale," said Mr Kruuse. "So we hope to limit price escalation in the future, and when GST comes off milk at the end of June, we will pass that saving on to the consumer."

In the past year the milk producers supplying Model Dairy have been paid an average of 40 cents a litre, which represents an average increase of 20 per cent in their payout. As against that, the comsumer price was raised by only 3 cents a litre.

"With the new bigger unit we hope to improve on that," said Mr Kruuse.

Mr Geoff Stead, general manager of Model Dairy, looks on as Mr Edward Kruuse signs the merger agreement. Mr Kruuse will be chairman of the amalgamated body, while Mr Stead continues as chief executive.

...ing PG's "monopoly"

Demand to end glass monopoly

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S-Times 24/6/84

A FORMER managing-director of Afcol, the listed furniture giant in the SAB group, Abe Berger, has taken a swipe at "monopolistic" practices of the Plate Glass group. He has called for the immediate abolition of the 20% duty on imported glass.

By Alec Hogg

Mr Berger, now an executive director of flat glass merchant Independent Glass Industries (Pty), said. "The latest actions by the PG group call for, at the very least, the abolition of the 20% protective duty on imported glass in terms of the Minister's powers under the Maintenance and Promotion of Competition Act

"In this way, PG's manufacturing associate, South Africa's sole glass supplier, Pilkington, would face meaningful competition"

Mr Berger has also attacked statements made in Business Times last week by PG's joint executive chairman, Ronnie Lubner

He said his company had been forced by PG associates Pilkington and Shatterprufe, to import all its stock.

Unhappy

"Pilkington indicated that we would be required to sign a distributorship agreement. Since we were not happy with some of the clauses in the agreement, nor would we know our true costs until after selling our goods for up to a year, we decided to import

"Our experience with Shatterprufe was similar. We had to buy not less than 80% of our safety glass from them and to promote and distribute the entire range of the company's products

"We found these conditions restrictive Price, therefore, is not the only consideration which led us to import It is important, however, when competing with a vertically integrated manufacturing monopoly"

Attacking Mr Lubner's assertion that glass importers were landing "dumped" products, Mr Berger said. "It is easily ascertainable that the prices we pay are those generally offered in Europe to merchant customers.

"We have bought from several manufacturers all at approximately the same price and all with lead times of about two months None had stock available for immediate shipment. This is hardly a sign of a need to dump

"What is more questionable are the Pilkington and Shatterprufe prices compared with glass prices in Europe Given the advantages of a manufacturing monopoly protected by a 20% duty, an excellent return on investment in both quantum and percentage, we are not surprised that Mr Lubner is 'taking a tough stand'"

Mr Berger noted that Mr Lubner said he would not increase Pilkington's prices to put pressure on merchants as this would lead them to import.

"Why then did Pilkington's price increase coincide with a substantial price cut by PG's wholesale merchant subsidiaries, leaving Pilkington's customers almost no gross profit if they match?

"Perhaps the powers that be at Glass SA know the long lead time on imports, the wide range to be imported from a number of sources, a low rand and high interest rates will make it difficult for Pilkington customers to make a sufficiently rapid change"

Mr Lubner told Business Times from London "All this must be seen against the background that Mr Berger's company decided to import before the merger Had this company first bought locally and then, because of monopolistic pressure been forced to import, that would be a different matter

"We have tried our best to service Mr Berger's company locally He has been visited regularly by executives of our group asking for support. Furthermore distributor contracts are common business practice.

"But he says we must give him our price list and he will decide how and where to support us. We simply cannot throw away our distribution system and change our business philosophy for him"

YOUR COMMENTS:

COURSE ELEMENT NUMBER - EXPLAIN YOUR CRITICISM - SUGGEST A SOLUTION

PART TI

FULL TI

NAME: (optional) ARE YOU ...URSE

TICK TH...

YES NO

Mercury 25/6/84

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More pressure for takeover panel in S A

JOHANNESBURG—South Africa might benefit from a takeover panel, some analysts and merchant bankers believe following a spate of deals where control of companies possibly changed to the potential detriment of minority shareholders.

A Johannesburg Stock Exchange (JSE) ruling that a recent deal between Sanlam and Kirsh Industries implied a change of company control highlighted the vulnerability of minorities, they said.

Sanlam last month bought 49,9 percent of a new pyramid company, Sanki, which controls the Kirsh trading group.

Few details were released but both parties insisted that there had been no change of control

Some analysts believe recent deals where it could be debated whether change of control had taken place indicates a need for a takeover panel which would include members from outside the JSE.

They also believe there should be more clarity given as to what constitutes a change of control

Analysts pointed to recent deals between Premier Group Holdings and Ovenstone Investments (Oil) and between General Mining Union Corp and S A Manganese Amcor (Samancor).

Premier and Samancor first bought into companies and then later increased their stake, which could perhaps be interpreted as a change in control, analysts say

In neither case was an offer made to minorities.

Banker

One merchant banker said the JSE should perhaps look at initial deals more closely and try to establish whether a change of control is envisaged later

'In a case of change of control within control it is often too late for the JSE to intervene once it has wind of the parties intentions,' the merchant banker added.

He said this recent development could be abused as it was a method in which companies could gain control cheaply.

A lawyer told Reuters that as a company is a 'democratic creature' its destiny was in the hands of those who had a majority of its voting rights and the power to appoint its directors

This often resulted in minorities being put in a difficult position.

He said a change of control was difficult to establish and only after much 'detective work'

Minorities

Minorities, however, accepted risk when they bought shares but added that there were protections for minorities in statutory and common law as well as in JSE regulations

'There are remedies for oppression of minorities which include large shareholders acting in concert to their detriment,' the lawyer said.

An analyst points out that redress for minorities is expensive.

Consequently, little action is taken on behalf of minorities.

JSE president Paul Ferguson told Reuters he disagreed with the idea of a takeover panel because the JSE was competent in assessing whether a transfer of control had taken place.

If shareholders wished to clarify an issue, they were able to seek advice from the JSE listing manager, he said.

The listings department told Reuters that if the transaction fettered the initial shareholders, a transfer of control was deemed to have taken place.

In less clear cut cases, assessment on transfer of control was based on the agreements between the parties.

Ferguson said JSE requirements are public and speedy interpretation can be sought from the JSE

Marginal

He said in marginal cases there were no 'hard and fast' rules as each case had to be assessed on its merits

Further, if the JSE committee believed minority interests to be in jeopardy it would call for an offer, as it had done in the Sanlam/Kirsh deal, Ferguson said.

In the Sanlam/Kirsh deal the committee looked at agreements between the two parties and considered that it implied a transfer of control, Ferguson said.

Ferguson said the committee's task is to look at whether there had been a transfer of effective control.

'In the case of the Sanlam/Kirsh deal, we thought long and hard as to whether there had been an effective transfer of control,' Ferguson said

'That is why our decision took as long as it did'—(Reuter)

New dilemma for JSE over Kirsh — Sanlam controversy

CAPE TIMES 26/6/84 (232)

By JOHN MULCAHY

A CLAUSE in the agreement between Sanlam and the Kirsh Group over the acquisition by Sanlam of 49,9 percent of Sanki states clearly that Sanlam will pay a specific premium for control when and if this happens.

Both Sanlam and Kirsh Industries remain emphatic that control of Kimet has not changed, and the clause in the agreement, a copy of which is in the hands of the Johannesburg Stock Exchange committee, seems to support their contention.

The clause of the agreement states specifically that a premium will be paid for control when and if Sanlam moves to increase its stake in the Kimet pyramid to more than 50 percent

This point in the agreement places in an entirely different light the controversy raging between Sanlam/Kirsh and the JSE

Control

The dilemma facing the JSE committee is that if it forces Sanlam and Kirsh Industries (described by the JSE as a consortium) to make an offer to Kimet minorities, it will be the last offer required from either Sanlam or Kirsh Industries, and Sanlam will be free to acquire unequivocal control whenever it chooses without an equivalent offer to minorities

From the minorities' viewpoint, it is not possible to judge now whether an offer would be preferable at the level at which the Sanlam deal was done, or at some point in the future

However, Kimet is in a recovery situation, and on the basis of probabilities profits and the share price should react positively to an improvement in trading conditions whenever this occurs, and the chances are that a later offer will be at better terms than the one at which the Sanki deal was structured

At the heart of the controversy is the JSE's view that control of Kimet has changed to a consortium comprising the Kirsh interests and Sanlam, while the latter two parties are insistent that control has not changed.

Minorities

The president of the JSE, Mr Paul Ferguson, was unavailable yesterday, but the official statement last week calling for an offer to minorities and announcing the suspension of Kimet said the deal "has resulted in the transfer of control from Kirsh Industries to a consortium comprising Sanlam and Kirsh Industries"

Market price

While the actual price paid by Sanlam for its 49,9 percent of Sanki has not been quantified, it is the view of the Kirsh interests that a price struck on the basis on which the agreement was reached would not match the Kimet suspension price

An executive director of Kirsh Industries, Mr Mervyn King, said yesterday the deal between Sanlam and Kirsh was based on a package of rights and obligations, and a critical issue now was the translation of this package into a price for Kimet

He said the probabilities were "overwhelming" that the final price would be below the market price

Mr King said he had suggested to the JSE that a merchant bank be employed to arrive at a price, and that the price be communicated in writing to the parties involved in the Sanki issue

By late yesterday there had been no response to the request to the JSE, and Mr King said he was concerned that the continued suspension of Kimet was depriving shareholders of a market for their shares

The latest controversy surrounding a deal transacted through the JSE has again focused the investment community's attention on the need for clear-cut rules and regulations governing mergers and takeovers

The general manager of Sanlam, Mr Marinus Daling, said yesterday the specific content of the take-over and merger rules could be negotiated, but in principle it was imperative that they be unambiguous and easily understood by everyone involved

Take-over panel

"You cannot play rugby without rules, and by the same token it is essential that one transacts business according to rules that everyone understands"

Mr Daling strongly advocated the establishment of a take-over panel, comprising a combination of legal experts and representatives from business and the stockbroking community

The panel should operate in such a way that deals initiated could be placed before it in confidence, so that organizations structuring deals could do so in a way acceptable to the controlling body

Confrontation

As things now stand, deals are structured and agreements signed before presentation to the JSE, so that in the event of disagreement, such as the one arising over Sanki, confrontation is virtually inevitable

If the principles were agreed before formal agreement was reached, it would obviate the acrimony that seems to characterize virtually every deal transacted on the JSE

Arbiter

One paradox in the Sanlam/Kirsh/Sanki situation is that if the JSE committee is correct — and the final arbiter on the issue may well be the Supreme Court — then Kirsh Industries will be forced, together with Sanlam, to make the offer to Kimet minorities

The JSE's interpretation of the deal is that control has changed from Kirsh Industries to a consortium including KI and Sanlam Any offer would thus have to come from Sanlam as well as from KI, being members of the so-called consortium

Mr Louis Fourie, formerly shares manager, has been promoted to assistant investment manager, responsible for shares and fixed interest investments at National Mutual Life Association

Pick 'n Pay buys 50% of Boardmans

By PAUL DOLD, Financial Editor

PICK 'N PAY has bought a 50 percent stake in Boardmans, the Cape Town home department mini-chain store whose sales are running more than 41 percent above year-ago levels. Strong expansion is envisaged with the first Reef store opening around May next year.

Announcing the cash deal yesterday — the purchase price has not been disclosed — Pick 'n Pay's financial director, Mr Chris Hurst, said that the acquisition of the stake did not presage a new diversification policy by Pick 'n Pay

"Boardmans were seeking a partner and we hold the group in high esteem It is an excellent operation "

The deal will have no material effect on either the earnings or net asset value of Pick 'n Pay

The managing director of Boardmans, Mr Tom Boardman, says that Pick 'n Pay's backing will allow the chain to expand far more rapidly

Partners

"Several financial institutions were interested in acquiring an equity stake but we are delighted to have Pick 'n Pay as partners By tieing with a major retailer there will be economies of scale both locally and overseas "

One of the direct benefits includes the muscle to negotiate keen rentals and open in key shopping centres around the country

Boardmans which has two stores in Cape Town, one in the Centre city and the second in Claremont, is already preparing for expansion

A new store opens in Stellenbosch in October and the first Transvaal store — in Pretoria — is scheduled for May The average store trading area is 1 000 m² to 1 500 m²

Mr Boardman, a chartered accountant, who was previously managing director of Sam Newmans bought control of the two stores for R1,1m in 1982 when parent Blaikie-Johnstone — the building products arm of HLH — decided to withdraw from the retail field and concentrate on wholesale builders' supplies

Mr Tom Boardman . preparing for expansion to the Reef

Retailing

His two partners were Swiss-trained department store specialist Mr Edi Sieger, who now handles layout and buying and Mr Rob Ferguson who heads operations

Boardmans billed "as the house shop" offers the consumer contemporary designed housewares, hardware and furniture at affordable prices The chain is targetting towards the middle market and has had considerable impact in retailing with outstanding store layouts, displays and top range merchandise

Furniture is becoming a growing segment of the business with Boardmans filling the gap between the mass marketing chains and the expensive top-end of the market.

Market research has showed that the majority of home decorating decisions are made by women although hardware stores are dominated by men Boardmans philosphy says Mr Boardman has been to create an environment in which women are happy to shop for the home

Independent

The stores will remain a fully fledged chain independent of the Pick 'n Pay opertations and there are no plans for inserting Boardmans branches into hypermarkets

Apart from the Reef, expansion is earmarked for Cape Town's northern areas and the Boland

Pick 'n Pay chairman, Mr Raymond Ackerman, director Mr Hugh Herman and Mr Chris Hurst will be joining Boardmans board

WHY
VIN DE NUIT 83

Hand-picking grapes at night at L'Ormarins

Wine news for the connoisseur

- As from the 1983 vintage, L'Ormarins Estate Wines carry a special "VIN DE NUIT" (Wine of the Night) neck label
- This label is your guarantee that these select L'Ormarins wines have been made from noble varieties hand-picked in the cool of the night to preserve taste, flavour and aroma.
- But the proof of the making is in the tasting L'Ormarins produced the champion South African white table wine in the 1982/83 season

Closing gold prices

(In $ an ounce)
LONDON:
373,25-373,75
Fixing am: 371,50
Fixing pm. 372,90
ZURICH:
371-374
(370-373)

JSE transfer for Fintec

ALLIED ELECTRONICS CORPORATION (Alton) announced yesterday that its subsidiary company, Fintec Ltd, is to have its listing transferred to the "financial — cash assets" sector of the Johannesburg Stock Exchange lists

Suthsun increases market share

JCI divs

Own Correspondent

JOHANNESBURG — Randfontein Estates has increased its interim dividend to 450c from the previous comparable interim of 400c

Leading in

Gold (pm fix)
Rand
JSEACT Gold
JSEACT Indus

RDM 29/6/84 (232)

New stake for Pick 'n Pay

By PAUL DOLD

CAPE TOWN — Pick 'n Pay has bought a 50% stake in Boardman's, the Cape Town department store mini-chain

Strong expansion is envisaged, with the first Reef store opening around May next year.

Announcing the cash deal yesterday — the purchase price has not been disclosed — Pick 'n Pay's financial director, Mr Chris Hurst, said the acquisition did not presage a new diversification policy

"Boardman's were seeking a partner and we hold the group in high esteem. It is an excellent operation."

The deal will have no material effect on either the earnings or net asset value of Pick 'n Pay

Mr Tom Boardman, the managing director, says Pick 'n Pay's backing will allow the chain to expand far more rapidly.

"Several financial institutions were interested in acquiring an equity stake, but we are delighted to have Pick 'n Pay as partners By tying with a major retailer there will be economies of scale both locally and overseas"

One of the direct benefits includes the muscle to negotiate keen rentals and open in key shopping centres around the country.

Boardman's, which has two stores in Cape Town — one in the city centre and the other in Claremont — is already preparing for expansion.

A new store opens in Stellenbosch in October The first Transvaal store — in Pretoria — is scheduled for May The average store trading area is 1 000 to 1 500m²

Mr Boardman bought control of the two stores for R1,1m in 1982 when the parent company, Blaikie-Johnstone, decided to withdraw from the retail field and concentrate on wholesale builders' supplies

His partners are Mr Edi Sieger who handles layout and buying and Mr Rob Ferguson who heads operations

Boardman's offers the consumer contemporary housewares, hardware and furniture at affordable prices The chain is targeted towards the middle market and has had considerable impact in retailing Furniture is becoming a growing segment of the business, with Boardman's filling the gap between the mass marketing chains and the top end of the market

Market research has shown the majority of home-decorating decisions are made by women, although hardware stores are dominated by men

Mercury 3/7/84 (232)

Romatex gets 100pc stake in Berg River Textiles

Financial Reporter

ROMATEX has bought Unisec's 50 percent holding in Berg River Textiles of Paarl, giving it 100 percent of the company. And it has sold its wholly-owned subsidiary, Yarns and Wools, to Union Spinning Mills of Port Elizabeth.

A phasing out of production in Durban will be effected over the next couple of months while Union Spinning Mills utilises spare capacity to build up production to the required level to ensure that deliveries will not be affected

The deal is for an undisclosed sum

A Romatex spokesman said the company would give alternative employment to a proportion of the 600 employees affected at Yarns and Wools, and those to whom notice of termination would be given would receive compensation in terms of the company's retrenchment policy

He said that Berg River will undergo a major refurbishing scheme involving substantial investment in upgrading plant, equipment and layout

The refurbishing would take about 12 months and was expected to result in a marked improvement in the company's ability to meet competitive challenges of current and future trading conditions, he said.

In the short term the acquisition would have no material effect on Romatex's earnings per share or net asset value

Yarns and Wools produces and markets hand-knitting yarns

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Yarns and Wools produces and markets the leading brands of Fiesta and Chick hand-knitting yarns

The Pingouin brand, which is held under licence, will continue to be manufactured by Romatex until negotiations are concluded for the transfer of the licence to a third party

PREMIER GROUP

Going multinational

The 71-year-old Premier Group has lost none of the entrepreneurial chutzpah instilled by its principal founder, Joe Bloom. That much was shown by the events of last year, when Premier acquired 34% of SA Breweries (SAB) and catapulted into the top rank of SA's consumer-based companies.

Premier is now established as a giant on the corporate scene. In the 12 months to end-March, its attributable earnings rose 125% from R53,3m to R120,2m, capital employed rose 174% from R611,5m to R1 676,5m; and total assets were up 143% from R794,3m to R1 929,4m. Issued ordinary shares were increased to 56m (25,8m) after the SAB deal and market capitalisation, on the present share price of 2 250c, has soared to R1,5 billion from R658m a year ago — moving closer to the R1,96 billion market capitalisation of SAB, the leading consumer company.

Premier is now in a powerful position to continue its expansion. It has massive financial muscle and relatively low debt. And, after spending the past 12 months digesting the new interests, and with a new structure in place, the group seems to be gearing up for its next big move. Two events in recent weeks obviously presage expansions in new directions

- It bought out the Ovenstone family's interest in Ovenstone Holdings and took control of Ovenstone Investments (OIL). Just before this deal, OIL chairman Andrew Ovenstone announced that OIL had increased its stake in the listed Diroyal, which is planned to be a new industrial arm for OIL, whose other interests are fishing and property; and
- In a move clearly preparing for a significant international expansion, Premier announced plans to become listed on the London Stock Exchange (LSE). The LSE listing is expected to be formally completed later this month

Chairman Tony Bloom points out that Premier now sees itself broadly as a company making and selling consumer goods and services — which gives management wide options in planning new directions. The food division has been restructured as a separate operating company, almost certainly to be listed on the JSE, although Premier Food Industries (Premfood) chairman and group deputy chairman Peter Wrighton says there are no present plans for a listing

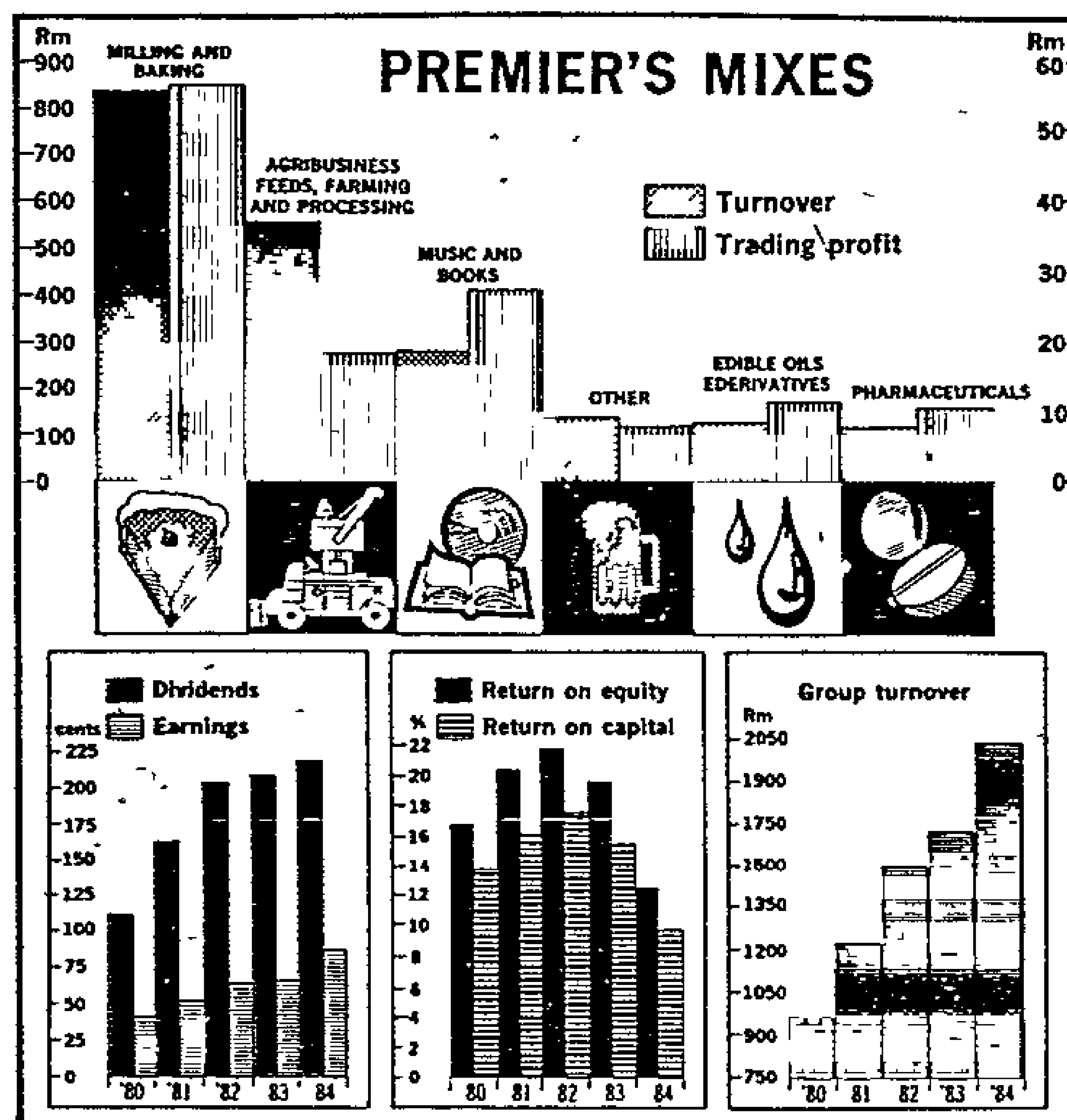
Dependence on the traditional food businesses has been reduced considerably. Apart from the stake in SAB, Premier has 29% of CNA (which it merged last year with Gallo), and a 50,1% interest in pharmaceutical company Twins Propan. But the group is still dependent on foods, which contributed 72% of the total trading profits of R137m last year. More diversification is probably essential if Premier is to meet its five-year objectives of achieving average real growth in earnings of at least 5%/year and consistently increasing shareholders' dividends.

Premier's five-year objectives include achieving average annual real growth of at least 5%, and a consistent increase in shareholders' dividends. To meet this, further diversification is essential. Since its strength remains in foods, and local prospects are limited, it is going for a listing on the London Stock Exchange which should lay the ground for international expansion.

Chairman Bloom ... wide management options

Despite the expansion of the group's capital base, returns have recently fallen sharply. Return on capital employed fell from 17,4% in 1982 to 15,8% in 1983 and only 9,3% last year. Return on equity fell 21,7% two years ago to 19,7% in 1983 and 12,2% last year — although the capital restructuring was a factor in last year's decline (see graph). Like almost all consumer businesses, Premfood's profits have been depressed by drought and recession. But it also has to contend with government's price controls, which Premier's management argues are based on unrealistically low returns

In the milling and baking division — the biggest single contributor to group turnover and trading profits — operating margins are only 7% and, for the short-term at least, earnings look set to remain depressed. Essentially, these businesses are in a cost squeeze, worsened by price controls. Wheat mills in northern areas, for example, were forced by the drought to draw supplies from the western Cape, but they could not recoup higher railage costs.



Consumers apparently took a dislike to the drought-induced mixture of white and yellow maize, and the maize millers' market declined last year. Short-term over-capacity led to severe price-cutting, while the poorer quality of imported yellow maize pushed up production costs. Better efficiencies probably offer the best hope of any near-term improvement in these areas. Following an internal reorganisation, prospects for Premfood's 57 bakeries have improved ahead of expectations, despite the margin increase of only 6% that government allowed last October

Longer-term, there will have to be considerable capital investment in expansion of milling capacity. But Bloom argues that such investment will be difficult to justify against the

return of capital allowed by the present price controls. He notes that the authorities allow a return of 15%/year on depreciated historical capital. "Investing at 15% when the current cost of capital is over 20% can hardly be conceived as rational investment," he says. "Moreover the historical base used for the calculation is about R60m, when the current replacement costs of the assets exceeds R500m."

In the agribusiness division, Premier notes that this year's consumption of animal feeds will depend on how much support farmers get from government; but present indications are for negative growth of about 4%.

Putting aside currently unattractive returns, Premfood has limited scope to increase its share of traditional food markets. It has large or dominant shares already, and these industries are largely carved up between a few giants — including Premier and Tiger Oats. There is, nonetheless, considerable room in other food-related activities

One benefit of the OIL acquisition is the access to raw materials in fishing. Wrighton notes that Premfood is likely to seek further vertical integration in future, with the emphasis on the higher margin markets. This could include processing of many foods such as fish, dairy and meat products. "We feel there is a lot of potential in convenience foods generally," he says.

Food consumption will rise at least in line with long-term population growth. Milling plant is already close to capacity, and projected demand will require considerable capital investment just to hold existing markets Some R70m is earmarked for capex this year for expansion and modernisation. The annual figure is expected to average R100m-R120m over the next five years.

Bloom says that plans have not yet been formulated for OIL and its subsidiary Diroyal. However, this acquisition would obviously be a useful vehicle for expansions into new, high-technology areas such as consumer electronics, in which Diroyal is already involved in a small way

But Premier's main expertise is in foods. The difficulty of increasing market share locally is the main motivation for the London listing and the plans to go multinational. The listing will make it easier for Premier to raise capital in overseas Eurocurrency and Eurobond markets and could also provide an avenue for raising funds by scrip issues without depressing the share price. Very few other SA industrial companies have expanded internationally — Plate Glass is a notable exception, and the Altron group says it plans to do so.

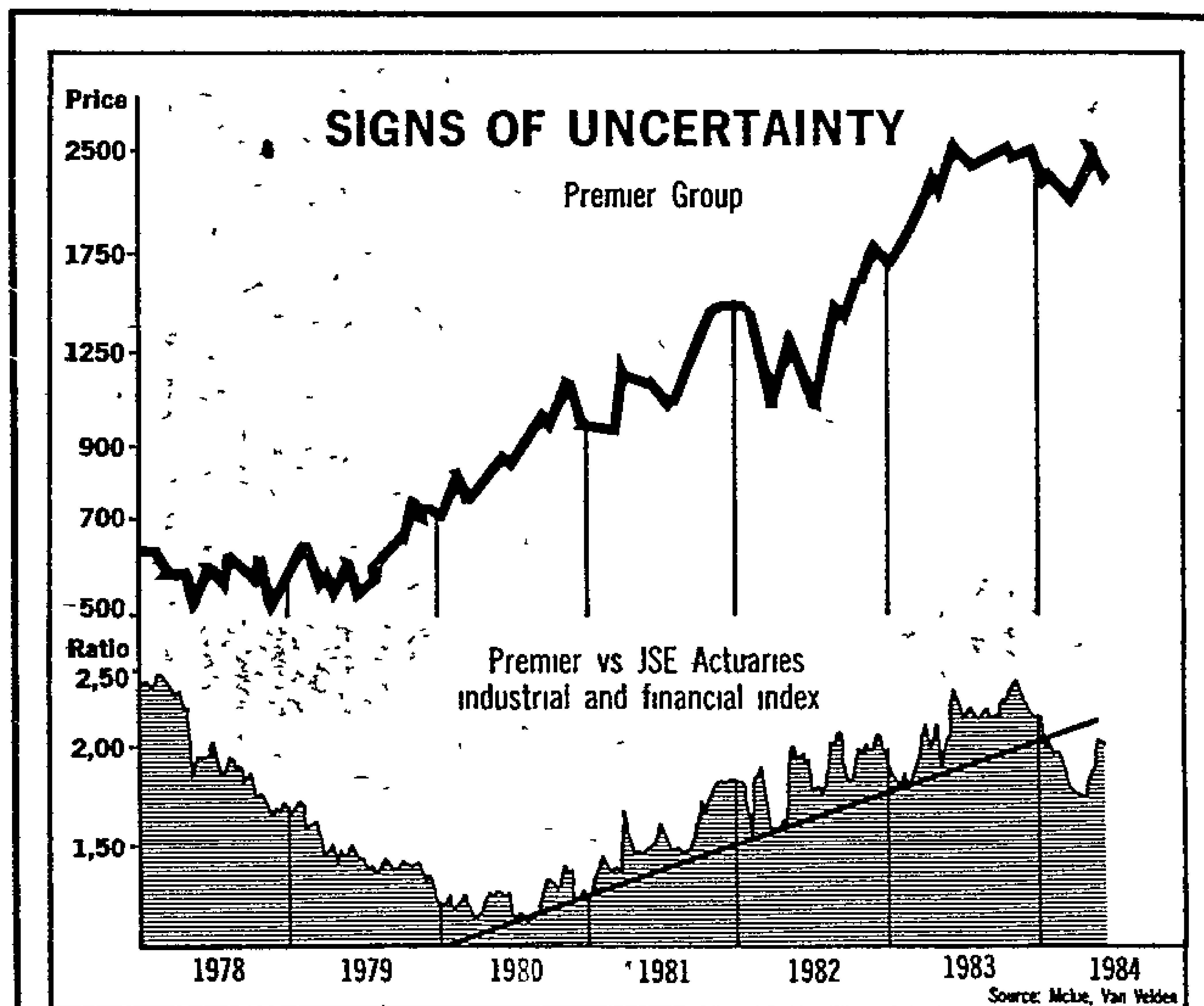
"It is time SA started developing its own multinationals," says Bloom. "We are generally putting the pieces in place so that when we want to make an acquisition overseas we will be able to move quickly The eventual significance will depend on the opportunities But it would need to be big enough to justify the considerable cost and time involved, and would also be dependent on meeting Reserve Bank criteria."

Premier on the move . . . seeking international status

Certainly, there will be no difficulty financing these plans. Despite the present debt of R350m, the ratio of interest-bearing debt to shareholders' funds is only 0,28 Total borrowing capacity has been increased to R2,5 billion from R430m last year

As long as Premier remains dependent on consumer spending, its profits will be cyclical. Nonetheless, past diversification has substantially changed the earnings pattern and introduced contra-cyclical profit sources Foods normally lag the general economic cycle by 12-18 months and are a relatively stable, if pedestrian, generator of profits SAB and CNA/Gallo, by contrast, should have stronger recovery potential in an economic upturn. The market currently rates Premier on a dividend yield of 3,8%, a slightly lower rating than chief rival Tiger Oats's 3,3%. However, at this stage, medium-term to long-term prospects seem to be stacked in Premier's favour.

Andrew McNulty



The current tough conditions in the food industry are clearly reflected in the chart of Premier Group. After outperforming the industrial market since 1980, the price has met significant resistance above 2 600c. This has resulted in a major fall in the company's relative strength rating during the past year.

With the exception of a weak spell during mid-1982, Premier's price advanced strongly from a 1979 low of 535c. This was good enough to move the relative strength ratio from a low of approximately 1,25 in 1980 to 2,50 last year. However, Premier's inability to break out above resistance sent the relative strength ratio down to 1,75.

While Premier's price refuses to buckle, the mere fact that it was unable to advance above 2 600c caused the ratio to collapse below the uptrend line. While the ratio has since recovered to nearly 2,0 at the current price of 2 250c, it remains significantly below the line indicated in the chart.

This suggests that Premier will be a mediocre performer for some time to come. Therefore, investors would be wise to wait until the price successfully moves above resistance before making purchases.

Stephen Richter

RDM 19/7/84

Nat Bolt in R2,5m takeover deal

(232)

Financial Reporter

NATIONAL BOLTS has acquired for R2,5m the share capital of Universal Clips, a fastening company located in Roodepoort.

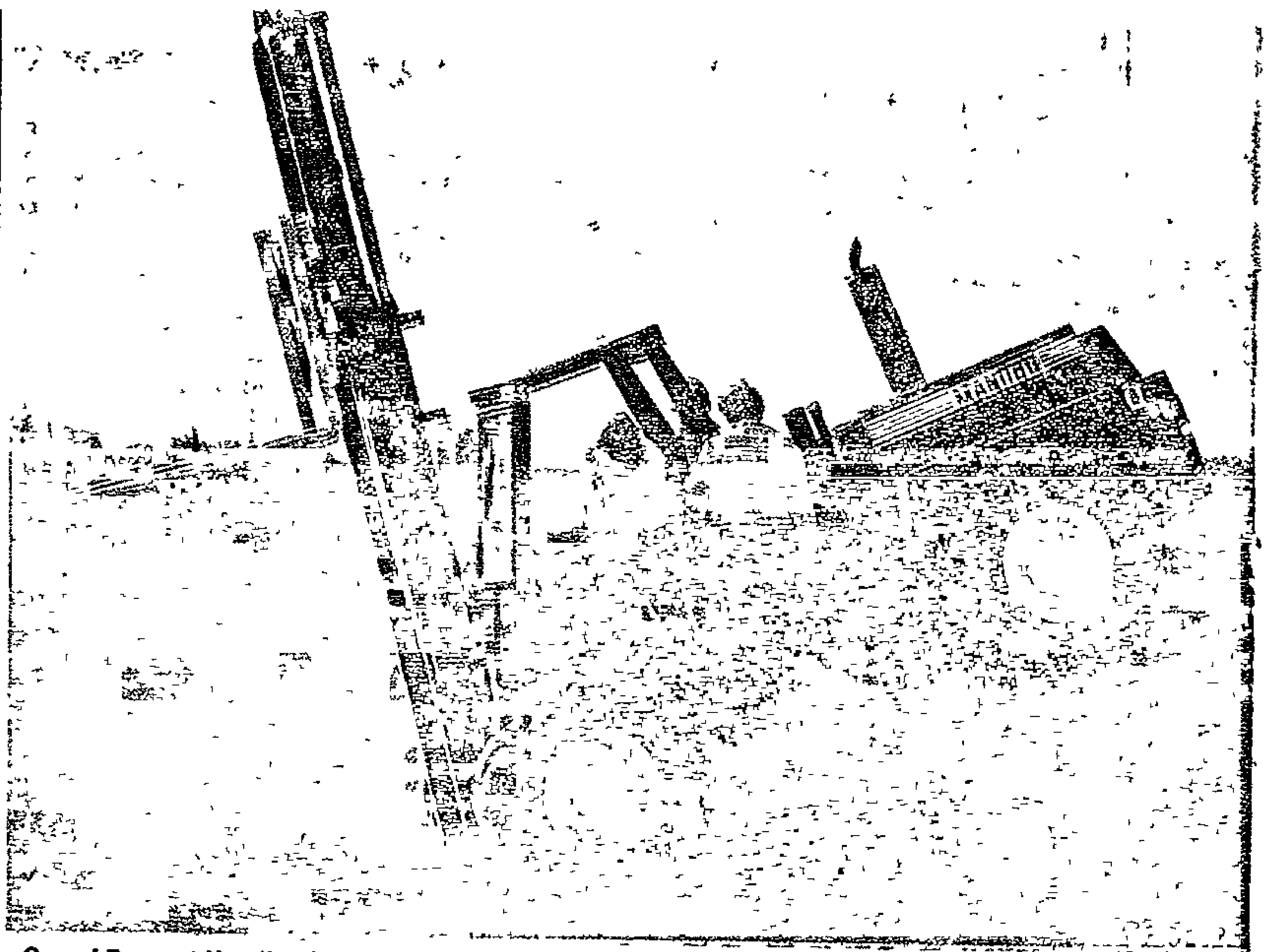
The acquisition is effective from March 1 this year.

The purchase price is to be settled by the payment of R1,25m in cash to one of the vendors, the family trusts of Mr A G de Luca, and the issue of 250 000 shares in National Bolts at R5 a share to the other, Mr Terry Rolfe and his family trusts.

Mr Rolfe has signed a service agreement with National Bolts and is to be appointed chief executive officer of the company. At the same time, Mr Rolfe has signed a restraint of trade agreement in favour of National Bolts, for which he is to be paid R500 000.

Universal Clips manufactures and distributes a range of fasteners used mainly in the automotive, mining and engineering industries.

The acquisition, says an announcment, will have no material effect on the earnings or net asset value of National Bolts in the short-term.



One of Reunert Handling's new Manitou series of imported rough terrain forklift trucks is put through its paces during the recent launch of the range at Benoni.

1 300c offer to Anchusa shareholders

Murray, Sanlam to control M & R

By DAVID ROSS

MURRAY TRUSTS, effective controllers of listed Murray & Roberts (M & R), have entered into an arrangement with Sanlam through which they will be effective joint controllers of the company.

Shareholders in listed Anchusa, the direct controlling company of M & R, are to receive an offer of 1 300c a share for 21% of their shareholdings.

Prior to Friday's suspension, Anchusa were trading at 925c Shareholders who accept the offer will still be entitled to the dividend due in October.

At first sight, the new arrangements could have attracted criticism from the JSE Listings Committee.

It resembles, in some respects, arrangements between Kirsh Industries and Sanlam

These led to quarrels between the two companies and the JSE over whether control of listed Kimet had effectively changed.

However, a major difference in the present instance is the offer to Anchusa shareholders

Direct control of M & R continues to be held by Anchusa But ultimate control, previously in the hands of the two Murray Trusts, is now equally shared between them and Sanlam

Anchusa's main asset was 46,6% of M & R's shares, and 42,9% of the voting shares. The trusts in turn held 51,3% of Anchusa shares, representing 63% of the voting shares

The situation is further complicated by the fact that M & R holds 23,5% of Anchusa, of which 18,7% are non-voting Sanlam also holds 10% of the M & R ordinaries, making it the largest shareholder after Anchusa.

Under the new arrangment, referred to as a contractual pool, the Murray Trusts and Sanlam will each hold 25,8% of the voting shares.

Sanlam will put into the pool enough of the shares it holds in M & R to ensure that "at least 50,1% of M & R's voting shares will be held between the pool and Anchusa on a long-term basis"

The statement announcing the new arrangement says there is no change in control of M & R. "Anchusa remains the *de facto* controlling shareholder of M & R

"The board of directors of M & R is made up of approximately equal numbers of non-executive directors of M & R," says the announcement "The trusts and Sanlam will be represented on this board"

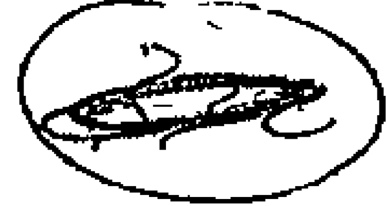
They will have equal representation on the board of Anchusa

In the Kimet dispute, Sanlam claimed ultimate control of the company had not changed, and that offers to outside shareholders for a proportion of Kimet shares should wait until that happened

The present statement mentions that Sanlam will "in the first instance" make its offer for 21% of shareholdings in Anchusa The 1 300c share price "will be the same as that offered to the trusts"

The new arrangements underline the importance for investors to differentiate in their valuations between controlling or pyramid companies and underlying companies.

Except for Pick 'n Pay and its pyramid Pikwik, rated almost equally on a yield basis, pyramids are not required to make similar offers to underlying companies if a change of control in the pyramid occurs.



RENNIES/SAFMARINE

Full steam ahead

The merger talks between Rennies and Safmarine are likely to create a massive new commercial force It could dominate the SA shipping, forwarding and freighting, travel and tourism industries, and lead to a restructuring of interests in other sectors such as insurance broking.

News of the deal — which is likely to be a complex tie-up — has been expected for months (*Fox* January 27) and does not surprise market analysts It is a logical conclusion to some of last year's huge reshuffles of corporate SA The deal had not been concluded as the *FM* went to press — but what does seem certain is that the effects will be far-reaching

The strategy on which Old Mutual embarked when it bought its controlling 74,1% stake in Rennies from the then-Hong-Kong-based Jardine Matheson — for what seemed an excessive price of 1 825c a share — is still unfolding This merger could presage still further big deals Among the immediate implications are that.

- The merged group could dominate SA shipping by a wide margin It would hold a direct or indirect interest in as much as 90%-95% of the local freight forwarding and clearing industry;
- It would be SA's largest force in hotels and tourism, controlling Holiday Inns and holding more than 50% of Sun International; and
- It could rationalise these interests with Rennies' extensive interests in travel, such as Thomas Cook SA and American Express

Based on present market capitalisations — the criteria likely to be used in a merger negotiation — the deal could be worth well over R640m Both groups have similar market caps Safmarine's amounts to R314m, while that of Rennies is about R337,5m Based on net worth, however, Safmarine is the larger group It had a net worth at the last balance sheet date of end-June 1983 of R303m, compared with Rennies' net worth at end-December 1983 of R121m.

Even before Old Mutual acquired its stake in Rennies, the insurance giant's other interests in related fields were considerable Most important, Mutual is the largest SA-based private-sector shareholder in Safmarine, which is SA's national shipping line Safmarine, in turn, has joint control, with Anglo American, in Freight Services, which is Rennies' major competitor in freight forwarding

There should be no objections in principle from those with a stake in the major participants to a marriage between Rennies and Safmarine. The potential for growth in key industries like shipping, travel and tourism is likely to be magnified. And the deal would be a logical outcome to last year's restructuring of corporate SA.

Rennies' Fiddian-Green (top), Safmarine's Marsh ... new force

The way was cleared for the restructuring of Mutual's stake in Rennies and Safmarine by government's decision to sell its 50% interest in Safmarine, held through the IDC After the reconstruction of Safmarine's equity, in which the IDC offered its 40% interest in Safmarine for 600c a share to existing shareholders, Mutual emerged as the largest single shareholder with about 25% of the equity

Safmarine is also a major shareholder in Sun International (SI), with an effective 15,7% With about 37,5% held directly by Rennies, the Rennies/Safmarine camp would wield a combined shareholding of more than 50% of SI The other major shareholders in SI, Southern Sun (25%) and the Kerzner group (15,7%), collectively hold about 40%

One of the chief architects of the Rennies/Safmarine merger is Marmion Marsh, who is chairman of Safmarine and deputy chairman of Mutual Marsh, who is known to have been working on the marriage for some time, is tipped to emerge as the top personality at the head of the combined group

He is a low-key executive, but is reputed to be a brilliant financial manager with exceptional acumen in international trade Since he joined Safmarine some 23 years ago, Marsh (55) has pulled off some lucrative coups for the company through his ability to anticipate trends in world shipping and international currency movements

No 2 man and, quite possibly, the group chief executive in the merged operation will probably be Charles Fiddian-Green, the present executive chairman of 136-year-old Rennies Fiddian-Green (50), an Oxford MA, has steadily built up a reputation as one of SA's more astute chief executives since he became MD of Rennies in 1969 He is a tough, shrewd negotiator with formidable staying powers However, through his Jardine Matheson links, he has developed a powerful overseas connection and he may well be

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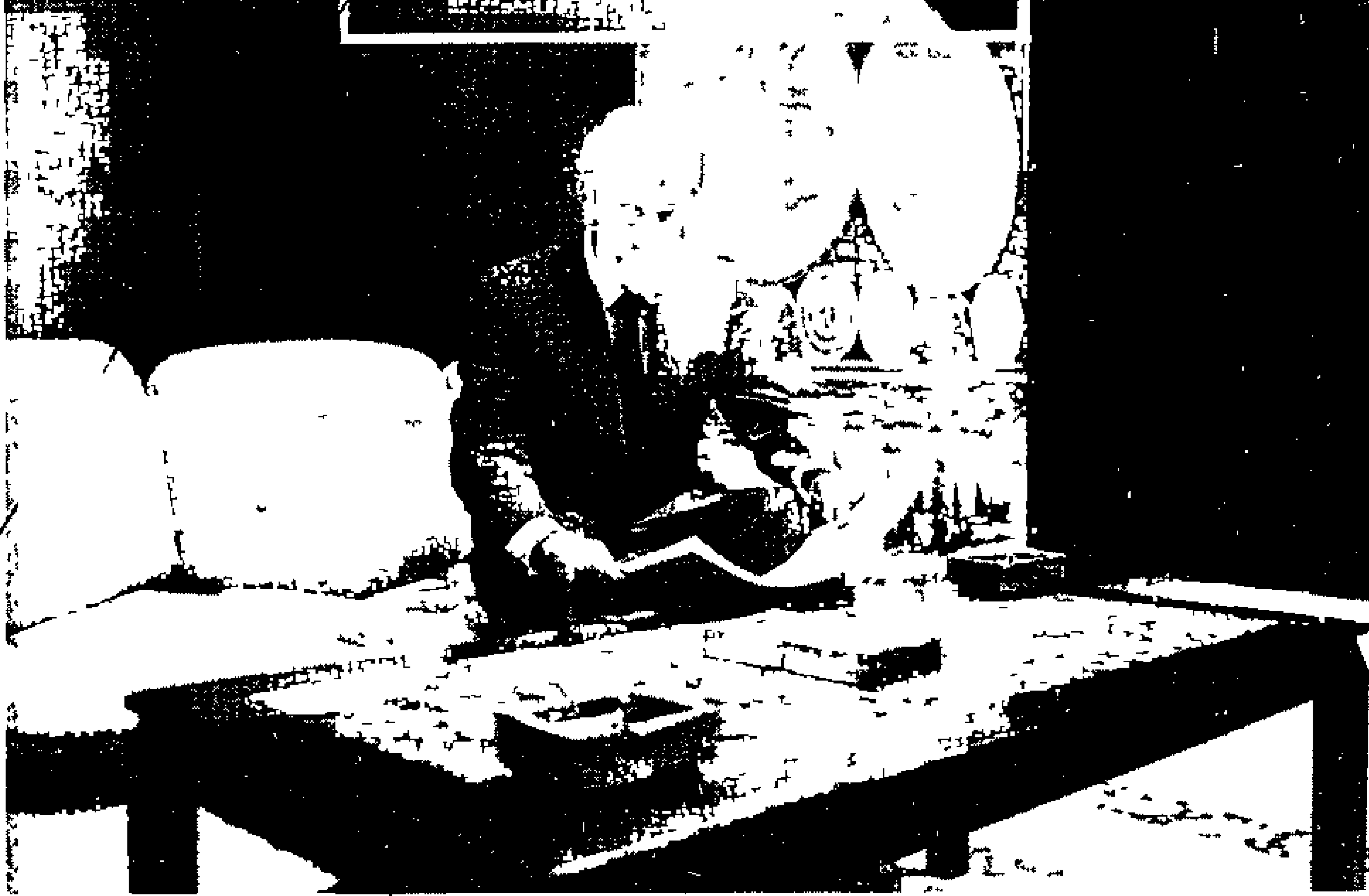


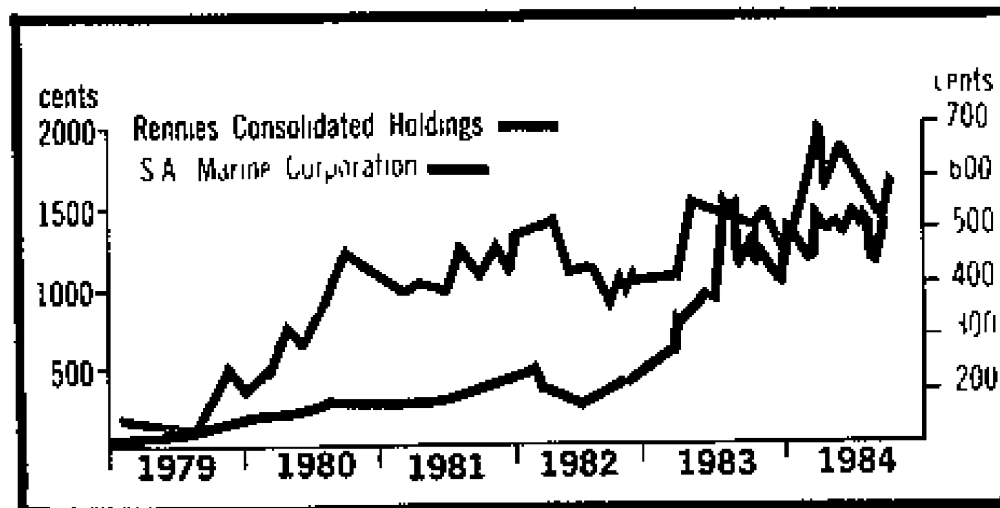
Rennies' Fiddian-Green (top), Safmarine's Marsh ... new force

CEILINGS REMAIN

Investors wasted little time in voicing their opinion about last week's joint announcement affecting Safmarine and Rennies. On August 3, the first trading day following the statement, Safmarine's price gained 80c to 600c, while Rennies advanced 260c to close at 1 500c. All this occurred against the backdrop of an 18-point fall in the RDM 100 index to 875.

But despite the promising prospects for both companies, if the deal is completed, the shares may experience difficulty advancing from current levels in the short term. The chart shows that the share prices of Safmarine and Rennies are bumping up against reasonable resistance areas.

Rennies' price has been struggling at the 1 600c level for the past year. Safmarine recently advanced above 700c, but quickly retreated to about 500c in sympathy with the overall market. Consequently, unless both companies have a surprise up their sleeve which could cause a sudden rush for the shares, the price of Safmarine and Rennies should hover near current levels for the time being. *Stephen Richter*



Vice-chairman Steyn ... activities mesh well

tempted by a foreign challenge

Also likely to be prominent in a new management team is Rennies heir-apparent Buddy Hawton (46), who was recently appointed to the new position of chief operating officer at Rennies. This places him third in line after vice-chairman Ted Steyn

Safmarine's management is highly centralised, without such clearcut lines of succession But present corporate GM David Hutchison, responsible for the group's container shipping, is strongly tipped as the next chief executive

Most of Safmarine's profits are derived from its shipping interests, which include general cargo, bulk trading, refrigerated cargo vessels, tugs and anti-pollution vessels Among its unlisted investments are a 50% stake in Freight Services, a 33% stake in Trek Airways and a 40% interest in Unicorn Shipping

Last year, the board decided to increase its involvement in international tourism and formed a new division called Safleisure for the purpose. Apart from links already formed with Sun International, current plans include a re-entry into the luxury passenger ship market, a strengthening of interests in air travel and investments in high-class hotel chains

Rennies is a more diversified conglomerate, but its biggest contributors to profits are hotels, shipping and related activities. Apart from the interest in SI, Rennies owns all the Holiday Inns inside SA Its trading activities include light industry, wholesaling and retailing In the trading division, the group markets liquor — mainly Douglas Green wines — which is another activity that could usefully fit into an expanded group in hotels, travel and tourism

Some intriguing developments could also be unleashed in the insurance broking market Since the break-up between Standard Bank and Willis Faber earlier this year, Safmarine holds 50% of Willis Faber, the remainder being held by Willis Faber UK Rennies has a 12% interest in the merged broking operation of Jardine Glanvill and Robert Enthoven, with an option to increase this to 20% by 1985

This raises the possibility of an eventual marriage of Willis Faber and Robert Enthoven. It would give Mutual an interest in a major broking company which would compete strongly with the two leading broking firms, Price-Forbes and Bowring Barclays — and could ultimately lead to further shake-ups in that industry

Perhaps the biggest questions surround the freight forwarding and clearing business. The Competition Board apparently has no qualms over the merger proposal and has already decided that "no circumstances exist which do not justify the merger in the public interest." This could imply that Freight Services' and Rennies' respective interests will be left to be run as separate arms-length operations Even so, there would certainly be a tremendous polarisation of power in the industry

Depending on the terms of the merger, Mutual could easily end up with less than 50% of the combined group, although it would remain the largest shareholder. That need not bother Mutual's policyholders, nor should shareholders in either Safmarine or Rennies have any objections *in principle* to the proposal

The insurance company's relatively low interest should help ensure there will be minimum interference while professional managers are left to get on with the job. Concentration of muscle has the potential to increase profitability and growth in these key industries, and should therefore be welcomed *Andrew Mc*

Rennies' Hawton ... rising to prominence

274 D. Dispatch 17/8/84

Border men must register

EAST LONDON — All men between the ages of 18 and 54 resident in the Border inland area have to register for military conscription in terms of the Defence Amendment Bill of 1982

Addressing businessmen at a Chamber of Commerce meeting at Aliwal North, the commander of Aliwal North commando 's, Commandant G. Joubert, said that all men living in the magisterial districts of Jamestown, Lady Grey, Dordrecht and Aliwal North would have to register for military conscription in accordance with the legislation of 1982

He said that only policemen would be exempted

Out of a large number expected to register at Aliwal North, 105 men will be selected for training in the first year.

The men will do a six-day basic training course and this will be followed by the normal camps

Depending on operational requirements and finances, call ups would continue until 1991.

Commandant Joubert assured businessmen that the intention was to disrupt commerce as little as possible — DDR

14/8/84 Star 232

1984

M & R expansion in glass

The Murray and Roberts group has extended its glass interests through an agreement reached by its subsidiary, Elgin Glass, with Hulett Glass and Aluminium

In terms of the agreement, Elgin Glass will supply flat glass to Hulett Glass and Aluminium, which supplies both the domestic and industrial markets

After the deal was announced in Johannesburg yesterday, Elgin Glass managing director Mr Shane Moore said his company would absorb the glass stocks of Hulett Glass and Aluminium, which are are concentrated in the Johannesburg, Durban and Cape Town areas

Mr Andre van Niekerk, head of Hulett Glass and Aluminium, said "We have been keen to concentrate our full efforts on developing the aluminium fabrication and contracting side of our business, which is where our strength has traditionally been and where we see major growth opportunities

Hulett Glass and Aluminium will, however, continue to operate as glazing contractors, he said "Furthermore Hulett will be able to supply Elgin with domestic aluminium products, of which they are merchants to the consumer market"

The deal coincides with a price war that has been raging in the flat glass business for some months — Sapa

(232) E. Post 14/8/84

Elgin Glass will provide supplies to Hulett company

JOHANNESBURG — The Murray and Roberts group has extended its glass interests.

In a statement released yesterday, M&R announced agreement had been reached regarding supplies by its subsidiary, Elgin Glass, to Hulett Glass and Aluminium

In terms of the agreement, Elgin Glass will supply flat glass to Hulett Glass and Aluminium

Hulett Glass and Aluminium fabricates products in glass and aluminium for both the domestic and industrial markets

Following the announcement of the deal in Johannesburg, Elgin Glass managing director Mr Shane Moore said his company would absorb all the glass stocks of Hulett Glass and Aluminium. These are concentrated in the Johannesburg, Durban and Cape Town areas

Mr André van Niekerk, head of Hulett Glass and Aluminium, said "We have been keen to concentrate our full efforts on developing the aluminium fabrication and contracting side of our business, which is where our strength has traditionally been and where we see major growth opportunities

"Hulett Glass and Aluminium will, however, continue to operate as glazing contractors," he said. "Furthermore Hulett will be able to supply Elgin with domestic aluminium products, of which they are merchants to the consumer market."

Charter takes biggest outsider stake in major securities house

(232) Star 17/7/84

By Christine Moir

LONDON — Charter Consolidated has emerged as the biggest outside shareholder in what could become Britain's largest financial services company

After tough bargaining all last week Charter is to have a stake of nearly nine percent in a new investment banking group with net assets of about R500 million

The basic structure of the new group was foreshadowed for some time, it will be led by S G Warburg, Britain's premier merchant bank which will take over Akroyd and Smithers, the top jobbing firm

But it will now include two stockbroking firms They are Mullens, the respected but threatened gilt-edged specialist whose senior partner is always the Government Broker, and Rowe and Pitman, widely thought to be the Queen's stockbroker

PASSIVE PARTNER

Charter enters the picture through Rowe and Pitman

In April when the City began its hectic merry-go-round of new partnerships, Charter paid R36 million for a 29,9 percent stake in Rowe

The deal was announced at the time as a purely passive partnership designed to give Rowe the capital to compete among the large securities giants now being formed

At the same time Rowe forged a link with Akroyd, which in turn announced that Warburg had taken a stake in it

Since then Warburg, Akroyd and Rowe have been planning a full link-up which in its latter stages also involved Mullens

The deal was finalised last week except for one last detail — Charter's role

Charter made it known in no uncertain terms that it was not prepared to stand aside from what could prove to be the most important securities house in London

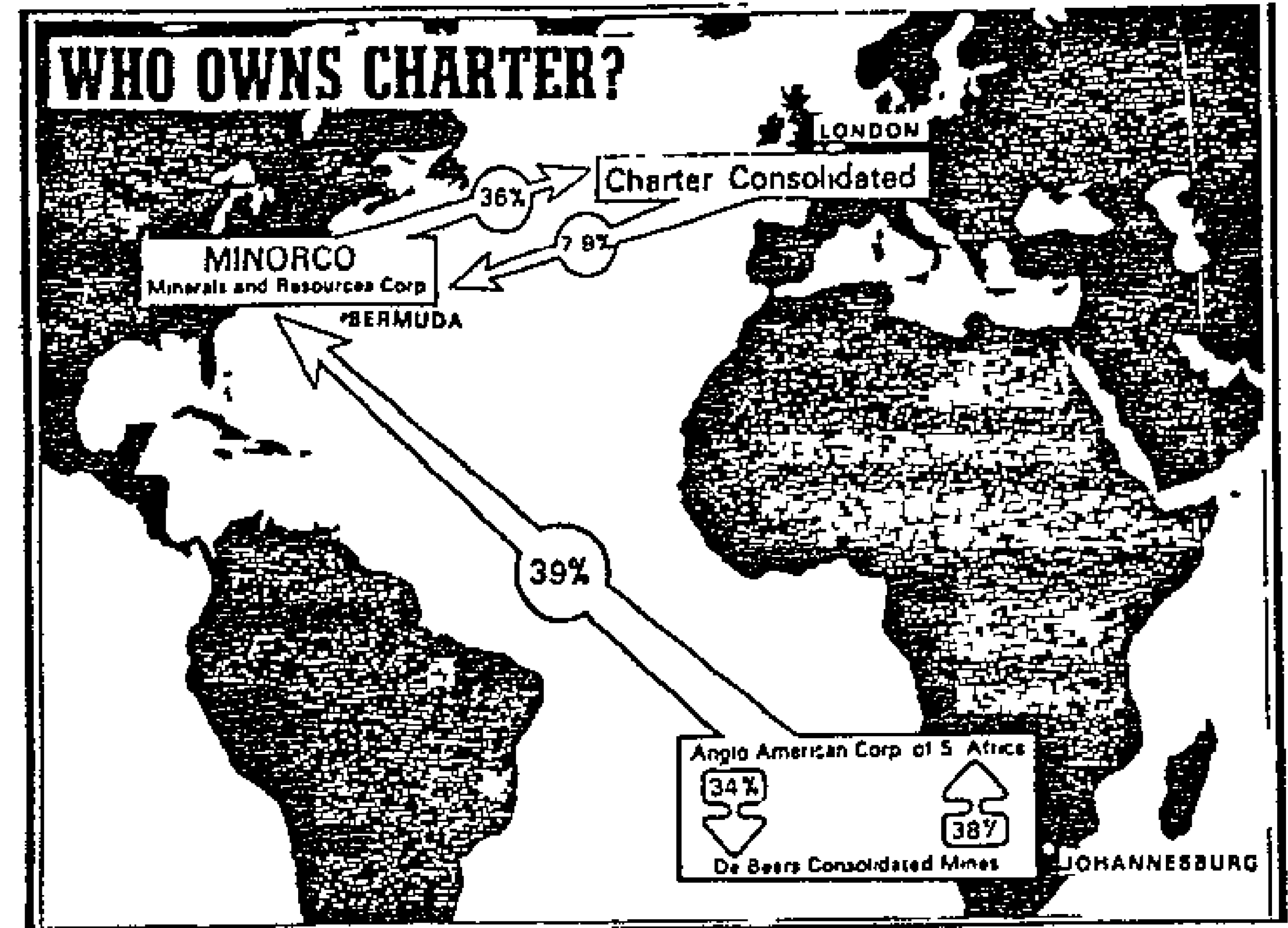
The upshot is that Charter is to pay another R37 million as an entry fee to the new grouping

Most of Charter's new stake will be in convertible preference shares some of which cannot be turned into equity for 15 years But, ultimately, it will own 8,94 percent of the new group, and in the interim it will have important powers to ensure that its stake is not diluted

The four-way merger of Britain's most influential merchant bank and three of the most blue-blooded Stock Exchange firms has been hailed as London's challenge to the enormous financial muscle of Wall Street's giant securities houses

It has not gone unnoticed that Charter has a strategic position within the deal, and its shares moved up 5p to 241p on the announcement

Up to now the rules have kept the different financial functions strictly divided, adding to costs and enabling more competitive centres like New York to take billions of dollars of business away from London



Non-British firms have also moved into London, backed by huge capital bases, and the merger is a direct effort to fight back

The new company will be one of London's biggest combined broking and dealing houses, and it will offer a range of services unmatched by any group at present

"The stock exchange has indicated that the proposed arrangements are compatible with the principles (it has) set out The Bank of England has also been kept informed," said a joint statement from the four firms

Namibian mine takeover

WINDHOEK — The Oamites Mining Group is to take over the Tintan Mine at Uis in western SWA/Namibia within a month, the managing director of Oamites, Mr Deon Hugo, said.

According to a news report in Windhoek yesterday, Mr Hugo said a large number of Oamites employees would be re-employed at Tintan after the closure of Oamites mine near Rehoboth at the end of the year.

Mr Hugo said negotiations were under way to sell Oamites mining village — Sapa

Charter Cons

From page 14

15/8/84 C-Times

(232)

ment of Warburgs are in excess of £6 000m (R12,6m).

Rowe and Pitman, one of London's largest brokers has branches and representatives in major cities including Johannesburg.

It has acted for the Anglo Group for years and is also broker to the Queen.

In January this year, Rowe and Pitman and Akroyd decided to combine their international equity activities. Rowe and Pitman manages £800m (R1 680m) investment funds.

Mullens plays a major role in the UK gilt market.

The reputation, experience and expertise of the firm led it into a unique relationship with the Bank of England.

The senior partner is the government broker and also issuing broker to the bank. But partners at Mullens who handle the bank's official operations will have no financial interest in the new securities group nor in Mercury, Akroyd and Rowe and Pitman.

Investment funds under the firm's management total £500m (R1,050m).

Charter Cons part of huge UK merger

C-Times 15/8/84

From NEIL BEHRMANN

LONDON — Charter Consolidated, the UK industrial mining company, within the Anglo American empire will have a stake in a giant British merchant banking securities firm, following significant reorganization of London financial houses

Stunning the city, Mercury Securities, the listed parent company of merchant bankers SG Warburg and Co, Jobbers Akroyd and Smithers another listed company and leading stockbrokers Rowe and Pitman and Mullens and Co, said that they would merge

Charter with a 29,9 percent holding in Rowe and Pitman will be investing more money into London's version of the "thundering herd" and will eventually end up with a stake of nine percent in the huge listed securities company

The merger will bring together four complementary firms It will provide services in banking and foreign exchange corporate and project finance, government and corporate, debt and equity issues, securities trading, distribution, research, money broking and property

Member firms of the company have a powerful UK and Euromarket base and are involved in other international financial services including the United States, Japan and Switzerland

Investment management will be provided by the group through subsidiaries which will be separate from the securities trading and distribution services

The chairman and senior partners of the four firms said "the changes in the stock exchange and increasing international integration of financial markets will require radically new structures in London

"Between now and so-called 'big bang day' we will be formulating our plans"

Charter originally acquired a 29,9 percent in Rowe and Pitman in April this year for £17,5m (R37m) Charter will exchange its shares in Rowe and Pitman for equity in the new group It will then buy a further 2,5m ordinary shares and 5,7m convertible preference shares in the giant securities firm for £17,7m (R37,5m)

The total equity investment of £35,2m (R74,5m) provides Charter with an initial stake of five percent But once the convertible preference shares become equity, the interest will rise to just under nine percent

Recently there were rumours that Charter would be taken over but it emerged that Hanson Trust, a dynamic UK conglomerate with an excellent growth record, had bought about three percent of its shares

Brokers at the time thought that something else was going on As it so happens, Charter will now have an investment holding in a powerful Herrill Lynch-type house, whereas previously it had a controlling stake in a leading broking firm which had forged links with Jobbers Akroyd and Smithers.

Capital and reserves of the new house are estimated at £246m (R517m) and pro forma earnings attributable to ordinary shareholders are £37,7m (R79m)

Rowe and Pitman's pre-tax profits are estimated at £6,6m (R14m) before tax.

Warburgs, an international merchant banking group based in London, has subsidiaries and associates in the United States, Switzerland, Germany, Luxembourg and Hong Kong.

It is engaged in banking, corporate and project finance, UK and international capital issues and advises governments

In December 1983, Warburgs bought a 29,9 percent stake in Akroyd, one of the largest jobbers on the London Stock Exchange. Total investment funds under the manage-

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Southern — Anglo Life merger proposals likely to win approval

By PAUL DOLD
FINANCIAL EDITOR

THE proposals for a merger between Southern and Anglo American Life entrench the rights of existing with-profit policyholders and are likely to win widespread approval.

The merger will create a new R3,5 billion life office — The Southern — ranked about third in the industry after the Old Mutual and Sanlam

The group will be significantly primed for growth with a dynamic marketing base through the 1 200 branches of Barclays Bank

The chief Executive of the Southern, Mr Neal Chapman, says the new group "aims to be the most dynamic and professional life insurer in South Africa So it needs to grow. And it needs associates with the reach in the market place to enable it to sell policies more competitively

"To remain isolated would limit Southern Life's ability to achieve these aims and to increase the value of its policies"

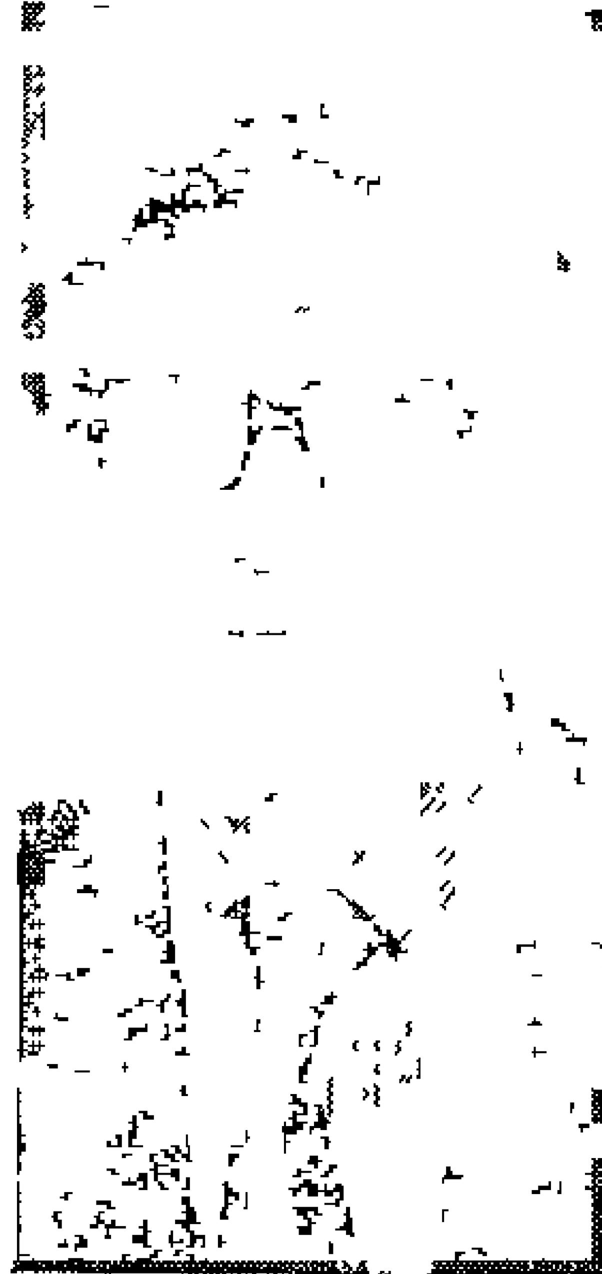
Announcement

The initial announcement last year of the proposed deal aroused fears among Southern Life with-profit policyholders that the existing surplus would be swallowed by the new group for the benefit of shareholders

On a first reading of the offer documents they would appear to have little cause for concern Their surplus will be entrenched in the new Southern for the benefit of policyholders and can never be distributed to shareholders

All profits attributable to existing with-profit Southern Life policies will flow exclusively to these policies and Southern Life says there is the prospect of increased bonus rates

In addition Southern is guaranteeing a minimum bonus level for the full life of these policies Bonus rates will never be less than current levels except in rare adverse circumstances



The Southern's Mr Neal Chapman . . heading the country's third largest insurance group

Chris Ball, Mr Mike King, Mr Stan MacDonald, Mr Guy Nicholson, Mr Julian Ogilvie Thompson and Mr Dudley Williams

The senior management committee will consist of Mr Chapman, Dr Bernstein (executive director finance, actuarial, planning) , Mr Sidgwick (executive director systems and computing), Mr Prinsloo (executive director individual life marketing), Mr Bill Haslam (senior general manager pensions business) and Mr Jan Calitz (senior general manager investments)

Anglo is represented on the board by Dr De Beer, Mr Mike King, Mr Nicholson and Mr Ogilvie Thompson. Barclays' Southern directors are Mr Jan Smith, Mr Chris Ball and Mr Stan MacDonald

The representatives of policyholders are Mr Loch Davis, Mr Albertyn, Mr Ardington and Mr Dudley Williams They are all existing Southern Life directors

The independent consulting actuary — appointed with the approval of the Registrar as policyholders' watchdog — Mr Dawid Malan — believes the scheme is fair

"In my opinion the

the Supreme Court is scheduled for September 26

Some 25 percent of The Southern's equity is to be held by the public (including policyholders), Anglo American will have 37,5 percent of the ordinary equity and another 2,5 percent in non voting participating preference shares

Barclays stake is 30 percent with another five percent offered to Barclays' Pension Fund

Mr Stanley Lewis has been appointed chairman of Fidelity Group Ltd, which is the holding company of The Board of Executors and of Fidelity Bank He succeeds Mr Alex McGregor.

Merger plan to be changed

THE original merger plan which envisaged the creation of a new company Southern Life Association which was to acquire Southern Life and Anglo Life has been changed

The merger documents say that it has been found more advantageous to use Anglo Life as the vehicle for the scheme Anglo is to change its name to the Southern Life Association, adopt a new memorandum and articles and enlarge its share capital

Immediately the court has approved the scheme Anglo life will increase its share capital to 126,6m par value ordinary shares of 5c, 49,2m par value B shares of 5c, 4,1m par value convertible participating non-voting prefs of 5c each and a trustees' special share

Listing

Barclays has already deposited R135m to subscribe for the B shares These B shares will convert into ordinary shares at the time of Southern's listing During the intervening period they will rank pari passu with the ordinaries in all respects except for dividends which will be based on a formula

Southern's proposed issued share capital will be 160m par value ordinaries (49,2m of which will have been automatically

Association to avoid confusion

Regarding the protection of the surplus of with profit policyholders policies in essence will divided into with profit and others

The surplus will be lodged in the scheme estate with the net surplus arising from this investment being allocated to existing with-profit policyholders The formula used is related to the proportions of the gross liabilities of The Southern for each class of business A special provision is that the estate's capital cannot at any time be distributed to shareholders as dividends.

A guarantee fund reserve will be formed from part of the investment earnings on new share capital raised from Barclays and the public. This will be used to maintain bonuses on the with profit policies

At the end of the first year 80 percent of earnings will be allocated to the fund with the percentage being gradually reduced for 20 years Southern Life estimates that the present value of the reserve fund assuming a continuing investment yield of 10 percent a year and using a 10 percent discount factor will total more than R100m.

Another safeguard is the creation of a policyholders' trust to represent the interests of all policyholders The trustees will hold a special share which enables them to appoint four policyholders directors to the board of the new Southern

The Southern is to seek a stock exchange listing but I understand that the actual listing is unlikely to occur before early next year

Policyholders will have a preferential right to shares Some 41m shares are to be offered to investors through a private placing and issue

The chairman of the Southern's board will be Mr Desmond Loch Davis with Anglo's Dr Zach de Beer and Mr Jan Smith as deputy chairman

The chief executive is Mr Neal Chapman with three executive directors, Dr Morris Bernstein, Mr Willem Prinsloo and Mr Ian Sidgwick

Other directors will be Mr Laurie Albertyn, Mr Tony Ardington, Mr scheme will be beneficial to all parties affected by it in varying degrees. In particular, I believe that the reasonable benefit expectations of holders of existing with-profit policies of the Southern Life Association will be enhanced as a result of the scheme"

The merger proposals are to be put to a special general meeting of Southern Life on September 12 and need the support of 75 percent of votes cast in person or by proxy at the meeting The necessary application to converted from B ordinaries There will also be 4,1m convertible participating non voting prefs and the special share

Anglo will hold 69,8m shares or 42,5 percent but is within a reasonable period to reduce its ordinary shareholding to 37,5 percent The 4,1m convertible prefs will be held by Barclays or its nominees

The Southern will takeover and assume responsbility for all Southern Life's liabilities and assets Southern Life Association will continue to carry on life business in Britian and Zimbabwe for some time and its name will be changed to Westerford Assurance

Policies

The bonus levels on existing with profit policies will not be less than the greater of the bonus rates applicable to new segregated policies with reasonably equivalent premium rates and bonus structures and the minimum bonus scale

The surplus from old segregated business can only be used for existing with profit policies

Non with-profit policy holders will receive not less than 90 percent of the supluses earned from their business segment Shareholders participation has been limited to 10 percent

C. Times 232 17/8/84

Charter stake raised in £350m merger

Anglo foothold in two giant houses

(232) S. Times 19/8/84

By Neil Behrmann: London

A £350-million broking merger on the London Stock Exchange means that Anglo American Corporation will hold an indirect stake in two major banking and securities firms on both sides of the Atlantic.

Through Charter it will have an interest in the merged firm of London merchant bankers SG Warburg, jobbers Akroyd & Smithers, brokers Rowe & Pitman and government-bond specialist Mullens & Co

Through Minorco it already has an indirect holding in the giant United States securities and commodities firm, Phibro-Salomon

Rule change

The formal merger of the London houses will probably occur in early 1986 when the London Stock Exchange changes its rules. In the meantime, the firms plan to co-operate closely in non-British markets

The combined stock market value of the four firms is £350-million (R735-million)

Their published capital and reserves including unrealised gains of Mercury Securities, the parent company of SG Warburg & Co, is £246-million The resources of the new firm can be compared with any major British merchant bank and with some of Wall Street's large investment houses

Charter, which acquired 29,9% in Rowe & Pitman in April this year for £17,5-million, will exchange its shares in the brokers for equity in the new group

It will then buy another 2,5-million ordinary shares and 5,7-million convertible preference shares in the securities firm for £17,7-million The total equity investment of £35,2-million provides Charter with an initial stake of 5%

But once the convertible preference shares become equity, the holding will rise to nearly 9% Anglo, through Minorco, will then have an indirect interest of 1,3% in the group.

Influence

Although this holding appears small it should be seen in the light of Anglo's 9% indirect interest in Phibro-Salomon Anglo will have a foothold in two houses which have considerable influence in international financial markets

The London merger will bring together four complementary firms which will provide services in banking and foreign exchange, corporate and project finance, government and corporate debt, equity issues, securities trading, distribution, research money broking and property

Member firms of the company have a powerful UK and Euromarket base and are involved in other business in the United States, Japan and Switzerland

Wide spread

Warburg, an international merchant banking group based in London has subsidiaries and associates in the United States, Switzerland, Germany, Luxembourg and Hong Kong

It is engaged in banking, corporate and project finance, UK and international capital issues. It advises governments and government agencies Total investment funds under Warburg management exceed £6 000-million.

In December 1983, Warburg bought a 29,9% stake in Akroyd, one of the two leading jobbers, or market-makers, on the London Stock Exchange.

In January this year, Rowe & Pitman and Akroyd combined their international dealing activities, so before the latest deal there was a link between Warburg, Rowe & Pitman and Akroyd.

Queen's broker

Rowe & Pitman, one of London's largest brokers, has branches and representatives in major cities, including Johannesburg It is a broker for the Queen and has acted for the Anglo group for years.

It played a major role in Anglo's dawn raid on Consolidated Gold Fields several years ago

Rowe & Pitman manages £800-million of investment funds Mullens is a leader in the British gilt market. The reputation, experience and expertise of the firm led it to a close relationship with the Bank of England

The senior partner is the Government Broker and issuing partner for the bank. But the partners who handle the bank's official operations will have no financial interest in the new securities group.

Investment funds under the firm's management total £500-million

Conglomerate

It has emerged that Hanson Trust, a UK conglomerate, has bought a 3% stake in Charter

Some brokers believe that Charter becomes less interesting because it loses a controlling stake in leading brokers Rowe & Pitman, which already had links with Akroyd & Smithers

On the other hand, Charter will have an investment holding in a powerful Salomon Brothers-Merrill Lynch-type house in London

Rowe & Pitman's pre-tax profits are estimated at £6,6-million against the merged firm's net earnings for shareholders of £37,7-million

Phibro-Salomon's shareholders' funds totalled $240-million at the end of 1983 On revenue of $29 800-million net earnings were $470-million

In the first six months of this year net earnings were $223-million against $231-million in the same period in 1983

SAAN

Costly battles

The newspaper war that erupted in the English press over the past year cut deeply into SAAN's end-June interim performance — and the board's reaction leaves no doubt that the carnage will get far worse in future. Earnings fell 6,7% to 125c, and the interim dividend was slashed by 28% to 25c (35c). Indicating management's obvious concern, shareholders are told to expect a "greatly reduced final dividend"

Deputy chairman Clive Kinsley says that the dividend has been cut because a much sharper deterioration in profits is expected for the second half The dividend cover was lifted from an already high 3,8 to 5,0 times, but will fall considerably at year-end "The second half is going to be extremely tough," says Kinsley "Distributable earnings will decline sharply"

Although cash reserves stood at R7m at December 30, part of it has been allocated to a R7,5m capital programme, which is to go ahead as planned "This investment was essential and there will be no changes," says Kinsley.

Sharp decline

Apart from the increased competition, Kinsley notes that demand for advertising space declined sharply in July, after the pre-gst spending rush, and trading conditions could deteriorate further after the latest austerity measures.

Rising operating costs are said to be a major factor in the slide in bottom-line earnings, which occurred despite a 22% increase in advertising revenue in the first half The price of newsprint, for example, was lifted from R7,50 a ton to R8,20 a ton. This will obviously hurt all newspaper publishers, and has added R2,2m to the group's operating costs

Nonetheless, it is clear that competition is *the* major problem. Kinsley contends that Adindex figures indicate SAAN has gained market share in a number of areas, with overall revenue up for the *Sunday Times*, the *RDM's Business Day*, and the *Sunday Times'* appointments and supplement advertising Margins have obviously been squeezed severely all round

SAAN management has argued before that Argus has expanded in the property advertising market by offering unrealistic rates, and publication of Argus' figures for the six-months to end-September — after Argus has been exposed to an additional four months of these trading conditions — will be instructive But Argus should benefit to some extent from its various other interests such as CNA/Gallo, in which it has a 50% stake

SAAN management feels that the battle for the Sunday markets will ultimately decide which group wins the daily market. As part of the capital programme, SAAN has installed a new Metro press, which will raise capacity to print classified advertising on Sundays Increased capacity to use the *Sunday Times* to compete against *The Star* for classified and regional display advertising is considered a key element in the long-term approach to the competition

To close the gap in the Sunday market targeted by *The Star*, a revamped *Sunday Express* has been launched, aimed at the upper income group The paper is said to have been well-received in its first few weeks since relaunch, and has apparently steadily regained some of the lost property advertising

But it is obviously far too soon realistically to assess its viability. The same can be said at this stage for efforts to win back property advertising lost by the *Cape Times* to the *Argus*, where SAAN is attempting to match the competition on price

Argus' longer-term strategy is doubtlessly to expand *The Star* into a morning and evening paper SAAN's management obviously hopes its plans will pay off before that — a full-scale foray against the *RDM* could be disastrous But the press war could run for a long time yet, and will severely depress earnings and dividend potential The tightly-held shares, priced at 2 350c, did not react after the profit announcement *Andrew McNulty*

SAAN SLIPS

Six months to	Jun 30 '83	Jun 30 '84
Trading profit (Rm)	4,2	4,1
Taxation (Rm)	1,5	1,6
Net trading profit (Rm)	2,7	2,5
Earnings (c)	134	125
Dividend (c)	35	25

Rothmans UK future in doubt

From Christine Muir

LONDON — Rothmans has lost a "clear identity" in the cigarette war, according to a leading London stockbroker The shares should be sold

For "identity" read ownership Since March when Dr Rupert's Rembrandt Group agreed with Philip Morris to restructure their interests in Rothmans International, the tobacco company has been rudderless

Now rumours mount that Philip Morris has its eyes firmly fixed on taking over Imperial Tobacco (Imps) and that would mean very bad news for Rothmans and Rembrandt

The March agreement left Rembrandt with 44 percent of the votes in Rothmans, while Philip Morris has 25 percent

But if Philip Morris has its sights set on Imps the balance of power at Rothmans would have to be overturned

Either party, for instance, must offer its shares first to the other in the case of a sale And surely Philip Morris must sell if it wants to concentrate on Imps

In trade terms - at least as London observers see it — Imps is a better investment than Rothmans, whose name is inexorably linked to the declining international gasp for cigarettes

To be sure Imps's attempts to diversify into products as far removed from "gaspers" as chicken raising, have not been successful

But Rothmans hasn't diversified its image at all, despite its Dunhill, brewing and domestic applicance businesses

At present the talk is just talk The rumours of Philip Morris's predatory strategies have circulated in the London market for more than a year

But the shares of both Imps and Rothmans International are now beginning to move

It looks as if Doctor Anton will have to play another piece in this chess game

Saan gives up Atex ownership

ONE of the country's leading suppliers of electronic typesetting equipment, Atex Systems, has changed ownership and will, in future, operate independently in South Africa

Effective ownership of Atex Systems changes from the Saan group to Atex Inc of Boston, Massachusetts, a Kodak-owned company

The new arrangement, bringing the local operation into the Kodak group, has come about as a result of a change in shareholding whereby the entire Saan interest has been sold

The Atex association will move more strongly into the Kodak camp in South Africa, although the company will operate as a fully independent entity.

Atex Inc is recognised internationally as the pre-eminent supplier of text processing systems for the newspaper and magazine publishing industries.

Atex Systems was the first of the major international groups to install electronic phototypesetting in this country.

Saan, Johannesburg, was the first major printing group to change to the Atex system and the system has been operating since 1977 with considerable success ever since

Atex has installed similar systems at the Cape Times, The Argus and Nasionale Pers in Cape Town, the Natal Mercury in Durban, Evening Post, Eastern Province Herald and Oosterlig in Port Elizabeth and Beeld in Johannesburg, and will soon install a large system at the Pretoria News

The company does not supply the newspaper industry exclusively; plants have been installed at Sparham and Nasionale Boekdrukkery, also in Cape Town

In the near future, an Atex system will be installed at the Pretoria Technikon, where the Atex School for Journalists will be established

It is the intention of Atex to expand its activities well beyond the primary area of newspaper installations in the future.

Mr Bob Haggerty, previously the company's marketing manager, has been appointed managing director and Mr Richard H Bowen, a vice-president of Atex Inc in the US, has been made chairman

Other board members have been drawn from the Kodak and Atex groups

Mr Haggerty has stressed that the new arrangement has been concluded with the closest co-operation of the Saan group and a strong association will be maintained with that organisation.

However, he stressed that a whole restructuring of Atex Systems in South Africa is under way and this includes a substantial injection of new capital with a corresponding increase in staffing, the establishment of a new office in Cape Town and the development of a formidable inventory of equipment.

Mr BOB HAGGERTY has been appointed managing director of Atex Systems.

Computer news

Our weekly computer column is a service designed to help people in the computer business broadcast their news and views. If you have a story to tell please feel free to contact Louis Beckerling at ☎ 52 3480.

New package

PROTECTING investment in expensive software from early obsolescence is being achieved by a new business package called Tetraplan.

The integrated accounting package now gives businesses the chance of long-term planning for their software while allowing the comprehensive package to run on many different makes and sizes of computer.

"Companies installing computerised accounting systems must look well into the future to ensure that their software will not be overtaken by technology or better packages," says Mr Ed Callen, computer division sales manager of Anker Data Systems

"Tetraplan is flexible enough to take care of a wide range of office computer functions and protect data and software investment well into the foreseeable future"

Tetraplan has been modified for usage in South Africa by Info-Key and is available to run on Perkin-Elmer's full range of powerful 32-bit superminicomputers

It is produced in C-language, which radically simplifies the transporting of software from one computer to another under the Unix operating system.

"The ability to run software on computers from many manufacturers is a major consideration with the rapid changes in computer technology," says Mr Callan

Perkin-Elmer, pioneer of the 32-bit superminicomputer and a major US supplier of sophisticated systems to businesses, industry, science, research and space-avionics, has its computer products distributed in South Africa by Anker Data Systems

Rate Round-Up

MONEY MARKET	
B/A rate	22,10
Short/surp	(R1 825m)
ASSET RATES (%)	
1-month	22,70
2-month	22,90
3-month	23,25
6-month	22,00
9-month	20,40
1-year NCD	20,10
2-year NCD	19,25
3-year NCD	18,75
CAPITAL MARKET	
RSA 14,5% 1987	17,47
RSA 11,0% 1997	—
RSA 13% 2005	15,94
Escom 156/	15,98
Escom 158/1994	—
Escom 143/1985	—

(Rates supplied at 9am today by National Acceptances, Port Elizabeth)

Club meeting

A SPECIAL general meeting of the PE Commodore Users Club will be held in the Linton Grange library on Wednesday, September 5.

The agenda includes ratification of the club's constitution and a demonstration and discussion on machine language programming

Inquiries, Mr Dirk den Dunnen at ☎ 33 7125 (after hours), or Mr Reg Rehbock, ☎ 33 6156 (after hours)

The Star Wednesday August 29 1984

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Monopolies, cartels blamed for SA's 'financial chaos'

Government, big business and control boards came under attack during a debate on South African monopolies in Johannesburg last night

The panel discussion, arranged by Home Executive Women (HEW), was chaired by Mr Nigel Murphy

Panel members were Mr Robin MacGregor, author of "Who owns Whom", Mrs Wendy Ackerman, a director of Pick 'n Pay, and Mr Patrick McLaughlin, who represented Tiger Oats and the National Milling Company

Panellists criticised Government fiscal policies, the control boards' single system marketing structures, the economic power wielded by big business and the lack of an effective consumer voice

"We now have great unemployment and incredible financial chaos, and steps have to be taken to change this," Mr MacGregor said

He blamed the formation of monopolies and cartels, illustrating his point by examining the steep rise in the price of white bread as well as in bakers' margins, over the last 10 years

Another example quoted was that of three companies — Anglo American, Sanlam and SA Mutual/Old Mutual — which owned 76 percent of the shares on the Johannesburg Stock Exchange

A monopoly, Mr MacGregor said, existed where a company so dominated the market in a commodity that it could be considered its the sole supplier

While monopolies were visible to everyone, cartels — where a number of suppliers acted in collusion to fix prices or parcel out the market — were insidious, said Mr MacGregor "This is because the control is not visible," he said

Economic power could be abused and, once companies became too large, they could become inefficient

Tiger Oats' Mr McLaughlin said there were two vital aspects to be considered the control of the shareholders and the control of management

"The question of who owns what is academic for the consumer," he said

Mr McLaughlin said the real issue for consumers was whether larger companies had become inefficient

When an individual set up in business it was an incentive for him to try and capture all the market — "that's what the free enterprise system is all about"

He said his company encouraged small business and had put R1,5 million into the development of such concerns

Of vital importance, he said, was the fact that management in South Africa was under pressure.

The key to growth was the development of black managerial potential

Pick 'n Pay's Mrs Ackerman said she believed control boards should be abolished

"This country has more control boards than any country in the world," she said

"South African consumers have grown up — there is no reason to hide behind Government skirts"

The public is the loser in any newspaper war

(232) C. Times 30/8/84

PROFESSOR MICHAEL SAVAGE of the Sociology Department at UCT examines the newspaper war

A SERIOUS newspaper war is being waged at the moment between the Argus group and SAAN, a war which could threaten the very existence of the Cape Times

Property agents are being used in the front line, and may be the unwitting tools of a strategy that could result in National Party newspapers dominating the English-medium newspaper market

This current war could achieve objectives not even dreamed of during the corrupt days of the Citizen and the Information Department

Most of South Africa sleeps through economic revolutions, at times awakening to blink its eyes at the extent of the monopolization of the economy It re-awakens to mouth free-market slogans and then slumbers through waves of economic concentration that have led to a group of five companies controlling 54 percent of the total assets listed on the Johannesburg Stock Exchange

Vested interest

The public urgently needs to alert itself to the monopolistic tendencies of the Argus group and to examine whether the group's actions are in the public interest

The Argus Company owns nearly 40 percent of SAAN and therefore has a vested interest in its well-being, yet it is engaging in actions which threaten to undermine the profitability of this 40 percent stake

A newspaper vendor with his bundle of Cape Town papers . serious war between Argus and SAAN

The battle it has begun may result in the English morning newspaper becoming economically crippled, and even forced out of the market, while the Argus group initially is able to work towards establishing a near monopoly

Why is this seemingly senseless battle between Argus and SAAN taking place and what are its potential consequences?

First, the nature of the war has to be understood

The initial move of the Argus Company was on the Reef, where it is attempting to force the Sunday Express out of the market and so create a space for a Sunday edi-

has already lost most of its property advertising (reportedly worth R7 million a year) to the Saturday Star, and the Cape Times, through a similar Argus cartel agreement with local estate agents, may lose R2 million a year in advertising revenue

In what may yet be ranked as one of South Africa's most hard-hitting editorials, the editor of the Sunday Express hit back at the Argus group's attempt to smash his newspapers financial base, stating "We are appalled that this newspaper's brand of journalism should give way to the pallid cloned products of the Argus company Whatever the weaknesses of the S[illegible]

company has become colloquially known as 'Aunty Argus' "

The Argus Company has thrown millions of rand into its fight against SAAN and there is a rumour going around Cape Town that the (Cape) Argus has R40 million with which to kill the Cape Times

Journalists

In Cape Town the Argus has achieved an enormous inroad into property advertising, not by providing a better service but simply by slashing its advertising rates

The SA Society of Journalists (SASJ) has condemned the Argus Com[illegible]

second question

There must be considerable doubt that at the end of the road there will be a deliriously happy Argus monopoly

It can be cogently argued that there is a decided prospect that any future antagonisms about an Argus monopoly will be orchestrated to help start and produce some appealing English-medium Citizen-type newspapers

The Argus then will have to battle against such newspapers Perhaps only five years or less down the road, the readers of this newspaper will have only the relatively insignificant decision of whether to [illegible]

Mr John Wiley .. should consider press monopoly from non-political basis

of the English-language press without National Party approval?

I, for one, would look forward to debating this with him and debating the relationship between National Party rule and the growing monopolization of our economy during its period in power

Second, and last, a response to an economic argument It is said that the Argus group is reacting to TV advertising that has dramatically reduced the revenue of all evening newspapers

SABC-TV advertising revenue increased from R119 million in 1981 to nearly R200 million last year

However, the Argus company has made no marked effort to compete with TV evening advertising — it appears to have chosen instead to run away from this competition and has engaged in battle with morning advertisers in the English-language press

In throwing its financial weight into a battle against its close 40-percent-owned cousin the SAAN group, its image is more one of a bully than a real economic competitor

Cannibalism

Finally, the spectacular sight of the English-language press disembowelling itself may appeal to Nasionale Pers, Perskor, estate agents and the National Party

It should appeal to few others outside of these groups Except to those who like the sight of cannibalism and enjoy the probability of a further clipping of critical expression in the South African press

If there is one thing that South African history has shown it is that economic actions invariably have political consequences

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Argus cartel

It offered estate agents dramatic reductions in advertising rates if they undertook to advertise for the next five years only in the Star — reductions rumoured to be almost 75 percent below usual rates

The Sunday Express has already lost most of its property advertising (reportedly worth R7 million a year) to the Saturday Star, and the Cape Times, through a similar Argus cartel agreement with local estate agents, may lose R2 million a year in advertising revenue

In what may yet be ranked as one of South Africa's most hard-hitting editorials, the editor of the Sunday Express hit back at the Argus group's attempt to smash his newspapers financial base, stating "We are appalled that this newspaper's brand of journalism should give way to the pallid cloned products of the Argus company Whatever the weaknesses of the Sunday Express it is not the grey product of grey people When the referendum came it was the Sunday Express that led the fight against a constitution that the Star had neither the conviction to support, nor the resolution to reject. Not for nothing has the Sunday Express won award after award, while the Argus company has become colloquially known as 'Aunty Argus' "

The Argus Company has thrown millions of rand into its fight against SAAN and there is a rumour going around Cape Town that the (Cape) Argus has R40 million with which to kill the Cape Times

Journalists

In Cape Town the Argus has achieved an enormous inroad into property advertising, not by providing a better service but simply by slashing its advertising rates

The SA Society of Journalists (SASJ) has condemned the Argus Company for attempting to destroy the Sunday Express and other newspapers by wresting their major source of income in an effort "to establish a monopoly of English-language newspapers"

The SASJ has called for the Competition Board to step in Whether it will — in light of its seeming preference to arbitrate around oligopolyism in the biscuit industry and florists trade — remains to be seen

What the Rand Daily Mail editor, Mr Rex Gibson, has called a "Star Wars" battle is fast unfolding

The Sunday Express and the Rand Daily Mail obviously are first on the Argus list of newspapers to be gobbled up, the Cape Times and the Mercury probably cannot be far behind

The two main SAAN money spinners, the Financial Mail and the Sunday Times, at present are untouched, but what is at the end of the road? This brings me to my second question.

There must be considerable doubt that at the end of the road there will be a deliriously happy Argus monopoly

It can be cogently argued that there is a decided prospect that any future antagonisms about an Argus monopoly will be orchestrated to help start and produce some appealing English-medium Citizen-type newspapers

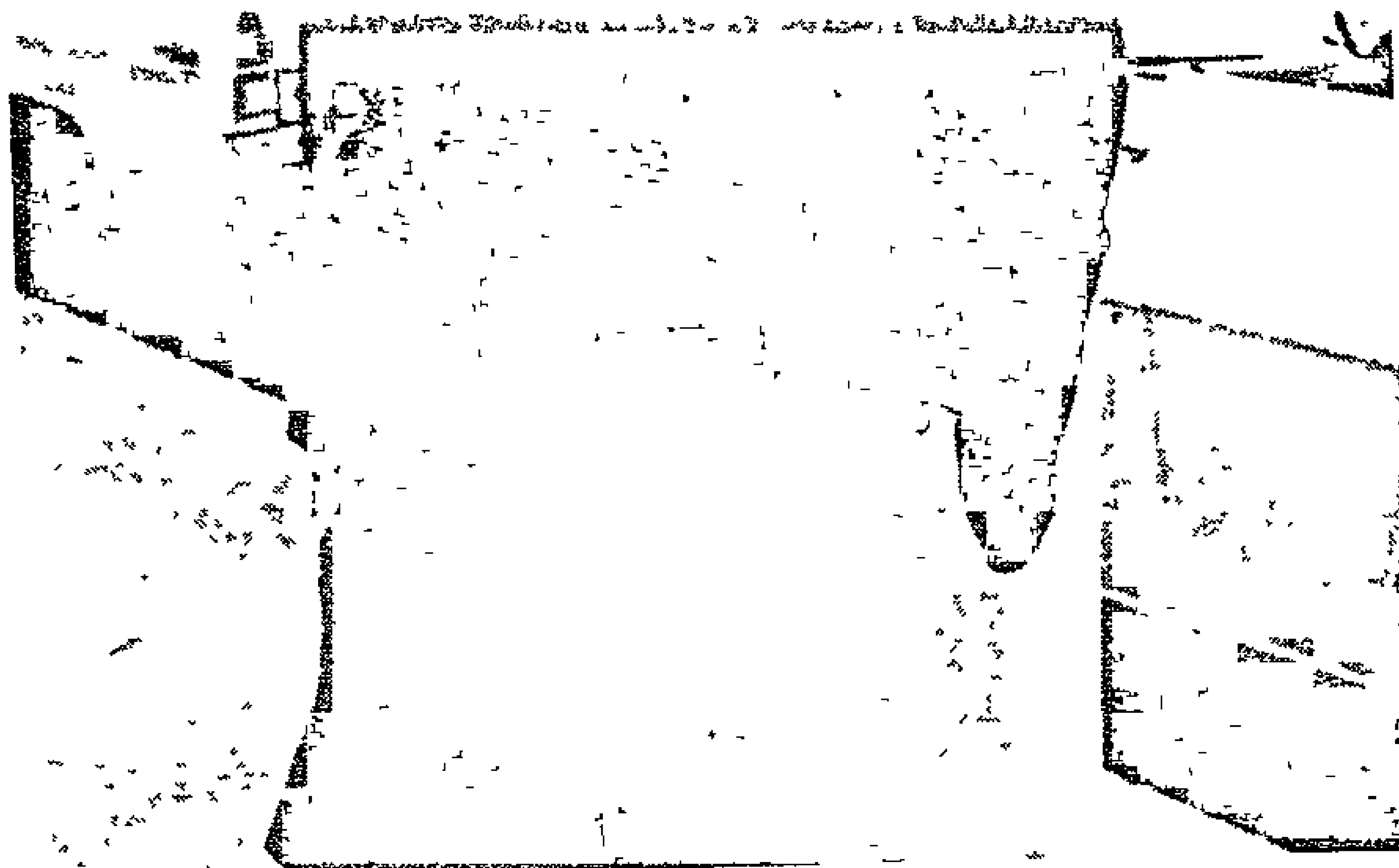
The Argus then will have to battle against such newspapers Perhaps only five years or less down the road, the readers of this newspaper will have only the relatively insignificant decision of whether to subscribe to the "pallid cloned products of the Argus company" or to a National Party-supporting newspaper

Ownership

Two final remarks need to be made Deputy-Minister Mr John Wiley has long waged a battle about the nature of control of the English-medium press which, in his view, is dominated by the Anglo American Group

He has raised significant issues concerning ownership and control of major companies in the South African economy. However, he has done this on a wholly politically, partisan basis. Now he should begin his excursion into the mainstream of our economy and examine whether the ruling party approves of, and connives in producing, monopolistic trends in the economy

A question to be faced is Could the Argus group succeed in an effort to obtain a near monopoly



A newspaper vendor with his bundle of Cape Town papers .. serious war between Argus and SAAN

nearly R200 million last year

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The Sta

Rennies — Safmarine on a high seas venture

By Peter Farley
Investment Editor

Rennies and Safmarine have formally joined forces to create a conglomerate that will effectively be able to make the running in South Africa's leisure, shipping and freight industries

And, although both sides deny it, the move must have been heavily influenced by the substantial shareholding Old Mutual has in both companies

On a quid pro quo basis Old Mutual would have ended up as clear controlling shareholder in the merged operation But, for some reason, has chosen to abdicate this right to a less than 50 percent stake

How, where and when the additional shares will be sold has not yet been disclosed But perhaps the presence of Anglo American's industrial supremo Mr Graham Boustred at yesterday's briefing gives some indication in this direction

At the same time Anglo's Amic has merged its 50 percent stake in Freight Services in the new operation, with no real shareholding in return On the surface it appears content to hold an outside stake in what will effectively be a small part of the overall operation

The formation of the new group involves the delisting of both existing quoted shares, Rennies and Safmarine, and the creation of a joint holding company to be called Safmarine and Rennies Holdings (Safren)

The only surprise is that Safmarine chairman Mr Marmion Marsh becomes chairman and chief executive of the combined outfit, with Mr Charles Fiddian-Green seemingly playing a somewhat secondary role

Nevertheless, it is probably indicative of where the power lies in that four out of the new group's five operating legs will be headed by Rennies's executives

It is clear from the comments of both sides that the new group's earnings growth will be firmly planted in the leisure industry The recent formation of Sun International, into which Rennies sold its casino/resort interests and in which Safmarine already has a sizeable stake, will no doubt be the primary vehicle

In addition, the recent listing of Kersaf, which initially excluded Rennies, could prove a remarkable vehicle for bringing the SA side of Holiday Inns into line with the rest of the now shared leisure interests

SAB and Southern Sun must be wondering why they ever let the ball start rolling in the first place Certainly ABF's Mr Gary Weston has a great deal to answer for

The listing of the new holding company will not take place until mid-November, but existing shareholders in the listed companies will be offered shares for the Safmarine and Rennies scrip they already hold

Safmarine shareholders will receive 45,6 Safren shares for every 100 held, while Rennies' scripholders will get 100 for 100 Safmarine shares closed yesterday at 600c and Rennies at 1 425c

Despite the recent surge in the Safmarine share price, the deal is still slightly more attractive to those shareholders Therefore it would still be cheaper to buy into the deal through Safmarine, for those wanting a share of the new joint company, than through Rennies

But there are still a great number of questions that remain unanswered For a start the two sides accept that they have not been able to resolve the future of the respective insurance or travel interests.

In fact, the deal has not yet even been signed by either consenting party, let alone their lawyers

There is, nonetheless, no doubt that it will now take place

The combined operation will have gross assets of some R1,2 billion, but this boils down to a net worth of some R400 million On a guesstimated issued share capital of 46 million shares this would offer a net worth of some 870c a share

This is broken down by the book value of Safmarine being worth around R250 million against Rennies' R150 million The figures are, however, somewhat misleading as the market value of Rennies investments would show a much more substantial premium over book value than those in Safmarine

Nevertheless, the deal appears to have been split pretty fairly down the middle

The merging of the shipping, freight and forwarding [illegible] tions will certainly afford [illegible] marine the chance to incr[illegible] market share, while cer[illegible] pects of these operations also present rationalisati[illegible] portunities

In the longer term, a [illegible] of years away, the platfor[illegible] certainly been laid for ex[illegible] international expansion on [illegible] tremely competitive terms.

Locally, however, keep eyes on the expansion of [illegible] sure interests and the oft [illegible] ten liquor side of Rennies ing operations

Charles Fiddian-Gr[illegible]

Insider

SA Breweries may have launched its new Ohlsson's Lager with much fanfare last week, but what many may have missed was the introduction of a new corporate logo

The Beer Division has gradually been extending its independence, now further enhanced by this latest development

Mind you, the changes are pretty subtle. a frothing beer tankard in place of a sheaf of barley above the SAB logo

The colour scheme on letterheads, etc, has also been rede[illegible]

droppings — are now a welcome addition to the staff.

□□□

It must seem like hard times at the stock exchange these days, with daily turnover now often well below the R10 million mark regarded as the breakeven level by the stockbrokers.

I understand some brokers are now looking around to [illegible]

Pre-packaged training may create learning ba[illegible]

Ivor Oyston, MD of Tadsa Mohr writes on aspects of training and behaviour

Behaviour modelling stresses learning through example, so if a picture is worth a thousand words then is one good role model worth endless hours of classroom training?

A growing number of individual psychologists are beginning to believe in this approach

Training companies have adapted this concept to give both inexperienced and experienced managers/supervisors, people handl[illegible]

join forces

Fiddian-Green (right) in pensive mood as Marsh takes the helm

...n and Marmion Marsh, ship-shape and Cape Town fashion

Investor interest indicates rates may have peaked

By Duncan Collings

Although the money market closed the week much as it had started — with rates static and trading extremely quiet, rates tended to firm across the board during the balance of the week

In line with the increased rates substantial buying was seen in the 90-day and one-year areas, National Acceptances says in its weekly money market report

Investors are buying at the longer end of the market, indicating that rates may have peaked, National Acceptances says

Comments made by the Governor of the Reserve Bank, Dr Gerhard de Kock, confirmed the view that while rates may have peaked, there will be no decline until all the criteria for having introduced the austerity package have been satisfied

On Friday, at the short end of the market, the key three-month liquid bankers' acceptance remained at 22,10 percent

The market shortage on Friday stood at R1,93 billion, little changed from Monday's R1,95 billion

At Friday's weekly treasury bill tender, the rate was fixed at 21,77 percent, barely changed from last week's 21,78 percent

On the capital market during the week rates moved up by 0,10 to 0,15 percent in very quiet and dull trading with little institutional interest evident

Some switching was seen out of the RSA 14,50 percent 1987 into Escom L156 and out of the RSA 13 percent 2005 into Escom L154 Activity here was restricted by the quiet tone of the market

Post Office raises rates

The interest rate on investments in Post Office savings certificates has been increased to 10,5 per cent, tax-free

At the same time the limit on that part of investments in Post Office savings certificates on which the interest is tax-free, has been raised from R40 000 to R70 000 per taxpayer

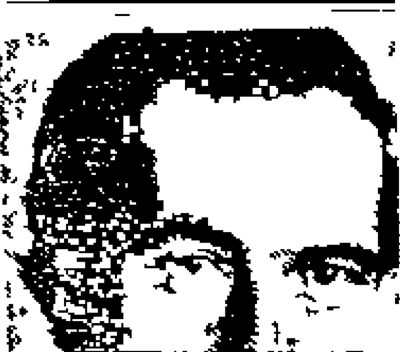
The Minister of Post and Telecommunications, Dr Lapa Munnik, announced in Pretoria yesterday that the higher interest rate becomes effective immediately

Dr Munnik also announced that new investments in Post Office savings certificates will have to be held for twelve months instead of the current six months to earn the new interest rate of 10,5 per cent

It will, however, still be possible to withdraw an investment before the 12 months are up, in which case interest will be paid at the same rate as for current accounts in the Post Office savings bank (6,5 per cent)

Interest on Post Office savings certificates will from now on be paid on March 15 and September 15 of each year — Sapa.

...videos ...rriers



Japan still exporting at record pace

TOKYO — Japan again recorded substantial current account and trade surpluses in July, though in both instances below the all-time peaks achieved in

Rusplats sets fine example in cash flow

Michael Menof on the company beat

By Michael Menof

Rustenburg Platinum operates three major mines exploiting platinum-bearing ores, with the primary product

In these cash-strapped times, Waddell emphasised the importance of cash flow management and how successfully the group had mastered

RDM 1/9/84

Safmarine and Rennies merge

R1,2bn giant is created

232

By ELIZABETH ROUSE

THE merger of Safmarine and Rennnies will create a giant R1,2bn conglomerate, which will rank in the top 15 industrial companies in South Africa.

The creation of Safmarine & Rennies Holdings (Safren) was announced in Johannesburg yesterday by Mr Marmion Marsh, chairman of Safmarine and Mr Charles Fiddian-Green, chairman of Rennies

Mr Marsh will be the chairman and chief executive of Safren and Mr Fiddian-Green will be deputy chairman and deputy chief executive.

Market capitalisation of the giant will be over R600m, based on the present market prices of the two companies, with an annual turnover of over R900m and taxed profits of about R72m/R73m

Mr Marsh hailed the merger as a "very good fit" and "probably the best merging of interests which have taken place in South Africa"

Safren would not only be a force in South Africa but would also look at expansion internationally Shareholders would benefit from the outset.

Rationalisation benefits should be material and should assist in countering present adverse tendencies in the economy

Mr Marsh said that over the past decade the Safmarine fleet had undergone a complete modernisation programme, particularly in containerisation

The merger offered exciting potential for diversification, especially into the tourist, travel and leisure industries

In tourism exciting new developments should follow The larger volume and increased facilities on the travel side should provide the resources for a more purposeful campaign to sell South Africa's tourist attractions

Partnership with the Kerzner group through Kersaf and Sun Rennie would continue undisturbed and even closer co-operation would result to benefit Safren's fast growing interests, particularly in Sun International

The Holiday Inn chain would be expanded and a strong entry made into the budget hotel field

Mr Fiddian-Green said the group could look forward to an accelerated rate of expansion, not only in South Africa, but internationally International expansion will be his responsibility

Mr Marsh stressed that Safren would be an independent group Old Mutual, which currently owns 70% of Rennies and about 30% of Safmarine, would not have a controlling interest and would not seek to control Safren

A joint statement said Safren would have the financial and marketing strength to accelerate the development of South Africa's shipping and tourism industry

Investment in related and worthwhile enterprises would be facilitated and the aim would be to strengthen and broaden the earnings base in the interest of greater stability and sound dividend growth

Other operations include liquor (Douglas Green wines), soft drinks (Sparletta Suncrush), transport and security and wholesaling

Slotting the insurance broking and air travel businesses into the total structure has not yet been decided

Also announced yesterday was the proposed merger of the shipping services companies

Amic will retain its stake in the shipping services division

Amic and Safren will have an equal holding in Redbury Holdings, which will have a stake of 50,1% in Rennies Freight Services

But Safren will have control as it will have a 44% holding in Rennies Freight Services

Mr Marmion Marsh (left) will be chairman and chief executive of Safren and Mr Charles Fiddian-Green the deputy chairman and deputy chief executive.

Competition Board ready to bite hard

S. Times 2/9/84

By David Carte

STAND by for action from the Competition Board under its new chairman, Stef Naude.

Many people called the board "a public relations exercise" in the wake of a spate of enormous takeovers by dominant insurance companies and mining houses

The board was also called toothless after its recommendations on the liquor industry were overruled by the Minister of Commerce and Industries

Explosives

But Professor Naude and his board are eager to show their teeth and will soon be taking on some of SA's strongest vested interests to promote freer competition.

Hard on the heels of strong anti-monopoly action in explosives and coal, the board is examining monopolistic or restrictive practices in State corporations, the agricultural control boards, trade associations and the professions

It also has the Johannesburg Stock Exchange and the financial services industry under its microscope and is investigating the agglomeration process in commerce and industry.

Priority

Competition in free markets has been written into SA's new constitution. This means it is a State priority It also implies the board has protected status and anything related to competition is grist for its mill It will examine State monopolies as well as private ones

Although the board accepts that certain private- and public-sector monopolies or oligopolies are necessary for practical reasons, where it finds unjustified suppression of competition, it will advise the Government confidentially If it is ignored it will not be silent

Author

Prof Naude says "We shall examine everything extremely carefully If necessary, we will speak out fearlessly, without regard to anyone in government or the private sector."

A former attorney, advocate and professor of law at the universities of the Free State and South Africa, Prof Naude has specialised in company and competition law worldwide for much of his career

He was the author of much of the present competition legislation in South Africa and the designer of closed corporations

Prof Naude visited the London Stock Exchange with Mr Justice Margo and Professor Michael Katz to examine the City Code They came up with a controversial Standing Advisory Committee on Company Law report on the JSE This attempted to marry the best of the US and UK securities regulatory systems It recommended a takeover panel over and above the JSE with statutory teeth

Objections

The JSE and financial institutions have objected to the recommendations, which could nevertheless become law next session.

Prof Naude insists his board has power and will use it.

"The liquor industry report was the only one that was not followed Our recommendations on the explosives industry are in effect. In takeovers and mergers we have had many victories

"Remember our successes are never publicised If we disapprove of a merger or takeover we tell the parties and that's that. Our disapproval is never publicised"

Coal supply

The board recently ruled out AECI's exclusive supply agreement with the Chamber of Mines It approved AECI's manufacturing Tovex — on condition that National Explosives also makes it, virtually requiring AECI to keep National Explosives in the game

The board is trying to deregulate coal-supply controls, but this is a tough nut to crack because it entails less work for bureaucrats in the Department of Mineral and Energy Affairs.

Businessmen who have had schemes vetted by the Competition Board speak highly of it.

"Those guys leave no stone unturned in vetting mergers and takeovers", one told me, "and they come to irrevocable decisions quickly"

Prof Naude says there are two ways of promoting competition — to encourage appropriate market structures and to vet behaviour

Flexibility

To get the right market structures, much legislation needs to be amended To this end, the board is agitating for changes to many statutes, including the one governing itself

"In reviewing legislation I am frequently amazed how competition was ruled out in the past by our law-makers But I am not discouraged In South Africa we have far more flexibility in redressing past mistakes"

Once the laws are changed it will be possible to order companies to make changes deemed necessary for greater competition

"In the past people judged the board by the volume of reports it put out. In future, the less fat reports we produce, the more success we'll be achieving Our successes will be behind the scenes"

Architects

The board does watch behaviour in the market place Its inspectors, for instance, recently walked into the offices of various trade associations and demanded to see their constitutions, and excluded provisions regulating the commercial side of their activies

The professions, starting with architects, and ending — after the Brown Commission reports — with medicine, are being looked at

The board will want the professions to prove that minimum fees and restricted entry are in the public interest.

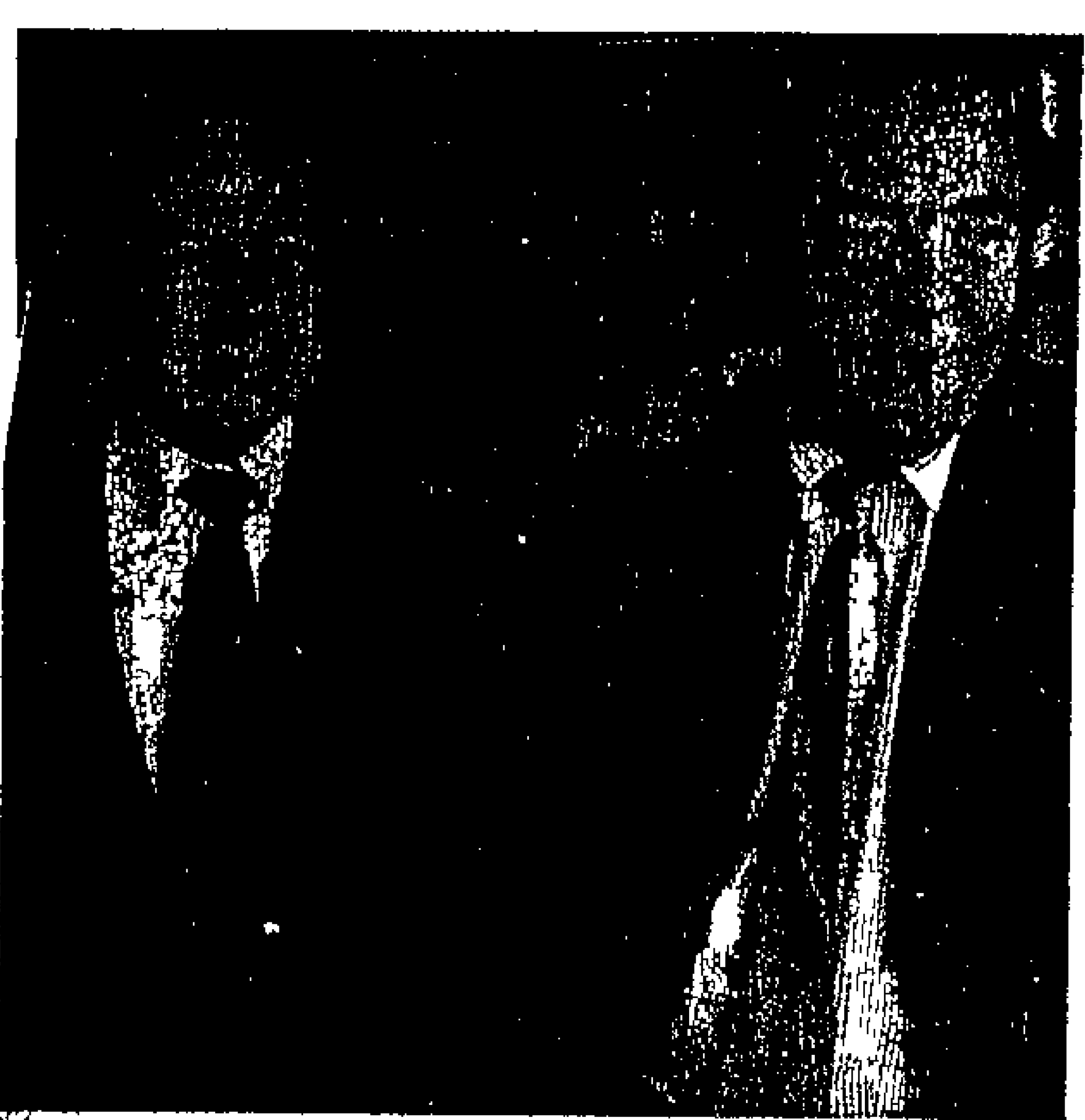
While it is examining legislation here and abroad and planning changes to a number of Acts, the board also investigates specific complaints, such as the one in steel and wire supply against Haggie, Iscor and Cape Gate

All this it is trying to do with two full-time directors and five highly trained technical staff members

Although its activities generate emotion, the board deliberately removes any emotion from its deliberations

"We all want more competition," says Prof Naude, "until we ourselves have to engage in competition We tend to believe competition is good for the other guys, but not for us This is one of the basic problems we have to contend with."

Stef Naude ... no stone unturned



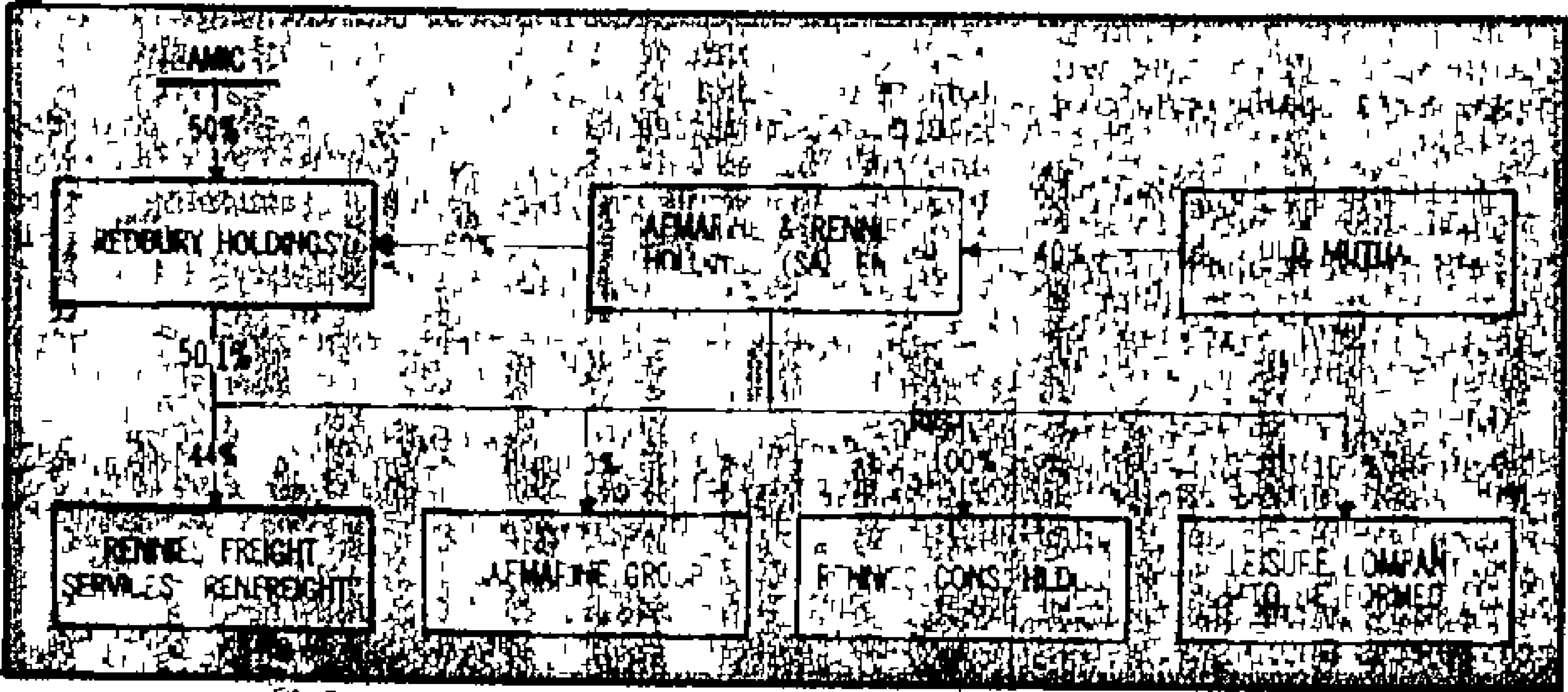
Partners Charles Fiddlan-Green and Marmion Marsh.

Rennies, Safmarine link up in great dollar tourist hunt

SA goes for Big Game

232 S. Times 2/9/84

By David Carte



Safren's structure — Old Mutual top of the pile

FREE-SPENDING tourists by the thousand are expected to stream into Southern Africa on grand tours of the sub-continent after the merger this week of Rennies and Safmarine.

With Sun City, the Wild Coast Sun and Safleisure's floating pleasure palace, the MV Astor, under its wing the giant company plans to offer an irresistible package deal to foreign tourists

They will be offered the delights of Sun City, the Bushveld, the Wild Coast, the Garden Route, the Cape, the desert game reserves of South West Africa plus cruises on the Astor — for magical prices

Muscle

South Africa draws fewer than 300 000 tourists a year — less than Sri Lanka's total. The merged company — called Safmarine & Rennies Holdings — will have the financial muscle to embark on a hard sell among wholesale travel companies abroad. America, with its strong dollar, will be the main target

... merger this country has seen in years," said an equally delighted Mr Fiddian-Green He reckons the group will do well not only in tourism but in hotels and forwarding and shipping

"The new group aims to further develop its Holiday Inn chain and to strongly enter the field of budget hotels to cater for the family man and less affluent overseas visitor."

Restraint

Sol Kerzner is widely expected to lend his hand to this venture when a restraint forbidding him to engage in hotels in competition with SAB's Southern Sun falls away.

Other than to say there is a "strong likelihood" of his being involved in SA hotels again after March next year, he will not comment.

Mr Marsh and Mr Fiddian-Green are excited about the

Rennies produced a 27% earnings improvement last week. On Friday, thanks to its new investments, the premature mini-boom in the economy, burgeoning imports, plus a weak rand, Safmarine unveiled a 90% improvement in earnings and a 40% dividend increase to 35c.

Analysts said the merger terms were "fair and reasonable, if perhaps a bit kind to Rennies". The company had great potential, but they warned that heavy weather lay ahead because of the depressed economy.

Old Mutual, always a bit uncomfortable about controlling companies, will have more than 40% of Safren, but Mr Marsh stresses it will keep its hands off Rensaf.

FREE-SPENDING tourists by the thousand are expected to stream into Southern Africa on grand tours of the sub-continent after the merger this week of Rennies and Safmarine.

With Sun City, the Wild Coast Sun and Safleisure's floating pleasure palace, the MV Astor, under its wing the giant company plans to offer an irresistible package deal to foreign tourists.

They will be offered the delights of Sun City, the Bushveld, the Wild Coast, the Garden Route, the Cape, the desert game reserves of South West Africa plus cruises on the Astor, — for magical prices.

Muscle

South Africa draws fewer than 300 000 tourists a year — less than Sri Lanka's total. The merged company — called Safmarine & Rennies Holdings — will have the financial muscle to embark on a hard sell among wholesale travel companies abroad. America, with its strong dollar, will be the main target.

The package deal will be made even more attractive if the merged company can bypass South African Airways, or induce it to lower its loaded fares.

Neither Rennies nor Safmarine will confirm it; but travel industry sources say the group is likely to fly tourists into Mmabatho in Bophuthatswana.

This will land them close to Sun City, the beginning of the grand tour package — and will enable Rensaf to offer even more competitive prices.

Jumbo jets

Safmarine owns more than one domestic airline, so moving tourists around Southern Africa once they get here will be no problem.

After recently being strengthened, the Mmabatho runway is being lengthened to take jumbo jets. But Bophuthatswana is not recognised by any foreign country, complicating landing there.

A travel agent says. "But if Sol Kerzner can't sort out that little problem, I'll be surprised."

Fortune

"It won't all happen overnight but we're going to make a fortune in tourism," Marmion Marsh, chairman of Safmarine, told Business Times as he and Charles Fiddian-Green, chairman of Rennies, set the seal on the deal.

Mr Marsh will be chairman and chief executive of Safren and Mr Fiddian-Green deputy.

"This is the most logical merger this country has seen in years," said an equally delighted Mr Fiddian-Green. He reckons the group will do well not only in tourism but in hotels and forwarding and shipping.

"The new group aims to further develop its Holiday Inn chain and to strongly enter the field of budget hotels to cater for the family man and less affluent overseas visitor."

Restraint

Sol Kerzner is widely expected to lend his hand to this venture when a restraint forbidding him to engage in hotels in competition with SAB's Southern Sun falls away.

Other than to say there is a "strong likelihood" of his being involved in SA hotels again after March next year, he will not comment.

Mr Marsh and Mr Fiddian-Green are excited about the potential, rationalisation benefits in clearing, forwarding and shipping.

In the past, Rennies and Safmarine were competitors and much of Rennies traffic went to other lines. Now the two will dominate the industry, particularly since Rennies and Freight Services have merged their forwarding activities.

Valuation

For the merger, Rennies and Safmarine were valued identically. Safmarine shareholders will receive 45,8 Safren shares for every 100 shares they hold and Rennies holders 100 for 100. There are more Rennies shares in issue, hence the different ratios

Had the merger been effective in the year to 1984 Rennies earnings would have risen 4% and its net asset value by 42%. Safmarine's earnings would have fallen 4% and its net assets by 23%.

The stock market has traditionally valued Rennies slightly higher than Safmarine, which has been more cyclical — especially last year. Since the merger was proposed, Safmarine, which has greater reserves, has been rerated in line with Rennies because of the quality of its assets and the strength of its cash flow

Heavy non-cash charges, notably depreciation and deferred tax, masked the quality of Safmarine while it was building up its merchant fleet.

Now that the fleet is in good shape and capital spending is expected to fall, Safmarine — like Rennies — is expected to be a strong cash generator.

Rennies produced a 27% earnings improvement last week. On Friday, thanks to its new investments, the premature mini-boom in the economy, burgeoning imports, plus a weak rand, Safmarine unveiled a 90% improvement in earnings and a 40% dividend increase to 35c.

Analysts said the merger terms were "fair and reasonable, if perhaps a bit kind to Rennies". The company had great potential, but they warned that heavy weather lay ahead because of the depressed economy.

Old Mutual, always a bit uncomfortable about controlling companies, will have more than 40% of Safren, but Mr Marsh stresses it will keep its hands off Rensaf.

BDM 4/9/84 (232)

Bid for J Bibby & Sons could cost R376m

Barlows goes gunning for British company

By DAVID FURLONGER and DAVID ROSS

A LEADING British company, J Bibby & Sons, disclosed in London yesterday that it was holding talks with Barlow Rand that could lead to a takeover by the SA giant.

A Bibby statement said discussions, "may or may not lead to an offer being made for the equity share capital of the company".

Barlows' chief operations officer, Mr Warren Clewlow, confirmed in Johannesburg that discussions were at an advanced stage between the boards of Bibbys and Barlows and said a further announcement could be expected shortly

London sources suggested an announcement might be made by this weekend

Mr Mike Rosholt, executive chairman of Barlows, is already in London Mr Clewlow left for London yesterday.

After a report in the London Observer on Sunday, that Barlows was the likeliest bidder, Bibby's shares moved up from 230p, following an 11p rise on Friday, to 288p in early dealings yesterday The Barlow group already holds a 29,51% stake in Bibby through its C G Smith subsidiary, Tiger Oats.

At 288p, the bid would cost Barlows R376m at current rates of exchange.

The bid clearly reflects the strategic thinking of Barlows' top management Before leaving for London last night, Mr Clewlow told Business Day this substantial overseas investment, "will provide Barlows with a springboard for significant overseas expansion".

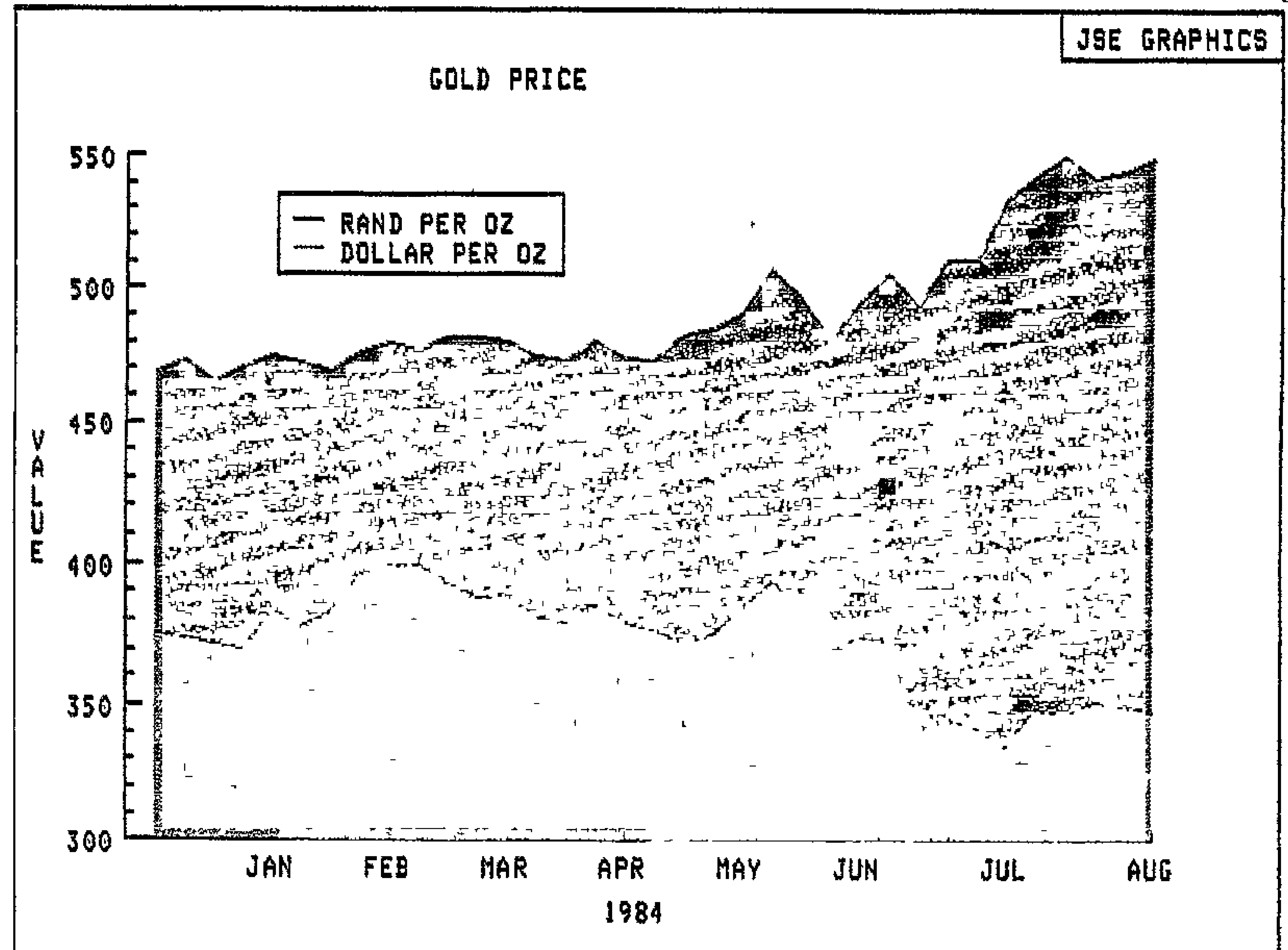
Asked whether, with the current state of the rand against sterling, this looked the right moment for the bid, Mr Clewlow said circumstances, on which he could not elaborate, had led to the timing

The second largest shareholding in Bibby — about 16% — is effectively held by various members of the Bibby family

Bibby has been a very successful investment for Tiger since its purchase in 1976. It has also been a company with a decidedly acquisitive streak.

Established in 1878, J Bibby & Sons is a diversified industrial-agricultural group It had a turnover of R575m in the year to December 1983 — the eighth successive year of record profits

The company last month published record interim results showing turnover of R261m and pre-tax profits of R17m for the six months to June Under the leadership of Sir Leslie Young, a prominent UK industrialist, Bibby has achieved blue-chip status on the London Stock Exchange.



Mr Clewlow said yesterday "Our group's relationship with Bibby has been profitable and we have come to know and respect its management Bibby has made a number of strategic acquisitions in the past few years, providing a base for ongoing development.

"The current negotiations reflect implementation of our strategic thinking. If successful, this substantial overseas investment will provide Barlows with a springboard for significant international expansion"

He said Barlows was already a dominant force in many areas of the SA economy and it was necessary to expand internationally to maintain the group's long-term record of growth and profitability"

"Bibby's operations are ones that Barlows can easily relate to Its agricultural arm is one of the UK's foremost producers of animal feeds, protein concentrates and farm seeds This is complemented by livestock and arable farming."

In the 1983 financial year the agricultural arm accounted for 58% of Bibby sales and 53% of trading surplus.

The industrial arm, which has been built up in recent years, last year had sales of R240m and a trading surplus of R19m.

Its operations include paper manufacturing and converting, hospital and laboratory supplies and specialist industrial services. It recently sold its edible oils company

Bibby employs about 3 300 people in its British, European and North American operations, though the non-UK activities are still small.

Bailey sells SAAN shares to Johnnies

Mercury 7/9/84 (232)

Financial Editor

MR JIM BAILEY has sold his holding of 259 409 shares in the S A Associated Newspapers group to Johannesburg Investment Corporation (Johnnies), a part of the Anglo American group which holds about 40 percent of the Argus group

A terse announcement to Reuter yesterday ended three days of speculation about subsequently denied boardroom rows and a split in the board of directors

Mr Bailey's father, Sir Abe Bailey, helped to found the newspaper group and established several trusts to hold his shares in the group These holdings have been sold over the years, leaving a current 13 percent.

The Argus group is the largest shareholder in SAAN with 39,71 percent, followed by the independent Advowson Trust with 20,27 percent and now Johnnies with 13 percent, meaning that Argus and SAAN now share a 'common parent' in Anglo American

It is thought likely that Mr Bailey will resign as a director of SAAN and be replaced by a Johnnies director — Mr Gordon Waddell, former son-in-law of Mr Harry Oppenheimer, who is chairman of Johnnies

Mr Bailey has had a difficult relationship with SAAN in the past few years, marked by the founding of a joint venture to publish a black newspaper, Golden City Post.

SAAN pulled out of the venture, but Mr Bailey continued, only to sell his interest to Nasionale Pers earlier this year

Johnnies' purchase of the Bailey shares brings SAAN and the Argus group closer together The Anglo group, partly through Johnnies and other companies, owns about 40 percent of Argus and of the nine Argus directors, four are outside men

They are Mr P H Andersen who is on the board of S A Eagle, Mr C Carrington, Mr F J L Wells and Mr D H Stevenson who are, or were, Johnnies directors

SAFREN

The benefits of synergy

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The merger of Rennies and Safmarine — by far the largest such deal in SA so far this year — differs in one respect from some of last year's transactions All the parties involved seem to be happy, and believe they can only benefit from the increased muscle and assets in the combined group, which is to be listed as Safren during November Rennies and Safmarine will be delisted

Unlike some other corporate marriages of recent years, Safren's strengths will still be concentrated in only three main areas ship-owning and related activities, tourism, and travel. Taking direct and indirect shareholdings into account, it seems certain that in each of these fields the group will be the largest single presence in SA With combined group interests spreading across travel agencies, shipping and aircraft, clearing and forwarding, hotels and entertainment, Rennies and Safmarine have both moved strongly towards vertically integrating their existing businesses

"There will be material rationalisation benefits," says Safmarine chairman Marmion Marsh, who will be chairman and chief executive of Safren. "But the main advantages will be synergistic We also believe the managements of both groups will be very compatible"

Rennies chairman Charles Fiddian-Green, deputy chairman and deputy chief-executive of Safren, takes a similar view The merger makes an awful lot of sense in both shipping and leisure," he adds "On the leisure side, the synergy should really be quite dramatic. Rennies is an old company, with a proud history, but I don't have the slightest doubt that this deal will benefit the shareholders of both companies"

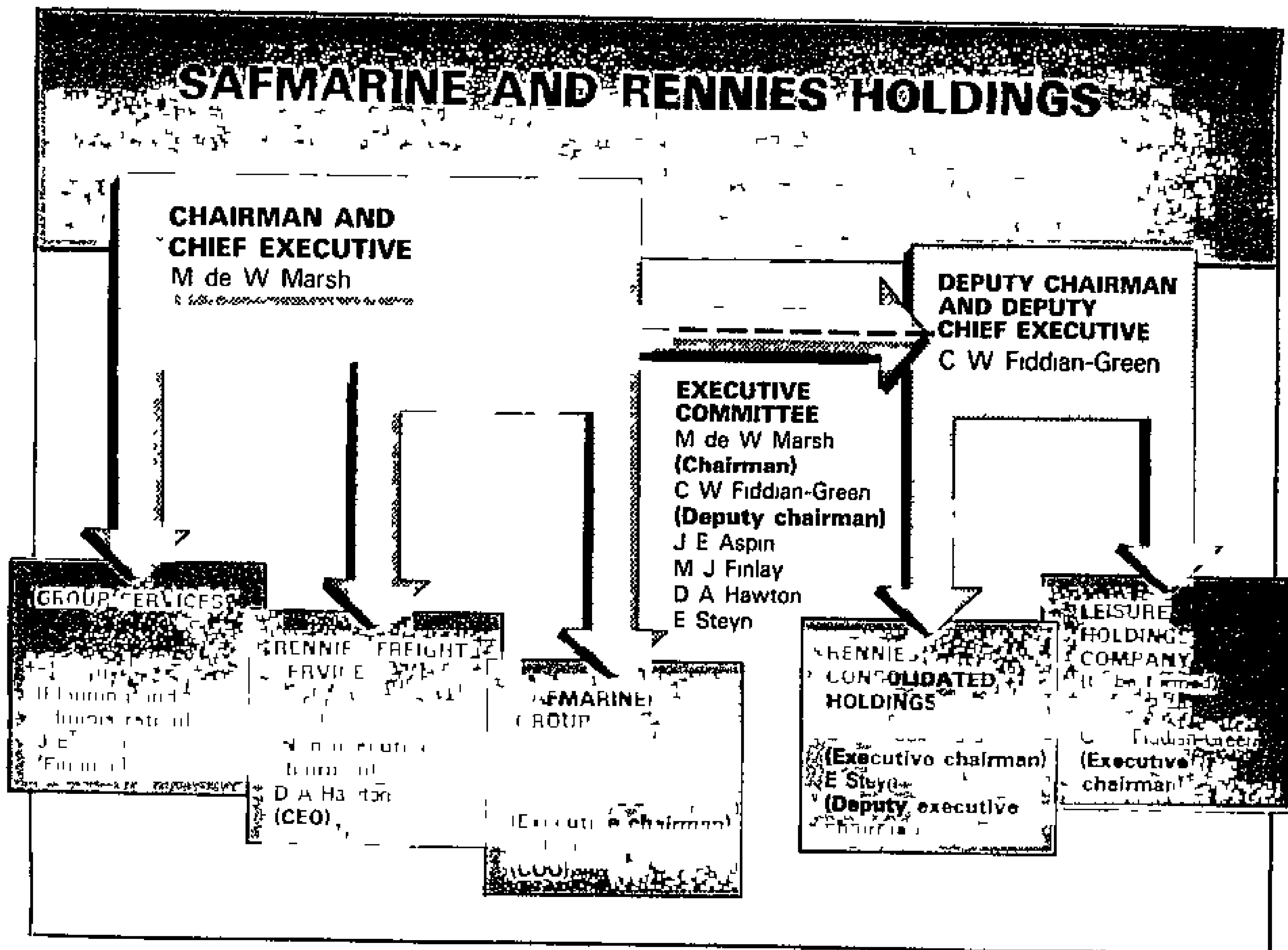
Enthusiasts include Sol Kerzner, who has not been shy to make his displeasure over other such deals known in the past. He

The Safmarine-Rennies merger is the largest of its kind this year. And in contrast to last year's comparable developments, has been achieved with little, if any, acrimony. Both companies have just reported strong results — and both feel that Safren should see shipping, tourism and travel profits pushed to new levels.

stresses that Safren's overall 55% interest in Sun International (SI) will in no way affect the present control structure SI, part of a five-tier pyramid, will be jointly controlled by Kerzner and Associates and Safren.

Kerzner believes that the deal will be positive for Sun International "In the international tourism market, one is competing at a very strong level," he says. "The size and strength of Safren, and the fact that they have a strong interest in Sun International, can only augur well for us. The world competition is so huge that SA companies really need the financial muscle that can only come when shareholders get together."

As expected (*FM* August 3), the deal is a full merger of the two groups There will be four new operating companies· Rennies Freight Services (Renfreight), Safmarine Group; Rennies Consolidated Holdings; and a new leisure company containing the hotel



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further demands on the staff of SATS, and the Department of Customs and Excise.

With modern shipping assets already in place, Safren's future investments are likely to be concentrated in leisure, where more will certainly be spent on hotels. Rennies says it intends to establish a new chain of budget, one- and two-star hotels and more Holiday Inns will also be built.

Overall, competition will undoubtedly intensify in the southern African hotel industry. Kerzner's restraint of trade agreement preventing SI's entry into the SA hotel market runs out in March He confirms that SI is currently looking at the alternatives in SA, and hopes to make a decision before the end of this year. It is unlikely that Southern Sun intends to stand idly on the sidelines either.

All of this poses the question will the hotel market become overtraded? Safren and SI are both targeting significant overseas expansions Even so, experience has shown it is not easy for an SA-based hotel group to establish itself overseas. As for hopes of flying plane-loads of foreign tourists into SA, much will depend on the success that Safren or Kersaf achieve in getting around SAA's high fare structure. But there is no doubting the seriousness of Safren's intentions in the leisure field, with a new company being formed to co-ordinate strengths in this area

Rennies and Safmarine are already well-managed, efficient companies Both have just produced strong financial results that buck the recessionary trends. Rennies lifted attributable profits for the year to end-June by 29,4% to R35,2m, and Safmarine's attributable profits for the same period soared 58,7% to R38,1m (see *Fox*) Rennies' gearing was relatively low at June 30, with the ratio of borrowings to shareholders' funds down to only 44%. There should be no difficulty funding new investments

In the longer term, there is the prospect that the operating companies will be listed separately. Rennies had indicated some time ago it was considering a listing for Holiday Inns.

With the merger to be digested, that will not happen for some time But, while Marsh says he expects the shareholders of both groups to benefit immediately, it is perhaps the medium- to long-term implications that are the most interesting.

Andrew McNulty

(232) FM 7/9/84

of some R180m The ships are highly fuel-efficient and designed to cater for SA's specific foreign trade requirements

Not only will Safren have the advantage of efficient shipping assets, but the investment programme is now tailing off and will make diminishing demands on funds in future Higher volumes for the capital-intensive shipping fleet, and consequently better profitability, is one of the major synergistic benefits expected to flow from the merger

There will also be a massive concentration of resources in shipping-related activities The new operating company Rennies Freight Services (Renfreight) combines the freight interests formerly owned by Rennies and Freight Services. Its clearing and forwarding business will be the largest in SA by far, although Fiddian-Green estimates its market share will not be more than 40%, with as many as 300 competitors, ranging down to one-man operators.

Container depots

An even greater concentration occurs in container depots At present, Rennies holds 25%, and Freight Services has 62,5% in SA Container Depots (SACD), which is SA's only operator of container depots. Renfreight will therefore have a total interest of 87,5% in SACD, with the only other shareholder being the Gencor-controlled Grindrod Competition Board director Nic Vermeulen says the board is not opposing the merger But he does have two important reservations

In clearing and forwarding, he notes, the merger implies a significant concentration of market share "Although ease of entry and a great number of competitors exist in this area, the board will take any action required should an abuse of power occur," Vermeulen says "Concern over the large interests in this sector has been expressed by smaller operators in the past That could increase in future"

The board has completed an investigation into the SACD, but has not yet released the findings Vermeulen adds that the board's basically favourable view of the merger does not imply approval of the SACD's role or shareholding As Fiddian-Green points out, however, it may be difficult to introduce more competition into this sector Container depots are capital-intensive and any further facilities would make

and travel interests Amic retains its existing 50% interest in Redbury Holdings, which will own 50,1% of Renfreight

Top management will be informally divided between Marsh, who will handle Renfreight and Safmarine, and Fiddian-Green, who will head up the other two companies Both men will be interchangeable, and capable of running the group The six-man executive committee — all directors of Safren — comprises three representatives from each of the merging companies

Committee members

Apart from Marsh and Fiddian-Green, they are James Aspin, the Safmarine financial director who will be responsible for group finance, Michael Finlay, the Safmarine operations director who will be chief operating officer of Safmarine Group, Buddy Hawton, who was recently appointed Rennies' chief operating officer and will be chief executive officer of Renfreight, and Ted Steyn, who will be responsible for planning and administration in Safren

Both companies were valued equally for the purpose of the merger Based on closing share prices on Friday, when the deal was announced, Rennies, standing at 1 425c and with 22,5m shares on issue, had a market capitalisation of R406,2m, while Safmarine, at 600c and with 52,3m shares on issue, was capitalised at R304m

Rennies, considered a less cyclical, lower-risk company, has generally carried a lower yield than Safmarine. But Safmarine's price gained 50c from 550c during the week before the deal, apparently on market anticipations that the terms would be a shade better for Safmarine Shareholdings in Safren will be divided in the ratio of 50 50 between the present shareholders in Safmarine and Rennies Safmarine shareholders will receive 45,8

Top men Fiddian-Green (front), Marsh ... toasting success

Safren shares for every 100 shares they hold in Safmarine, while Rennies shareholders will receive 100 Safren shares for every 100 shares in Rennies

This values Rennies at 2,18 times the price of one Safmarine share, and suggests that Rennies should be priced below 1 400c On Monday, Rennies fell back to 1 400c while Safmarine rose to 630c If Safmarine stays at that level, Rennies should move to about 1 373c Considering the long-term advantages, however, most shareholders of both companies will probably elect to stay with the larger group

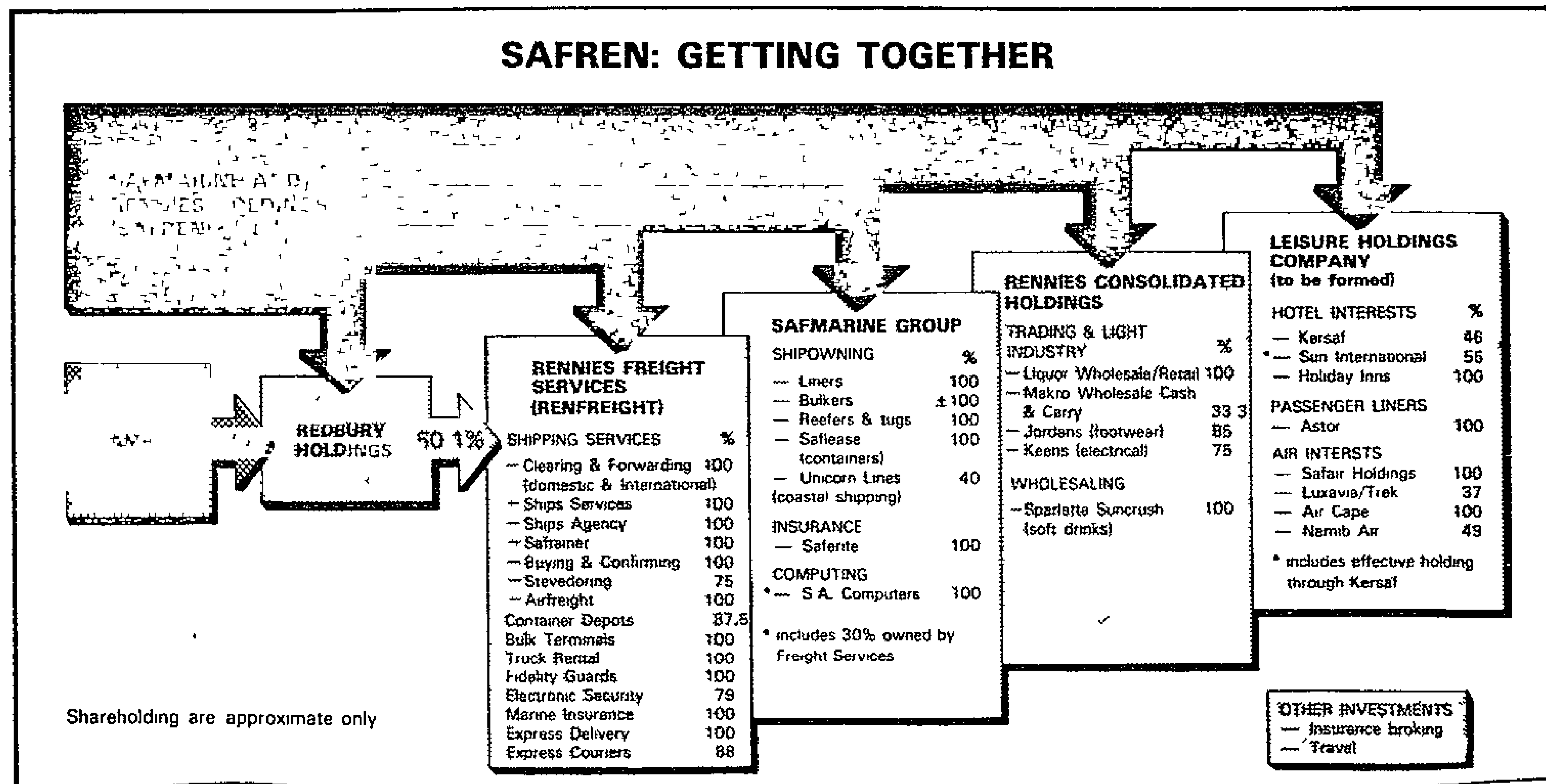
As Fiddian-Green has pointed out, the real gains will not come overnight It seems, indeed, that this merger will be a springboard to significant new investments Nor are the acquisitions likely to end yet Marsh, who is also deputy chairman of Mutual, stresses that Mutual has undertaken not to exercise control despite its shareholding of around 45% Before the merger, it had a controlling 70% in Rennies, and (following government's decision to withdraw) is the largest shareholder in Safmarine, with a stake of more than 25%

Despite Marsh's assurances, Mutual will undoubtedly want to maximise the return on its considerable investment in the group. It could well play a quiet, but effective role in helping Safren broaden its asset base even further

Another large shareholder in Safren will be the UK-based British and Commonwealth (B & C), which will have an effective stake of about 10% B & C, which remained a large shareholder in Safmarine after the IDC's withdrawal, has historic connections with SA's national carrier, going back to the former Union Castle line Marsh says they are still involved in joint ventures, and B & C has no intention of pulling out "We value our relationship with them," says Marsh

Fleet modernisation

Safmarine has invested heavily in recent years on modernising its fleet Over the past year, for example, the company has been bringing into service six new ships, including three bulkers, two reefers and the passenger ship *Astor*, at a total capital cost



American giant ditches abrasives

M&R makes bid for Carborundum

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S-Times 9/9/84

MURRAY & Roberts is in the final stages of a cash bid for the R50-million a year Carborundum-Universal South Africa (Cusa).

By Don Robertson

Port Elizabeth-based Cusa is a member of the international Carborundum Company of America and makes grinding wheels, sandpaper, insulators and supplies shot-blasting equipment. Pre-tax profit is about R4-million a year

Carborundum's staff has been told about the negotiations Bill Bramwell, chief executive of M&R, says his company wants all of Cusa

This means M&R will be negotiating with two parties because Cusa is jointly owned by Carborundum Company of the US and Unicorn Industries of the UK Carborundum has management control

Third stage

Mr Bramwell says "We are at the third stage of negotiations First, we looked at the idea in principle. Then our senior executives had a closer look. Now we are doing the detailed work. It's too early to say whether a deal will be clinched and it will be a few weeks before we can make an announcement"

Peter van der Merwe, managing director of Cusa, was unable to comment

If the deal is clinched, Carborundum will be a free-standing operation in the M&R industrial sub-grouping

Ownership

Carborundum of the US is a subsidiary of Kennecott, which is owned by Standard Oil of Ohio

Standard Oil's takeover of Kennecott was described by Fortune magazine as one of the most disastrous this century The 50-50 control between Carborundum and Unicorn of the SA operation has not been particularly happy Senior staff members are expected to welcome M&R's move

The Carborundum Company has management control of Cusa

M&R conducted a market research programme before beginning negotiations

Cusa has apparently been on the market for over a year and several South African companies made takeover inquiries

Blame

The Carborundum Company decided at the beginning of 1983 to sell its abrasives interests throughout the world, including America, Brazil, Europe, Australia and New Zealand

American reports have laid the blame for Carborundum Company's problems squarely on the shoulders of Kennecott, which acquired the company in 1977 This acquisition sparked off a three-year battle with certain shareholders It was patched up

When Kennecott bought it, nearly half of Carborundum's sales came from its abrasives interests But in 1983, Standard Oil announced that it was taking a $75-million write-off to close that section of the business

Management problems associated with the Kennecott takeover were thought to be behind some of the difficulties

Virtually from that date, Cusa has been on the market.

Divisions

Cusa consists of three divisions The abrasives division makes grinding wheels and sandpaper and has an estimated turnover of R20-million The refractory division makes resistant materials The Pangborn division sells shotcrete equipment and shotcrete

It is a high-tech industry which involves considerable expenditure on research and development and should M&R be successful it will probably have to import technology. Technology agreement will be an important part of the negotiations About 90% of Cusa's abrasive grain and bonds are imported

Kersaf Investments gets a 40% stake in Satbel

232 Star 11/9/84

By Duncan Collings
Deputy Financial Editor

Newly listed Kersaf Investments, which holds a substantial interest in Sun International, has purchased an effective 40 percent interest in theatre, cinema and entertainment group Satbel

At a press conference this morning it was announced that a new, as yet unnamed, company will be formed which will hold 80 percent of Satbel

Kersaf and Federale Volksbeleggings will each hold 50 percent of the new company

Purchase consideration as far as Kersaf is concerned is R25 million, to be settled by a mix of an issue of Kersaf shares and cash

On October 1 this year R10 million will be paid in the form of 1,7 million Kersaf shares at 600c each

The balance of R15 million will be settled on July 1, 1985 in the form of 1,3 million shares at 600c each and R7,5 million in cash

Satbel was previously owned 51 percent by Fedvolks, 31 percent by AA Life and 18 percent by Sanlam Sanlam and AA Life will each hold a direct 10 percent interest in Satbel after the deal

Satbel's activities comprise Ster-Kinekor, the largest exhibitor and distributor of films in South Africa with 120 theatres and 50 drive-ins

Ster-Kinekor also distributes video-cassettes for the home market

Also in Satbel's stable is Cinemark, screen advertisers and Irene Film Laboratories and Video RSA ACF Merchandise imports and distributes professional film projection, sound and lighting equipment Satbel also has a substantial property portfolio from which the Ster-Kinekor chain operates

Announcing the deal, Mr Dick Goss, chairman of Kersaf, said that the investment was in line with the company's policy of diversifying into consumer oriented businesses with the emphasis on the leisure industry Kersaf would be responsible for the management of Satbel

He said that Kersaf felt that the experience and expertise of its chief executive, Mr Sol Kerzner, in the entertainment industry would enable Kersaf to make a significant contribution towards the future direction and development of Satbel

He said that the investment would have a material impact on the medium to longer term prospects of Kersaf

While it was difficult to accurately estimate the effect on earnings in the current year, he said that the acquisition could increase current earnings a share by between 5 and 10 percent, but would have no effect on net asset value per share

Mr Piet van der Walt, chairman of Satbel and an executive director of Fedvolks, said the deal would have no immediate effect on earnings per share or net asset value of Fedvolks But he said it would be of significant medium- to long-term benefit for Fedvolks

A listing will not be sought for the new company

Of Satbel's properties Mr Goss said indications were that their market substantially exceeded balance sheet values, and they would be assessed

"We are not a property company, so if we reckon that the best course to follow is to sell them the properties will be put on the market"

Rdm 12/9/84

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Kersaf buys into Satbel

By DAVID ROSS

KERSAF has announced its first foray into the leisure and entertainment field, apart from its orginal 33,8% indirect holding in the resorts and casinos of Sun International.

The vehicle for such operations is to be a new company through which Kersaf will hold a 40% interest in Satbel. A further 40% will be held by Federale Volksbeleggings.

Kersaf will assume management of the new company. Immediately previously, Fed Volks held 51% of Satbel, having built up this control position from 4% rather more than a year ago.

Mr Peet van der Walt, an executive director of Fed Volks with responsibility for the Satbel investment, says it has been agreed that any further leisure operations (apart from resorts and casinos) that Kersaf or Fed Volks may wish to undertake, will first be offered to the new company.

He says that since both Fed Volks and Kersaf had identified leisure activities as a leading growth area for investment, when Kersaf approached Fed Volks to acquire control of Satbel, 10 days ago, the arrangement was an easy one to make.

Mr Eugene Joannides, director of strategic planning and development of Kersaf, says the company is convinced that the cinema industry is still a growth area, despite home videos and TV.

In view of the speed with which the arrangements have been completed, it is early days to suggest precise plans for Satbel.

He does note, however, that he believes Satbel offers opportunities for utilisation of the real estate portfolio. He notes further that "even Satbel admits that its film laboratories are under-utilised".

He believes that Kersaf's excellent connections with local and overseas performers will help Satbel.

Satbel's main activities consist of Ster-Kinekor, the largest exhibitor and distributor of films in SA, through more than 120 cinemas and more than 50 drive-ins.

Mr Van der Walt says that Satbel does not own most of the cinemas, but does own most of the drive-ins. Most of the cinemas are leased.

Ster-Kinekor is also the biggest distributor of video cassettes for the home market. Satbel also owns Cinemark, the market leader in screen advertising, Irene Film Laboratories and Video RSA, which has the biggest and most modern facilities for professional video production in SA.

Kersaf is to pay R25m for its stake in Satbel, by means of the issue of 1,667m shares on October 1, 1984, and of 1,25m shares, together with a cash amount of R7,5m on July 1, 1985.

SA group to take over Lesotho hotel

The South African hotel group Sun International will take over the management of Lesotho's Hilton Hotel from October 1, it was announced yesterday

The hotel, which is owned by the Lesotho Government, will be renamed the Lesotho Sun

A spokesman for the hotel group said the Lesotho Government and Sun International had formed a joint venture company, Lesotho Sun (Pty) Limited, which would lease the hotel from the Lesotho Government

The hotel was opened in 1979 and comprises 250 bedrooms, convention and banquet facilities and a casino

The spokesman said reservations could still be obtained through the Hilton Hotel's sales office in Johannesburg until September 30 Thereafter enquiries should be made at Sun International's central office in Johannesburg

Kerzner takes over as Satbel complains

(232) S-Times 16/9/84

By Barry Sergeant

SOL Kerzner's Kersaf, which bought into giant cinema owner and exhibitor Satbel, has landed in the leisure industry's most volatile sector.

For the past year, Satbel has depended on independent distributor UIP-Warner for almost all of its films UIP-Warner imports and distributes films for Paramount, Universal, Metro-Goldwyn-Mayer, United Artists and Warner, and has been the biggest source of cinematic blockbusters in recent years

No 1 rival

UIP is connected through two of its US parents, Paramount and Universal, to the South African CIC-Metro cinemas, biggest rival to Satbel subsidiary Ster-Kinekor Satbel has laid an objection with the Competition Board against this relationship

Satbel's eventual parent before this week's deal, Sanlam, would as part of normal managerial procedure have known of Satbel's objection

Satbel's objection stems from fear that UIP's supply of films to it is in many cases discretionary and could be cut off

The relationship can work the other way — Satbel can refuse UIP's offerings when its own suppliers — Columbia, Fox, Disney, Tristar, Orion and Cannon — produce the hits

Consistent

Satbel complained to the Competition Board even though it commands 65% of the exhibitor (box-office) part of the cinema industry CIC-Metro has 9% of SA's screens, independent cinemas holding the rest.

Eugene Joannides, Kersaf parent Sun International's director of strategic planning and marketing, says "Satbel has told us about the objection lodged with the Competition Board, and we will follow it up"

In SA, UIP consistently comes up with winners In the past year, it has distributed the four films that generated more than R1,25-million each at the box-office — *Footloose, Greystoke, the Legend of Tarzan, Indiana Jones and the Temple of Doom* and *Police Academy*

Industry insiders have expressed surprise at the Satbel complaint to the Competition Board They say the independent cinemas are as vulnerable to Satbel's holding back on its exclusive products as is Satbel to a UIP restriction

UIP often offers films, such as *Footloose* and *Greystoke*, to Ster-Kinekor on an exclusive basis if they have marketing features better suited to Ster-Kinekor cinemas UIP has even given films such as *Jaws III* made by CIC-Metro parents Paramount and Universal to Ster-Kinekor for exclusive screening

Welcome

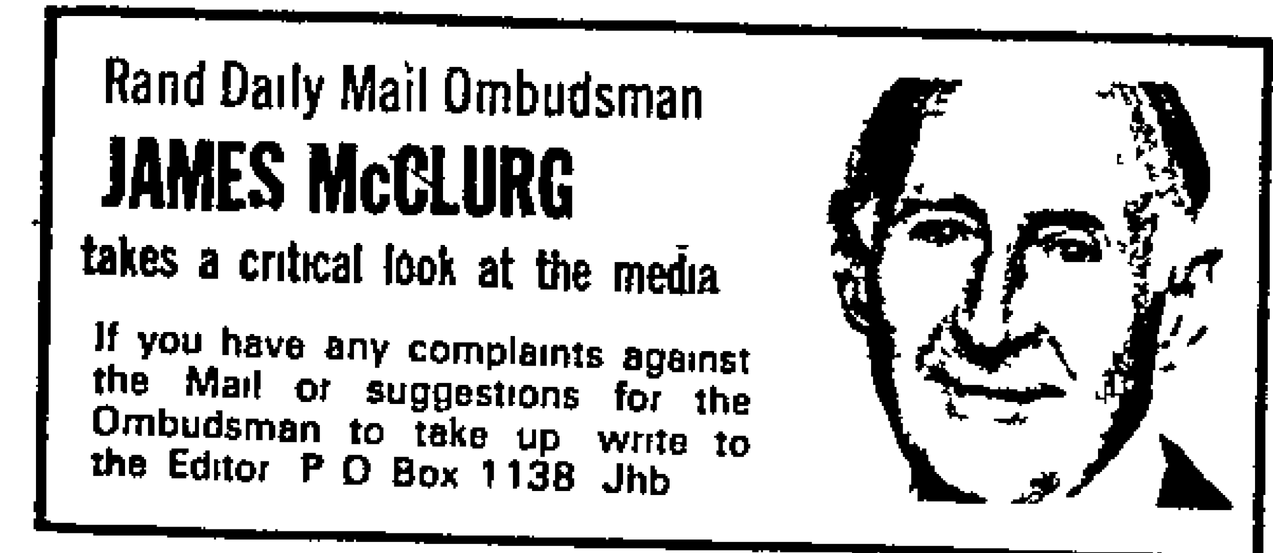
Satbel, on the other hand, has never offered films to CIC-Metro, except for a few screened at children's Saturday morning matinees

Timothy Ord, managing director of UIP-Warner, welcomes the arrival of Mr Kerzner in the cinema business, saying "UIP will benefit from improved marketing in the movie industry as more people will go to cinemas and drive-ins"

Mr Ord says the biggest contribution Mr Kerzner could make to the industry is the production of good commercial products He says the foreign market for SA film products is huge, in mainly the cable, video and TV industries "The time for SA to capitalise on its low-cost production has arrived"

RDM 17/9/84 (232)

How will JCI use its share in SAAN?



THERE is more than one way of looking at the news that Johannesburg Consolidated Investment (JCI) now owns 13% of the shares in South African Associated Newspapers (SAAN).

Those who believe, as I do, that variety of ownership is an important attribute of a free Press can scarcely be expected to raise three hearty cheers.

But worse could have befallen the English-language Press in general and SAAN in particular.

JCI, which acquired the shares from the Bailey interests, is a part of the wider Anglo American empire.

It already has what is reported to be a 16% shareholding in the Argus Company, which in turn owns just over 39% of the shares in SAAN.

On the face of it, the new transaction means that JCI now has a minority share in each of the two companies. But things are more complex than that.

Without going into details, it can be assumed that Anglo American has long been in a position, had it chosen to assert itself, to impose its will on the Argus Company. Likewise, Argus could have imposed its will (or indirectly Anglo's will) on SAAN.

Again, things are not always what they seem. Contrary to facile assumptions and foolish talk, Anglo has always studiously refrained from interfering in the operations, either editorial or commercial, of the two companies.

If the relationship between Anglo and Argus is at arm's length, that between Argus and SAAN could now best be described as at sword's length.

Because the two companies are competitors, Argus decided not to be represented on SAAN's board.

Competition, always vigorous, has now developed into open warfare, with Argus activism threatening several SAAN newspapers.

It is hard to believe that Anglo could have tolerated this situation indefinitely. From a business point of view it made a great deal less than sense.

I cannot believe, either, that Anglo, with its traditional political awareness, could have been content to preside, even at arm's length, over a drift to outright monopoly and a significant reduction in the number of English-language newspapers

It appears to have been entirely fortuitous that the Bailey interests should have chosen to sell their SAAN shares at this particular time

This was no overnight transaction. I understand that Mr Jim Bailey made several approaches to other groups before JCI entered the picture decisively

The most probable purchaser appeared to many observers to be Advowson, the trust that holds 21% of SAAN's shares It was formed in 1975 to defeat Mr Louis Luyt's Government-backed bid to gain control of SAAN.

But there were one or two snags in that proposition, notably that it might have involved extending the bid to minorities and that it might have attracted the attention of the Competition Board, the official watchdog against monopolies

So, bearing in mind the price of the SAAN shares and the wish to exclude any interests thought to be politically inimical, it is not surprising that the purchaser turned out to be JCI.

Whether or not the latest move increases Anglo's influence on the newspaper industry, it certainly brings its role more out in the open.

With JCI represented (as presumably it will be) on both boards, its scope for direct action is obviously increased

How it is going to exercise this power remains to be seen. I do not for a moment believe that its impact will be felt in the editorial sphere, much less that it will be used to impose a grey uniformity on the newspapers.

But while editorial independence is essential to a healthy Press, no less essential is the widest possible choice of newspapers.

It can only be hoped that JCI and its associates will keep in mind the need, appropriately urged on it by the South African Society of Journalists, to "preserve at least what diversity remains".

□ □ □

THE CASE for diversity in the media has received a boost from an unexpected quarter.

In his recent plea for a new "consensus" style of journalism, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said

"In a consensus democracy the media must be free to perform their democratic functions. But free media also mean diversified media, with as many different and independent publications and institutions as possible."

Now Mr Heunis knows as well as any of us that television and radio form an important part of the media May we take it, then, that he would be in favour of an alternative to SABC-TV?

If so, the case for private enterprise, and the Press in particular, to have a hand in the additional service is surely unanswerable

While awaiting the dawn of that happy day, the Press may draw some consolation from the reported statement by the Deputy Minister of Foreign Affairs, Mr Louis Nel, that the Government has taken a "firm decision" not to allow the SABC to increase its present proportion of commercials to total air time

He also said there were "no plans" to extend TV1's transmission hours

Is it wildly optimistic to hope that the thoughts of both Mr Heunis and Mr Nel are gradually moving towards a logical approach to the future of television in South Africa?

□ □ □

STOP PRESS There will be a business meeting with elections for the committee, together with a speaker in the form of Mr Frank Shenton, former regional analyst for Durham, Tyne and Wear and Cleveland, who will speak on "There is Death in the Pot". Coffee will be available. — The Law Society's Gazette.

Anglo subsidiary takes EL firm

(232) 19/9/84 D. Dispatch

By ANDRE JORDAAN

EAST LONDON — An Anglo American subsidiary, Labour Intensive Industries Trust, has taken over W J Palmer, a Bowls Road galvanising, electroplating and light metal pressing concern

The new managing director, Mr Chris Hoggins, said the aim was to improve the quality and range of products of the concern which was established about 50 years ago and which had been run by the children of the original Mr W J Palmer largely as a jobbing concern on the electroplating side, with a production run of tin cans for the black market on the metal pressing side

Mr Hoggins said he saw great potential for the company which has facilities for hot-dip galvanising and copper, brass, nickel, chrome, cadmium and silver electroplating

At present, much of this work was going to Port Elizabeth because local customers were not happy with the quality but this could be reversed if the quality and quantity requirements of local industry could be met.

"If we can get quality and service sorted out, we may well help to attract other industries to the area," Mr Hoggins said

"It's a chicken and egg situation Industries won't come here because the service industries are not here and the service industries won't come because the big industry is not here"

Mr Hoggins said that, in addition to the present jobbing work, they would seek production runs and had already made contact with two local furniture industries to do chromeplating of office and kitchen furniture

"We want to bring in all the local business so that nothing leaves East London If we have to expand to do this, then well and good," he said

W. J Palmer employs about 40 people at present, but Mr Hoggins said the labour force would be increased if his plans succeeded

Mr Hoggins, a mechanical engineer, moved from Zimbabwe three weeks ago He said he had spent his working life in various aspects of the steel industry and his last job was as effective deputy head of Zimbabwe Iron and Steel where he had worked for the past 15 years

"The reason I left Zimbabwe is because conditions, both work and social, were atrocious," he said

"I was keen to get hold of a small company like this where I would be in total control and deal with all aspects like marketing and sales It's a tremendous challenge

"East London is a marvellous, friendly place and I would like to live, work and grow here"

World's top accounting firms' merger will affect SA business

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C-Times 26/9/84

By GORDON KLING

A MERGER of two of the world's greatest accounting firms with influence over about half the major companies in the West and turnovers running into hundreds of billions of rands is expected to affect business in South Africa within months.

Senior partners of the vast Price Waterhouse group and those of the smaller but still very much big-league firm of Deloitte, Haskins and Sells say discussions for the merger or takeover, which will create the largest accounting firm in the world, are well underway.

Both companies emphasize that the discussions are at a preliminary stage, but the intent is serious and prospects for the new business giant are considered to be very good

The deal will create the largest accounting firm in the world and in South Africa as well, directly affecting about 1 500 employees of the two firms here

"The fact that we are holding discussions doesn't mean it will go through," said D H & S managing partner in South Africa, Mr Martin Sage, "but responsible people don't make announcements without a reasonable expectation of success"

Anti-trust legislation was a possible hurdle in the United States, although provisional inquiries had been made, he said No problems were envisaged in this regard at the South African end because of the relatively smaller share of the market held here by the two firms.

The deal was internationally driven and will create a group operating in close to 100 countries with revenues of about two billion dollars (R3,3 billion) and employing 50 000 people

In South Africa the deal is likely to start taking effect in about six months

Clients now include General Motors, with world-wide turnover well in excess of South Africa's gross national product at R125 billion on the D H & S side, and IBM with Price Waterhouse.

"We see benefits in the deal to further enhance the quality of our services, economies of scale, an increase in resources, particularly for technical and research purposes, and for expanding our industry specialization programme (aimed at acquiring skills for specific business types such as banks or legal firms)," said a Price Waterhouse senior partner in Johannesburg, Mr David Cattell

"The new technologies that are coming along will require a considerable investment and a larger organization will allow this to be made"

Big nine club

Auditors generally maintain that the largest company is Peat Marwick, followed by Arthur Andersen, Coopers and Lybrand and then Price Waterhouse. D H & S would rank between sixth and eighth

Clients of the big nine club (extended from the big eight in recent years with the admission of KMG) account for about 90 percent of all business done by firms listed on the New York Stock Exchange.

The new name of the enlarged group is reported to be Price Waterhouse Deloitte

History on the side of Willis Faber in merger

(232) S. Times

By Alec Hogg

30/9/84

WILLIS Faber SA, the insurance broking company whose divorce from the Standard Bank broking arm has not yet been finally formalised, is on the verge of marriage once more.

This time the partner is Robert Enthoven. Reason is the recent merger between Willis' 50% parent Safmarine and Rennies, which holds 50% of Enthoven. A similar merger between the enlarged group's insurance broking interests has already been discussed at top level.

While the merger seems ideal from a synergistic point of view, a battle royal has already developed between the two broking houses around which will enjoy management dominance.

Trumps

As things stand at present, Enthoven appears to hold all the trumps Although both groups have roughly the same number of employees, Enthoven is the more profitable, which insurance observers suggest will put its management in a stronger position But will it?

Willis' profitability has come under pressure this year because of its break with Standard Bank Assurance Brokers — a de-merger which was predictably disruptive — and the recent move to a new head office in Parktown

Now, reckons Willis chief executive Chris Marais, the group is back on the right track. "We have had the unique opportunity to start afresh while at the same time keeping our most productive resources. From part of a group with 850 staff members we are now down to a slim 265.

"I believe we kept most of the best people in the demerger We have redefined our goals and strategies and morale has never been higher. It is starting to show and profits are rising sharply"

Apart from the profitability question, the sharply contrasting corporate cultures also present major problems

Enthoven, which has its strongest market base in Johannesburg, is a go-go operation, highly devoted to short-term profitability and enjoys one of the highest public profiles of all SA's major broking houses

Willis is an almost perfect opposite It has built up a reputation as a solid if overly conservative operation. It is strongest in Cape Town and adopts a low profile

The chief executives are equally contrasting. Enthoven's Charles Bothner is Oxford and Harvard educated — a professional manager who would be at home heading almost any financial institution He has a high social profile and was recently called one of Johannesburg's "most eligible bachelors" by a glossy magazine

He was previously with the Schlesinger organisation and worked for the group in London after it pulled out of SA.

Willis' Mr Marais is a dedicated insurance man and has been in the sector for 25 years He was previously the managing director of the Hellandia Reinsurance Group, the first Afrikaans born person to head a professional reinsurance group

His father was the general manager of Santam and helped build it up into the country's largest short-term insurance company.

It seems certain to be a close race, but history suggests those pundits backing Enthoven may be wrong.

The insurance merger of the decade saw management from the conservative Cape-based Southern Life take precedence over their new colleagues from the entrepreneurial Johannesburg-based Anglo American Life.

Also, with the Safmarine/Rennies merger, the low profile Marmion Marsh now has Rennies' flamboyant Charles Fiddian-Green as his deputy. If history is repeated Mr Marais may soon find himself as the head of what will be SA's third-largest insurance broking company.

Chris Marais ... the past suggests another major promotion soon.

Argus 3/10/84 (232)

Tiger Oats looking for major foreign purchase

Argus Correspondent

JOHANNESBURG — Tiger Oats is looking to return to the international investment arena with another major offshore purchase, following the sale of its stake in Bibby for R164-million

New chief executive Mr Robbie Williams says the recent sale of the group's 29 percent stake in British food and industrial group Bibby to parent company Barlow Rand does not signify a retrenchment by Tiger

Mr Williams accepts that there is insufficient scope in South Africa to perpetuate the growth Tiger shareholders have been accustomed to

While the group will continue to expand locally by both acquisitive and organic means, it will be through a meaningful foreign purchase that long-term growth will be generated

Although some may argue that it would therefore have been wiser to retain the stake in Bibby, Mr Williams does not agree He says the 29 percent was insufficient for Tiger to make Bibby work for it and that Tiger did not have the resources to substantially increase the shareholding

The growing diversification of Bibby away from food more than 50 percent of earnings now come from the industrial operations — and the fact that the investment was on the books at R7-million to yield a net R157-million profit adds further strength to the argument to sell

But while Tiger will be seeking to focus any expansion plans on the food industry, Mr Williams says that the group is looking more towards food related products with higher profit margins

This trend is already evident in South Africa, with Tiger's bakery division expanding into confectionery Other divisions are also expanding with the addition of value added products that offer a better return than the traditonal, more basic, products

EVERYONE HAS TO EAT

Other areas which Mr Williams said Tiger was examining included sauces, puddings, cereals, sweets and possibly even a return to the softdrink market

Although he accepts that the basic food side does give the group a cushion in difficult economic times — the old adage that everyone has to eat — he points out that the drought has made business difficult

It is also a highly competitive business which, coupled with the restrictions on margins imposed by regulated prices, puts added pressure on profitability

The past year has been an eventful one for Tiger, but with the sale of both Bibby and its Metro stake it has cleared the decks for a more meaningful investment But Mr Williams says the next 12 months, the current financial year ends in a couple of weeks, will be one of the toughest

Nevertheless, he says that he is extremely relaxed about the high rating the stock market has accorded the company's shares

The shares added 800c to 5100c in the days following the announcement of the Bibby deal, but have subsequently fallen back a little, which places them on a 3,1 percent dividend yield against the sector's 6,5 percent average.

Although it will not be easy to continue growth this year the company is certainly starting off on the right foot with a clean balance sheet and money in the bank

At the halfway stage the group produced pre-tax profit up to R62,4-million from R54,1-million on turnover up to R1-billion from R947-million

The injection of cash will not affect the current annual results for the year to end-September, but the market is still looking for an improvement over the 566c a share earned last year

As the group is likely to be almost immediately liquid this month a less conservative dividend policy, cover is now nearly four times, may be anticipated

FINANCE Argus 3/10/84 (232)

Sanlam in line to take over Messina

Argus Correspondent

JOHANNESBURG — Sanlam is understood to have gained control of troubled motor manufacturer Messina through the purchase of an additional 31 percent in the company from African Finance Corporation

This would raise its stake in Messina to over 45 percent, and it is believed that the Cape Town-based insurer will now be making an offer to minorities to gain formal control

The shares were suspended after the JSE close yesterday, pending further details It is expected a formal announcment will be made today.

It is not yet clear whether Anglo American has agreed to sell its 19 percent stake in Messina to Sanlam. But, given the problems it is already having with its own motor operations at Sigma, any reasonable offer is likely to be accepted

MORE THAN R12-M

At yesterday's 320c closing price Sanlam would have had to pay AFC more than R12-million for its Messina shares, valuing the entire company at R36,2-million.

No price details are yet available, but it is probable there would have been a reasonable premium over prevailing market rates, given the fact that the shares are trading at only around 30 percent of net worth

Senior executives of all parties concerned were unavailable for comment early today

Messina shares have been on the downward slide since the halcyon days of 1981, when they peaked at 880c,

R4,1-MILLION LOSS

Since then the combined impact of losses from the copper operations, dwindling market share of its Nissan cars and, more recently, massive foreign exchange losses have plunged the company into the red

The bottom line for the six months to end-June slumped to a R4,1-million loss from a R5,1-million profit in the year ago period.

But since then the decline of the rand has forced the company to make provision for almost another R30-million in foreign exchange losses

These all stem from the $90-million borrowed offshore when the rand was more than 90 US cents and not covered Total exposure is now more than R40-million

DRAIN ON RESOURCES

In the past few weeks the company sold its Zimbabwe mining interests, though for those it received only Z$5-million — payable over six years At least, these will prove the end of one drain on resources

The Messina copper operations in the Northern Transvaal have been returned to profitability, albeit a miniscule return, following the closing of the smelting operations and the direct sale of ore to Palabora for processing

The share received a brief fillip earlier this year, and almost doubled to over 600c, on speculation of a possible takeover When nothing materialised they quickly slumped back to present levels

PUZZLING ASPECT

It is no surprise to find that AFC have finally decided to sell, but the puzzling aspect is why Sanlam should want control.

Certainly to justify such a move it would have to severely rationalise operations pretty quickly Possibly it already has short-term plans for a marger or joint agreement with one of the other manufacturers

Last week Ford and Anglo's Amcar — formerly Sigma — announced that talks were taking place that could lead to a merger or rationalisation of mutual interests

Messina managig director Mr Peter Whitfield has, however, long contended that Messina would not be a candidate for a merger with another motor outfit due to the single source of its product range

It is widely accepted that much of Sigma's problems stem from the fact that it has to deal with three major overseas suppliers.

The Nissan operations are certainly operating more efficiently than a year ago, a situation forced upon it by the marketplace. And if the economy and the car market were to turn Nissan could start clawing back market share

But with expectations for the exchange rate still pessimistic Sanlam may just feel that losses from this area will just have to be written off.

Sanlam gets control of troubled Messina

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Star 3/10/84

By Peter Farley

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BRIEF FILLIP

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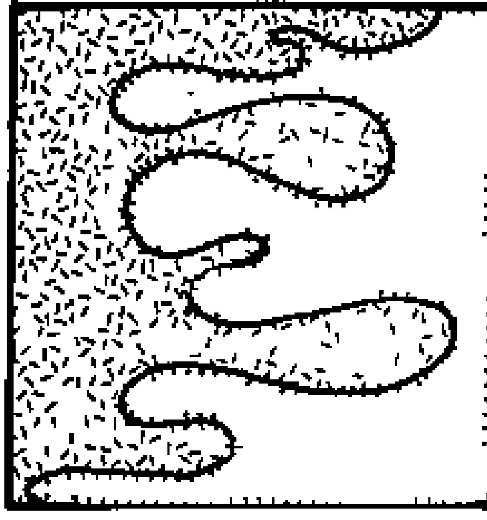
INSURANCE MERGER

A clash of cultures



It must have taken a great deal of courage to walk into the Anglo American headquarters at 44 Main Street and pull off the merger of its large life assurance office with the slightly smaller but older Southern Life mutual office in the Cape

But it must also have meant having an enormous amount of brass neck to present as non-negotiable, and have accepted, Southern Life as the name of the enlarged company, and the retention of Cape Town as headquarters

Moreover, this came from a man who has himself been in the insurance industry for only a few years — and in the B-team ever since he resigned from the Cape regional general managership of Barclays Bank He is, of course, Neal Chapman, who was Southern's fledgling chief executive and is now overlord of the new enterprise

Who will really benefit from the merger of Southern Life and Anglo American Life? There has already been a talent drain from the Anglo side, and while sheer inertia could carry the new entity for a few years, prospects thereafter are far less rosy.

What is perhaps less astounding is Anglo American's capitulation Plainly it has felt uncomfortable with insurance almost from the day it acquired African Eagle Life and Guarantee Life from the Schlesinger Organisation On the other hand, it does still have a substantial stake in a much larger insurance company.

Southern's Chapman comes out tops

Nevertheless, it does appear as if Anglo took the opportunity of reducing its interest in insurance, rather as it ducked out of merchant banking some 10 years ago, transferring UAL to the more able shoulders of the smaller, brasher Nedbank Group.

The trouble is, of course, that in this instance, Southern Life holds nowhere near the same position in insurance as Nedbank held in banking And the questions that should have been asked about the Anglo-Southern deal, which received the Supreme Court's blessing this week, have to do with just that situation.

Central to the merger is not so much the safeguarding of the mutual policyholders' rights in Southern Life (although that is a consideration) It is whether the intellectual conception of synergy is capable of fulfilment in the year ahead to the benefit of all those concerned

For the cultures of Southern Life (SLA) and Anglo American Life (AAL) are much further apart than were those of UAL and Nedbank And then perhaps it is worthwhile examining what might be the real motives behind the "reverse" takeover and who the real winners might be

Don't mix well

On the face of it, the two companies do not appear to mix well AAL is a proprietary insurance company operating from Johannesburg, while SLA is an insurance mutual based in Cape Town The plan is for SLA to demutualise and to merge with AAL, a manoeuvre which has no precedent in this country The merged company, which will be called The Southern Life Association, will be listed on the JSE, with policyholders in both companies receiving preference in the issue of the shares The important third leg of the scheme involves Barclays Bank, which has paid R135m for a 30% stake in the new Southern The technicalities of the merger have been skilfully handled

"A mutual company like SLA tends to define its goals in terms of growth rather than profitability," explains an independent actuary "There are no outside shareholders and, consequently, the company is not accountable for bottom-line profits It is accountable in theory to policyholders, who look only for premium and asset growth in their company"

In fact, this usually leaves management with a great deal of autonomy So a mutual company may be more inclined to write low-margin business that would boost premium income without contributing much to

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profits

This contention is flatly denied by most mutual executives, who claim that in the interest of policyholders they are as concerned with profitability as any of their proprietary competitors

The question, so far as SLA is concerned, that has yet to be answered satisfactorily, is at what stage or in what circumstances do the interests of policyholders suggest that the introduction of shareholders' capital is to their advantage?

Indeed, for decades SLA salesmen have extolled their mutual company, which, having no shareholders "used its profits exclusively to enhance the benefits of clients" (to quote from SLA's 1983 annual report) For many SLA policyholders these assurances must now seem hollow

This does not mean SLA policyholders have done badly by the merger SLA appears to have bent over backwards to protect its policyholders, particularly those holding with-profit policies Fairness was felt to be insufficient for them Generosity was the criterion An elaborate scheme has been devised to ensure that these policyholders receive guaranteed minimum bonuses at the highest bonus rates

SLA policyholders are getting a good deal, but actuaries doubt that they will benefit from all the reserves of the enterprise It stands to reason that the other side is going to benefit from them too

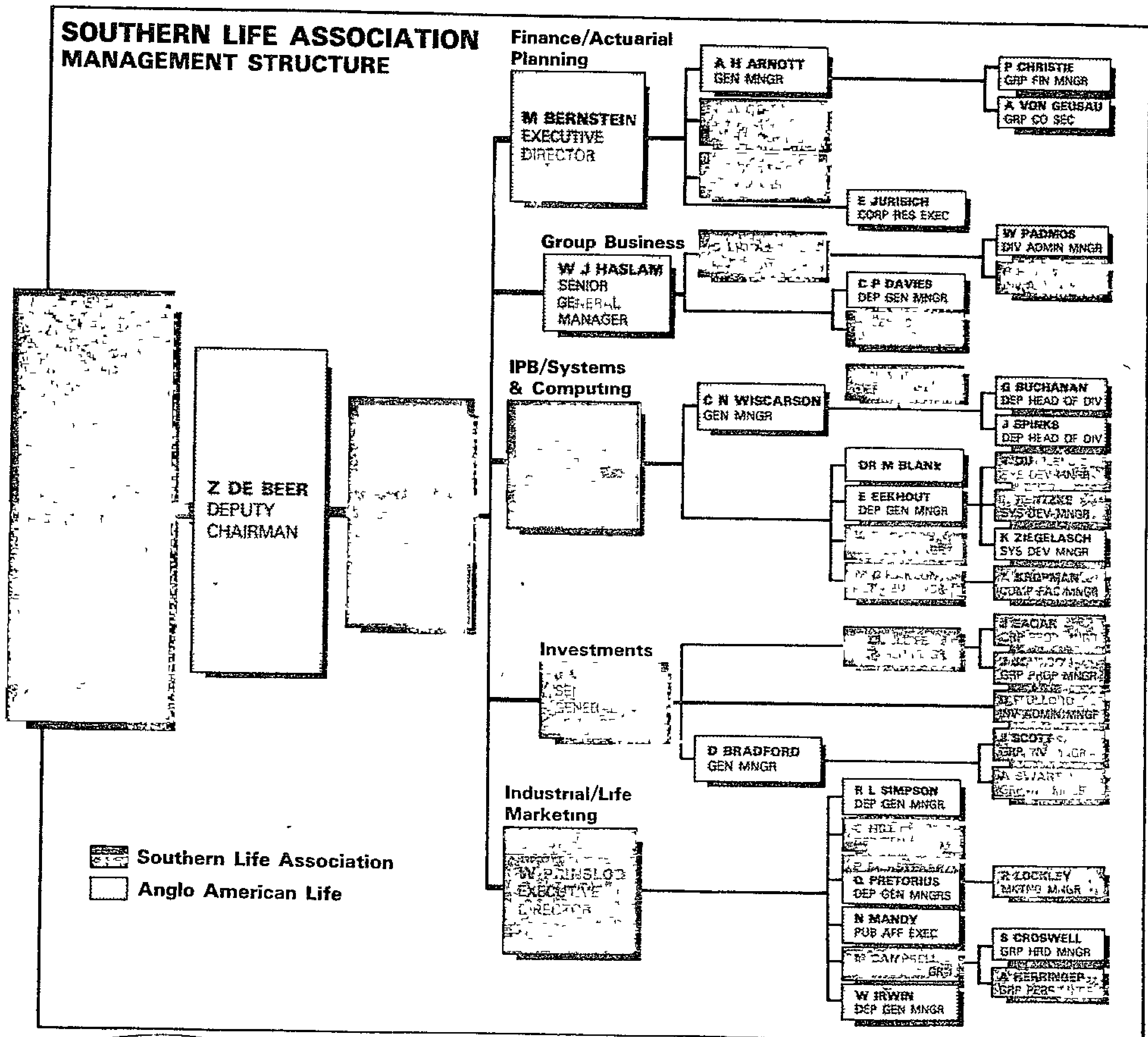
However, while SLA policyholders will doubtless get good, probably higher, bonuses in the years immediately ahead, at least one actuary believes that within five years, the assets attributable to them will be beyond identification In practice, the best intentions in this regard can too easily go astray Both AAL and SLA spokesmen totally disagree

SANLAM AWARD

Sanlam's annual Financial Reporter of the Year has this year been won by Geoff Shuttleworth, an assistant editor of *Finance Week*

Shuttleworth was also winner in the section for Sunday papers and financial weeklies. In this section, the runner-up was Arnold van Huyssteen, a staff writer on the *FM*, for a series of articles on the effects and consequences of the drought.

The chairman of the panel of selectors for the competition, Justice Heimstra, announced the prizewinners at a function in Johannesburg this week The prizes were presented by the chairman and managing director of Sanlam, Fred du Plessis



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Anglo men wary of Southern's Prinsloo

In almost any corporate merger it is seldom the commercial logic behind it that determines its ultimate success, although that logic is a necessary condition Crucial is the marrying of corporate cultures and philosophies If they prove incompatible, in terms of management time alone the cost can be large and unquantifiable.

Plainly put, SLA has a power culture often found in small enterprises. There is a central source with rays spreading outwards along functional or specialised lines Inevitably size presents a problem in this type of enterprise as teamwork is subordinate to personal ambition.

This might have been true too of the old Schlesinger insurance interests But nearly 10 years of Anglo influence have changed AAL much more to a task culture which involves team effort and a participatory management style It is well-known to be the preferred choice of culture for most managers, especially the young and aspirant

Under it, young and talented Schlesinger executives moved rapidly ahead and old-timers like former MDs Alec Tobin and Ron Scowby moved out.

The AAL-SLA teams have been together now for six months and it is a matter of opinion whether a talent haemorrhage from the Anglo side has taken place and is in fact yet over

Certainly deputy MD Ian Solomon has left and joined Ned Equity as MD "My role would have been just to concentrate on pensions, and I saw that as a career setback for me because it narrowed my involvement," explains Solomon

"Another problem was that the head office was going to be in Cape Town Being in Johannesburg I would be out of the mainstream of action, which I didn't like" Many in AAL's senior management were undoubtedly faced with the same situation They suddenly found they had been moved down the management hierarchy, and that their career paths had been blocked

Solomon's number two, Neil Whitfield, has recently gone to Prudential and Frazer Simpson to Liberty Life The SLA executive of whom Anglo men are most wary is Willem Prinsloo, although this may simply be a manifestation of fear of the unknown

A problem is already emerging in the administration of property interests (see page 71) which has led to the maintenance of two competing organisations In the new Southern management structure an industry heavyweight like Gerald Leissner is placed on an equal footing with SLA's property manager, whose portfolio is puny in comparison to the total value of properties administered by Anglo American Property Services.

Chapman denies that the outflow of Anglo talent was material, claiming that only three of the top 100 men have left. Nine months ago he began integrating the two teams and feels they have now a unity of purpose and have jointly-agreed objectives and strategies. But he acknowledges that there have been raids from competitors and he was sorry to see men of Solomon's calibre go

There are other areas of incompatibility. Computer systems could be one of them, although given time this can be put right. Perhaps more serious is the extraordinarily large range of insurance products that will now be marketed.

"This can only increase our broker penetration, and is likely to strengthen our hold on the market," says AAL's Morris Bernstein, who steps down as MD of AAL to executive director of the merged interests. He points out too that Southern will be rationalising its products and producing a new range in February

But some insurance men point out that several of these policies are very similar, which, they believe, could result in market confusion.

"The last thing an insurance salesman wants is a wide range of near-identical policies," says one commentator "In such circumstances he tends to favour one particular policy, which he then sells in preference to all others."

The rate books involved are going to, at best, be cumbersome.

It seems also that the marketing orientation of the new Southern is going to be more towards financial services than pension funds and insurance. Bernstein points out that it is unlikely that the bread and butter of the group will be played down.

But he acknowledges that there will be a search for the best ways for the family to work together. However, new overlord Neal Chapman is a banker and openly cites the need for associates in the marketplace to enable Southern to sell policies more competitively That clearly means Barclays Bank.

In the *FM*'s view the test of the success of this merger is going to come in three or four years Until then, the two components are financially robust enough and have sufficient momentum to keep earnings and dividends sweet

The chance of policyholders obtaining shares in the new venture on the ground

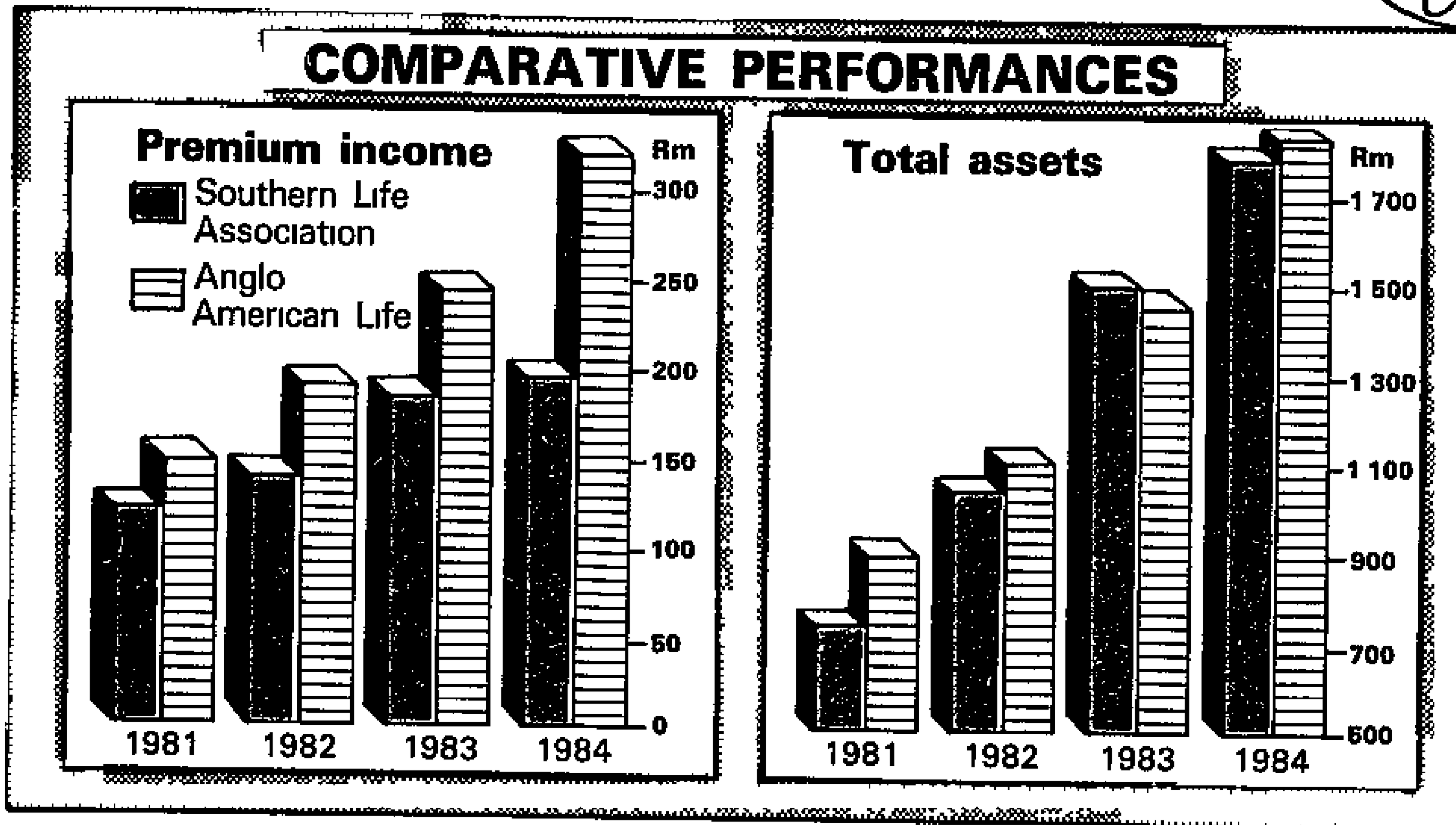
AN EARLIER *FM*

Following a recent change in printing arrangements, it is now possible for the *FM* to be printed a day earlier than in the past.

As from next week, the issue of October 12, the *FM* will be printed on Tuesday instead of Wednesday night.

This desirable development will mean that the *FM* will be on sale in the PWV area on Wednesdays, and on Thursdays elsewhere in SA.

The main reason for the change, and the most important from the point of view of the bulk of our readers, the subscribers, is to ensure that they receive the *FM* in the week of publication. Earlier printing will ensure earlier posting and, hence, earlier delivery of subscribers' *FM*s.



floor could have helped sales performance in recent months when it exceeded expectations.

But what it is ultimately going to be judged on is growth in market share, new business, and premium income. Quality of service and manpower will also be telling. The problems of merging antipathetic cultures, the loss of skills and the new marketing orientation could take a heavy toll in these respects

So perhaps it is not the mutual policyholders of SLA that are the only ones deserving of a sigh. What about the policyholders and shareholders in Anglo American Life? The latter are, of course, capable of looking after themselves. The former, it could be said, might look forward to greater maximisation of profits.

In essence, those behind the merger seek justification in what they see as essential links between financial institutions if adequate growth in the future is to be achieved Frequently examples from abroad are cited American Express and Sears Roebuck. If this is true, the merger certainly has potential

The inclusion of Barclays Bank, through its major shareholding in the new Southern, could have a significant effect on Southern's ability to generate new business. The bank's client base should prove to be a fertile hunting ground for Southern's sales department.

But the financial groupings abroad have specifically not included banks and insurers. This remains illegal in the US and is unusual in Britain. Moreover, the concentrations of financial interest in the US are beginning to show strains that suggest some splintering is imminent.

Deals through circumstance

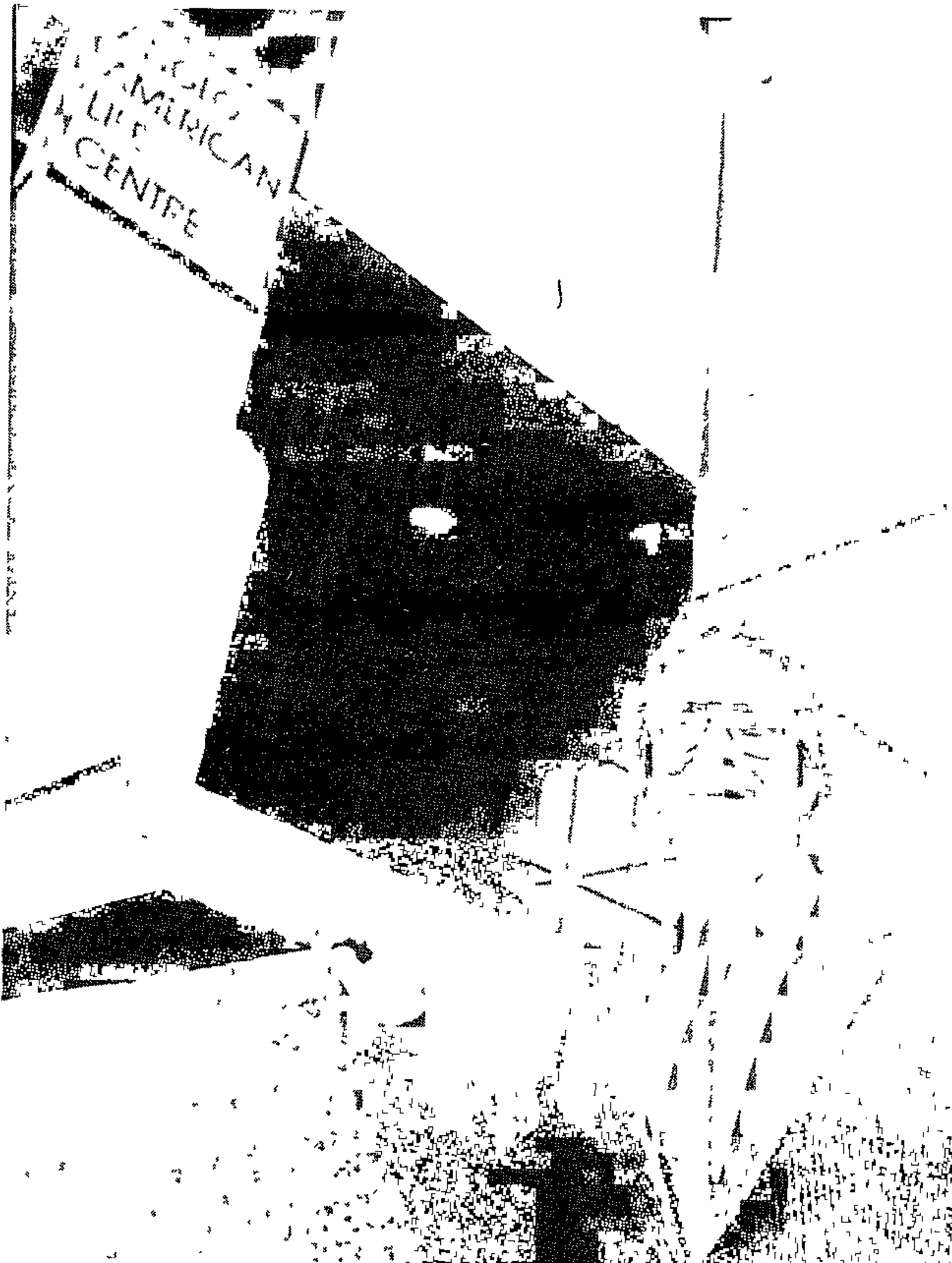
In SA, crossholdings between banks and insurers expanded rapidly during the Sixties without much thought being given to their being good or bad. At times, they were dictated by force of circumstance, such as the rescue by Sanlam of Trust Bank. The AAL-SLA link with Barclays is the last link of this nature between large institutional groups And in that it seeks justification

So when all is said and done, on whom do the immediate and even medium-term benefits of the merger rest? Clearly in part on the barons of SLA they have many more assets to administer and some large and co-operative associates capable of seeing business flows to them

This is what Chapman appears to have been after ever since he left Barclays in 1976. He was unable to springboard the small Cape-based Board of Executors into as powerful a position, although he tried hard enough

In 1982 the proposed merger of the Board of Executors, Fidelity Bank and the SA interest of Hill Samuel, which he was going to head, fell apart No rational reason was ever given But there are those who believe that second time around Chapman has struck oil

Not surprisingly, Chapman has a different view The merger, he says, was not entirely his own doing Top management and the boards of both companies came to a corporate decision after considerable discussions, at one time calling in experts



Anglo's Bernstein ... the corporate survivor

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from abroad.

But Chapman and his SLA team are not the only beneficiaries. The others are Old Mutual, Sanlam, Liberty Life, Federated Life, Ned-Equity and so on. The merger could take two competitors effectively out of the tough insurance market in the years immediately ahead. And at least two of those insurers remaining have in consequence been able to advance expansion plans now that talented Anglo executives have sprung free.

They may, of course, run the risk of lulling themselves into a false sense of security. But who knows.

Neville Glaser

(232)

SOUTHERN MERGER

Shootout — Southfork style?

For months the favourite guessing game on the property cocktail circuit has involved the new-look Southern Life Who will take over the merged property portfolio? ran the question. Would it be Southern's property division under Peter Cunliffe, or Gerald Leissner's Anglo American Property Services (Ampros) which manages for Anglo American Life?

Now the guessing is over. It was announced this week that each team is to retain its own portfolio.

As the rest of the interests are being merged and rationalised, the decision to keep the property holdings apart has come as something of a surprise

The decision will certainly soothe a good deal of corporate sensitivity, but the inevitable follow-up question now being asked is how long will the arrangement last?

Perhaps because there's not much else to talk about at the moment, insiders insist that the two parties have been set a "winner take all" challenge in much the same way as Bobby and JR battled it out for Ewing Oil in TV's "Dallas"

Southern GM Jan Calitz, who has also heard the stories, denies there is any such intention. But he admits that if either consistently outperforms the other there may be a rethink further down the line

Similar projections

He sees this as unlikely, however, since both divisions have come up with similar projections for the year ahead.

At end-August, based on market value, Southern's property portflio stood at R370m against Amlife's R509m — roughly a 40.60 ratio

The portfolios are weighted differently with Amlife heavily into CBD properties such as Johannesburg's new "butterfly" building in Sauer Street, Total House in Braamfontein and Cape Town's Shell House

Southern, on the other hand, is more diversified. Recent additions include a R35m spread of office blocks in central Pretoria, centred on Polly's Arcade, the R10m Roodepoort Plaza, industrial properties in Kramerville and Rosslyn and the 32 000 m² Wonderpark regional mall north of Pretoria.

One obvious problem will be the allocation of funds Although new development, or acquisition, will be handled separately, each party will have to motivate applications. And there could be some heartache — real or imagined.

The allocations will be finally decided by the board after being channelled through Calitz, an asset allocation team headed by Des Bradford, and chief executive Neal Chapman Calitz envisages, however, that the cash will be apportioned about 50 50 between the two He reckons there is little chance of an impasse being reached since the two divisions will have regular meetings, possibly once a month

Amprops' Leissner ... round table decisions?

Currently nearly half the combined discretionary investments are in property — about 25% of total assets which now stand at around R3,5 billion

Ampros' work, Calitz points out, will be for a fee He won't say how much, but says the cost will compare on a pro rata basis with the cost of running the in-house property management division

The contract, he adds, is based on direct costs plus overheads and will enable the "considerable talents" of both Leissner and Cunliffe to be used separately — but in the combined interest of the new group.

Of the two competing heads, Leissner perhaps has the advantage in having seen it all before — although this time, of course, only a portion of Ampros' business is involved.

However, there are similarities with the merger a decade ago between the old Sorec and Anglo property interests Leissner, who emerged as head of the management combine, has a notable success record since taking charge (he has helped work wonders with Amaprop, for example). But there are always problems — currently among them the slow letting of the Sauer Street glass tower

Cunliffe, though only six years [illegible] Southern, has significantly improved [illegible] surer's property portfolio and is [illegible] volved with the development of a[illegible] R120m worth of property, most of it pr[illegible]

For the moment, however, Calitz [illegible] further commitment to real estate [illegible] ment has been put on "hold" until next [illegible]

But, he points out, long before th[illegible] nomic picture changes, Southern w[illegible] again move back into permanent investments.

The last nine months, he says, have been tough with some "interesting" staffing decisions having been made This has led to a situation where, for example, Johannesburg staff report to a Cape Town supervisor, who in turn reports to a Johannesburg superior, who reports back to Calitz in Cape Town

HOW THE TWO COMPARE

Amlife s property portfolio valuation at the end of the current development phase

	Jhb	Pta	Dbn	CT	Total
			Rms		
Offices with shops	311	52	44	44	451
Shops	33	—	—	12	45
Industrial and warehousing	28	7	5	1	41
Total	372	59	49	57	537
	(69%)	(11%)	(9%)	(11%)	

Southern's property portfolio valuation at the end of the current development phase

	Jhb	Pta	Dbn	CT	Bloem	Total
			Rms			
Offices with shops	71	77	31	17	5	201
Shops	50	41	Nil	35	20	146
Industrial and warehousing	23	2	33	15	Nil	73
Residential	13	Nil	2	21	Nil	36
Total	157	120	66	88	25	456
	(34%)	(26%)	(15%)	(19%)	(6%)	—

Speculation of major SA motor industry reshuffle

(232) E-Post 5/10/84

By LOUIS BECKERLING
Business Editor

THE motor trade in Port Elizabeth is buzzing with speculation and rumours about major readjustments in the industry

The Evening Post has had great difficulty in establishing the truth of these From our inquiries, however, it seems certain that the first of several bombshell announcements of a widespread shake-up can be expected within days

Persistent and well-founded rumour suggests that

● Sanlam is due to reveal it has bought a controlling interest in Pretoria-based Nissan

● The Ford-Amcar talks are developing into a tie-up between the two and a statement is expected within weeks

● Sanlam is to re-open talks with Port Elizabeth's General Motors

It is against this background that trading in the shares of Messina Ltd, which controls Nissan, was suspended on the Johannesburg Stock Exchange on Wednesday At the time the share had slid from a month's high in August of 430c to 320c at their suspension

Widespread market rumour is that the suspension followed as a result of negotiations by Sanlam to acquire the 30% shareholding in Messina held by African Finance Corporation. Together with an interest recently boosted from 6% to 10%, this would give Sanlam some 40% and effective control of Messina.

Single major contributor to the Messina turnover is wholly-owned Nissan — which last year contributed two-thirds of turnover but only marginally to profits

Sanlam, which controls 50% of Federale Mynbou (which in turn controls 50% of Gencor — formerly General Mining and Union Corporation) is thus clearly aiming at acquiring an interest in the country's motor industry at a time when the rival Anglo Group is talking via Amcar with Ford (SA)

Asked to comment today, Mr Marius Daling, general manager (investments), of Sanlam, said "We may or we may or not be involved in talks with Messina".

Mr Daling said any further statements would be made "at the appropriate time", but admitted that since Sanlam was itself already a significant shareholder in Messina, it would not be in its interests to withhold such a statement for long

The Evening Post asked Mr Daling to comment on the widespread suggestion that Sanlam would not buy into a single loss-making motor manufacturer but proposed making a twin strike and consolidating two plants in order to ensure profitability in the fiercely competitive and limited market in the country

According to speculation

● To Page 2

Motor industry shakeup rumour

5/10/84 E. Post (232)

● From Page 1

in Port Elizabeth this week, Sanlam has also been talking with General Motors

"If you were to ask whether we have spoken with General Motors in the last six months I can say no If you were to ask whether we have spoken to General Motors in the last five years then I cannot say no," said Mr Daling.

Mr Daling (who also sits on the board of Gencor) was asked whether Gencor had an interest in General Motors

"I cannot deny categorically that Gencor has an interest in General Motors I'm not aware of talks, but there may be a small possibility that they may be involved — but I would discount that"

No comment was available from General Motors, since managing director Mr Lou Wilking was said to be "out of the country", and public relations manager Mr Peter Sullivan was said to be preparing to leave for Pretoria for a week and was not available At the time of going to Press deputy managing director Mr Rod Ironside was also not available

While a blanket of silence has gone up around the Amcar-Ford negotiations since a brief announcement confirming the talks was issued by Ford last week, persistent rumours suggest that the fundamental details of the scheme have already been agreed in principle

Several well-informed motor industry spokesmen today confirmed these rumours were widespread and based on reliable information

What limits are there to wrapping up competition?

(232) Star 5/10/84

By Peter Farley

The role of an entrepreneur in business has never been an easy one. It was, however, never meant to be.

The old maxim that only the strongest survive is as good today as it was thousands of years ago. And it is common knowledge that as the strong get stronger they are better able to fend off threats from other, up and coming entrepreneurs.

But should there be some constraints imposed on businesses when they reach a size where they are able to use almost limitless resources against what in many cases can be considered fairly small beer?

If one is to support a free market economy, the answer must be no.

The ongoing war in the packaging industry, more particularly the corrugated side in the PWV area, is a case in point

But the battle is severely testing certain previously accepted business parameters There have been a few casualties, with those of limited experience tempted into an arena that can be entered at minimal capital cost

Mr Tony Crosby has seen it happen from both sides of the fence He is now in a position, as MD of fledgling corrugated operation Marathon Packaging, where he is feeling the full brunt of the stick he was once able to wield for more than 20 years in business

After nearly 20 years rising through the Nampak ranks, Mr Crosby crossed over to Kohlers where he was chief executive for four years Now he has set up in opposition to both these majors

Marathon is rapidly establishing itself in the PWV market as a viable alternative to the existing majors A year ago it is estimated that Nampak had 60 percent of the total corrugated market, Kohlers 30 percent and Consol the balance

For an investment of little more than R10 million, possibly a couple of million more given start-up costs, Mr Crosby says he has gained almost 10 percent of that market — with by far the largest slice coming from previous Nampak customers

Mr Crosby never expected Nampak to take that sort of loss of business lying down It does, after all, represent something like R15 million in sales and almost R2 million in profit

But he now feels that he is being singled out by Nampak for special treatment as an individual, because of his past experience in the industry Apart from price discounting to regain market share, Nampak have also decided to follow Marathon delivery trucks to every destination to enable them to make counter offers to Marathon customers

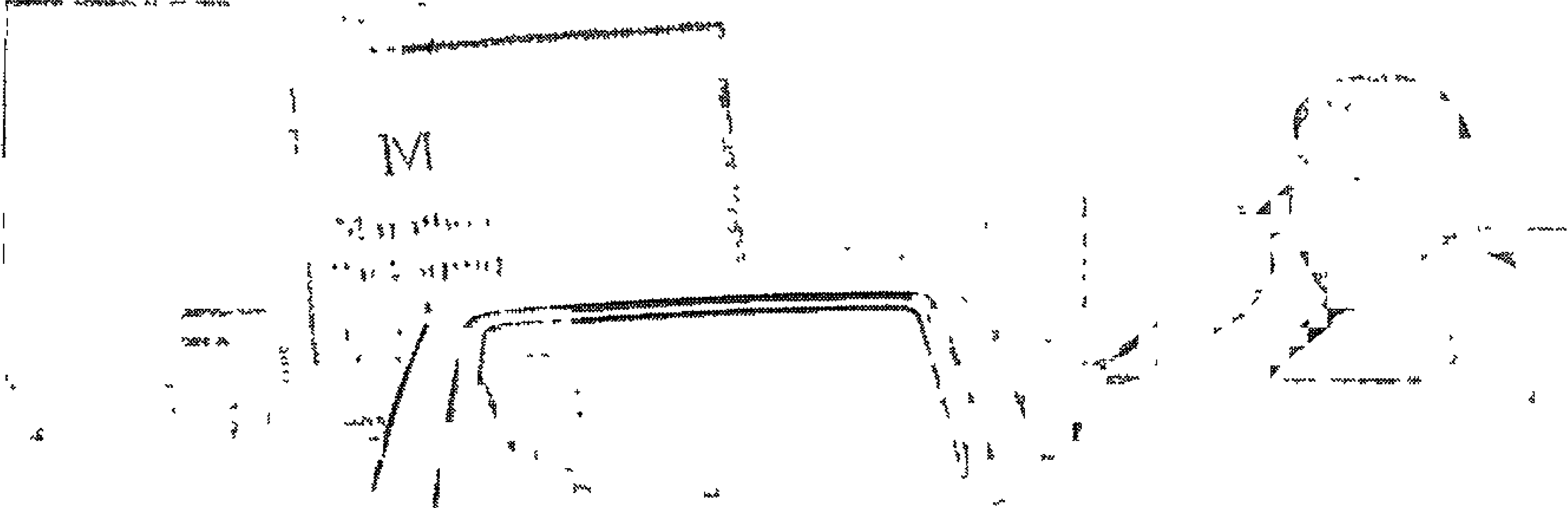
In addition, the Marathon factory is under pretty constant surveillance, with a Nampak team *in situ* in a house across the road from the factory

Nampak MD Mr Derek Jacobs maintains there is nothing illegal in these practices, nor is there anything criminal He feels that these steps are merely part of a legitimate fact-finding excercise which Nampak conducts on all its competitors throughout the country

Mr Crosby, rather naturally, feels very differently Already there have been one or two "incidents" involving the odd stone-throwing episode or bumper bashing exercise

Whether the situation escalates is up to the participants Both sides accept that they don't want to see it get any further

But is it really necessary, and who benefits?



Nampak MD Mr Derek Jacobs (inset left) and Marathon MD Mr Tony Crosby (right) meeting head-on in a no-holds barred battle in the packaging industry. But are the tactics adopted by Nampak, particularly the employment of a detective agency to trail trucks, strictly ethical?

Mr Jacobs says the operation is vital and that, for a relatively small cost, it can quickly rectify lost market share Mr Crosby admits that deliveries have not been disrupted, but points to the psychological damage to both morale and efficiency at Marathon

In the end the respective company's products will resolve the issue And Mr Crosby is adamant that Marathon will be around for a long time to come

It is true, however, that many small corrugated manufacturers have folded in recent months Two did in Natal a few weeks ago and another in Port Elizabeth last week

Mr Crosby reckons his experience in the industry should ensure he does not run into those kind of problems Equally so, that experience should enable him to keep his cool and concentrate on his business

What is certain is that both sides are taking the competition extremely seriously

But, as Mr Crosby says, sales are running ahead of expectations, and with the possibility of a few substantial contracts looming he should show a reasonable profit for the year to the end of 1985

He accepts that the first nine months of operations to this December 31, will show a substantial loss, but he points out that the last two months of this year should show a monthly operating profit

Maybe the tactics adopted by Nampak do not stand up to close ethical examination Maybe Mr Crosby is not meeting his targeted sales and profit figures

But the end result is that customers are certainly benefiting There is little doubt that prices have come down substantially, and in the long run that can only be considered healthy in a country where prices are controlled in so many areas

Sanlam confirms Messina takeover

Financial Staff

Sanlam last night confirmed that it has gained control of over 30 percent of troubled motor manufacturer Messina, reached agreement for the purchase of a further 15 percent and had made an offer to gain outright control.

Merchant bankers Senbank, in a statement on behalf of Sanlam, said that Sanlam, which already owns 14,6 percent of Messina, is offering to acquire 40 percent of the shares held by other Messina shareholders at 500c a share

Messina shares closed at 320c on Tuesday, prior to the announcement by the company that negotiations were taking place that may affect the share price.

On net worth alone Sanlam is still getting control at little more than a third of the more than 1 400c a share net worth. On any other consideration the purchase appears to hold little value.

The company's mining interests have been dissipated over the years — it recently sold off its remaining investments in Zimbabwe — and the Nissan motor operations in SA have been losing market share for most of this year.

Apart from being burdened by a massive debt equity ratio, the company is now having to make provisions for foreign exchange losses of more than R40 million on its uncovered offshore borrowings.

AFC has already agreed to the Sanlam offer and has also agreed to make up the shortfall of any other Messina shareholder who did not sell to Sanlam 40 percent of its stake Anglo American is the other large Messina shareholder with almost 20 percent of the company's equity

The offer is subject to the agreement of certain companies overseas with which Messina has technical and franchise agreements.

Rights issue puts ICI's holding in Farm-Ag to 29%

9/10/84 Star

Financial Correspondent

DURBAN — British chemical company ICI has boosted its share in Natal-based agricultural chemical group Farm-Ag by more than nine percent to 29,15 percent after the recent rights issue

The 12-for-100 rights issue was underwritten by ICI and designed to raise R1,68-million for the purchase of Cape firm Plant-Chem by Farm-Ag

Investors reacted cautiously, not surprising in the light of the group's disastrous 1983 and the premium on the share price, and took up only 54 percent of the issue This left ICI to pick up the remaining 46 percent, including its own 20 percent share

ICI director Mr C Irvine reiterated his optimism in the Natal-based group and said the issue would not have been underwritten if the British firm did not have confidece in the local chemical group

Farm-Ag Natal director Mr Robert Maingard sees a rosy future for South African agriculture and wants to maintain the new group's pole position in the plant chemical market through the wider spread which its products will get through Plant-Chem and the marketing benefits of its ICI link

Farm-Ag has decided to streamline the activities of its newly-formed agricultural division It will sell only implements related to the plant chemicals and fertiliser field, after a disastrous year when it lost some R2 million

On the question of import liabilities, where last year the weaker rand caused a R680 000 loss Farm-Ag is taking a gamble Mr Maingard said they had not covered forward and were placing their confidence in an economic recovery rescuing the rand

"I see the present weak state of the rand as a short-lived phenomenon and I am confident that the Government's disciplinary measures will help in boosting our currency again," he said

"Although I do not expect to see the rand trade at 90c or a dollar in the near future, I think within 12 months it will be worth 70 or 75c again"

Mr Maingard believes the country's agricultural potential guarantees a sound future for the agricultural chemical industry, although the company's interim results, due to be published in November, should not be expected to sparkle

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HLH sells Woltube to Tubemakers of SA for R24 million

STEWARTS AND LLOYDS subsidiary Tubemakers of South Africa (Tosa) has bought the tube manufacturing and distributing operation Woltube from Hunt Leuchars and Hepburn Holdings (HLH)

The R24-million price will be settled in cash — R20 million immediately and the balance in R1-million instalments over the next four months

S&L managing director Mr Percy Levick said "The acquisition makes excellent sense for Tosa and considerable rationalisation benefits will arise in future

"The Woltube range of products will complement those currently manufactured by Tosa and will give us an extended range of products in the small- and medium-bore tube market"

HLH chairman Mr Chris Perry said "The HLH strategy is to concentrate the group's resources in areas where we have, or can attain, a meaningful market share, and where we can consequently earn good returns

"We have achieved this in our timber division and also in the area of steel processing where our Wolcut operation is doing well

"We believed it difficult with the Woltube business to obtain a significant share of the tube market where there is currently over-capacity

"Tosa, which is a long-established supplier in this market, has achieved a more meaningful market share

"Our decision to sell Woltube, which made a profit for the year to the end of August, was prompted simply by our business philosophy of concentrating our resources in areas where we hold a significant share of the market and obtain an adequate return on our investment

"Where we feel we cannot achieve this, we believe it prudent to redeploy our resources"

The deal with Tosa will be effective from September 1 and the purchase price represents a small premium over the book value of the assets

Mr Perry said, that as yet, HLH had no immediate plans for the funds it will receive for the sale of Woltube, but that they would undoubtedly be applied to further develop HLH's two main areas of operation — timber and steel processing

"It releases strategic cash capacity for HLH to achieve its objective in the areas where we have proven strength and expertise

"The deal does, of course, have an immediate impact on our cash position and we will now have a significant surplus of cash"

Mr Perry emphasised that HLH remained committed to its steel processing activities

The group's flagship, Wolcut Vanderbijl, he said, was performing well, as was the Wolcut Natal operation.

The Queenstown cut-to-length line, which is due to be commissioned in 1985 and which will supply the Eastern Cape manufacturers with high-precision steel products, is on schedule

The transaction will lead to a marginal improvement in HLH's earnings and net asset value for the financial year ended August 31, 1985

It will have no material impact on the earnings or net asset value of a S&L share

The joint announcement says the Competition Board has been consulted in this matter

CARTELS

The secret sharers

When the *FM* recently telephoned a paper company executive on alleged price fixing, this was his first reaction. "Have you asked our competitor these questions? I'd like to know what they said."

Pricing agreements between apparent competitors appear to be far more widespread in SA than most realise. Large retail chains are particularly bitter about cartel-type arrangements between their suppliers. But charges of price rigging are difficult to prove. Where it does exist, it is often with government's sanction.

SA's two paper giants, Sappi and Mondi, may not collude on price fixing But the executive's comment would strike some cynics as an unguarded response from a company that *does* Members of cartels regularly consult one another on matters which may threaten their interests — though, to the world at large, they tend to project the image of being in competition

Economics dictionaries define a cartel as a formal agreement between two or more parties on matters such as pricing, sales quotas and measures to prevent newcomers entering the market. There are few manufacturing industries in SA (cement is one) which are known to have formal agreements of this nature But retailers maintain that SA has many cartels — and that collusion on a less formal basis routinely takes place

Ackerman's charge

"The big milling and dairy companies definitely run cartels," says Pick 'n Pay chairman Raymond Ackerman.

Tiger Oats chief executive Robbie Williams replies "Tiger Oats is very surprised by this statement. In the milling and animal feed industry where we are active, competition is particularly keen at present, and our margins are under continual challenge

"In the wheat milling and baking industry, government controls the prices of our raw material, flour, and also that of the final product, bread This may not be deviated from, either up or down We think the margins are too low and have said so in the past. Consequently our return on investment is too low to enable us to firmly guarantee our ability to meet the growing demand for bread in the future"

Premier Group director Peter Wrighton says "It would not be proper for me to comment on this in view of the investigation into the milling and baking industry currently being undertaken by the Competition Board"

Chief executive of dairy company NCD Japie Dreyer does not exactly deny the charge. But he points out that since milk prices have to be approved by the Dairy Board, dairies do get together for price discussions before negotiating increases

Economist Brian Kantor says he suspects cartels in industries where prices from all manufacturers go up simultaneously He cites as a recent example the apparently coincidental price increase from 25c to 30c of three Cape Town English newspapers (There were similar moves in Johannesburg) While this is not necessarily proof of a cartel, it certainly arouses suspicions

In a submission to the Competition Board in 1980, retailers asserted that there had been cartel-type pricing arrangements with processed meat, frozen vegetables, potato chips, tea, paper products, cooking oil, margarine and bakery products

Most of the alleged offenders refuse to comment — or they deny charges of collusion and say that their prices are determined largely by common input costs. "And if one of us puts up his prices before the others," says one, "he also gets flak from retailers"

Among those who deny involvement of their industries in cartels are president of the SA Federation of Softdrink Manufacturers Hennie Viljoen, MD of tea distributor T W Beckett Toby Gawith, MD of Sappi Eugene van As, and a spokesman for potato chip manufacturer Simba-Quix

"There is a cartel for everything and anything in this country," asserts Checkers MD Gordon Utian "How else could some of our suppliers, who should really be suffering in this recession, be making such good profits?

"In many cases, it does not help to phone around for a quotation because so many companies are working hand in glove Government is not aware of the extent of cartels and where it does know, it tends to turn its back on the problem"

Weak legislation

Some believe that the legislation on cartels — in the Maintenance and Promotion of Competition Act — is not strong enough It provides that action can be taken against offenders only after an investigation by the Competition Board, and then only at government discretion Pretoria's rejection of the board's recommendations on the wine and spirits industry, where restrictive practices were found, bears out the view that the authorities are unwilling to rock the boat if important interests are involved.

Another case of government reluctance to act decisively could be in coal distribution It has accepted the board's findings that a cartel-type situation exists, but has directed that the market be freed by negotiation between the parties concerned and the board — which does not have full

UCT economist Kantor wants collusion outlawed

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Pick 'n Pay's Ackerman ... jail the offenders

powers to enforce its findings.

"Government should take off the gloves and punish those guilty of such practices with jail sentences," says Ackerman. "And the Competition Board needs more support from the Minister."

Utian says attempting to expose the country's cartels would be like "walking into a minefield" because of the influence in high places of those involved

Kantor, who is a member of the Competition Board, says cartels are inherently unstable, and the incentive to boost sales ultimately pushes some members into breaking ranks and offering customers secret discounts and deals

"Markets such as SA which are protected against imports are ripe for cartels," he argues, "if only because they have no room for more than a few local suppliers. A solution is to allow free entry into the market by raising restrictions on imports."

Kantor also says collusive acts on prices between suppliers should be outlawed

Competition Board chairman Stef Naude agrees and says he favours the implementation of regulations under the present Act which would provide for fines of up to R100 000 for companies guilty of price collusion.

A problem with stiffening the laws is that it is often difficult to prove collusion, since such agreements are not always placed on record And even when competitors' prices are on a par with each other, this is not necessarily due to deliberate collusion.

"How do you force companies to compete?" asks Naude. "Very often they choose to follow, rather than fight, an industry leader's prices, and we cannot outlaw that"

Another cartel practice, predatory pricing, is also difficult to prove — especially because it offers obvious benefits to the consumer in the short term This happens when cartel members agree temporarily to drop prices to prevent a new competitor from gaining a foothold in the market. Once the competition has been crushed, prices return to old, or higher, levels.

New entrants frequently have resources to launch their products in certain regions only, rather than nationally — which makes pricing them out of the market that much less expensive for the cartel.

It has been alleged that such collusion has squeezed competition in, among others, the western Cape softdrink market and the Natal cement market But one established firm claims its actions are simply "a classic case of pure and perfect competition."

They may well be, but only those who took the decisions know for sure

"It is a normal market reaction," says Blue Circle financial commercial director Peter Kett of price cuts by a Natal factory owned by SA's three cement producers, Blue Circle, Pretoria Portland Cement and Anglo Alpha The three have a pricing and market-sharing agreement deemed by the Competition Board not to be against the public interest, owing largely to the fact that transport costs account for about 40% of total delivered cement costs.

It is probably a matter of definition whether the Natal price decision is a case of collusion — although it could put paid to further imports of cheap cement.

The existence of cartels is likely to be more easily proved in professional associations such as those for doctors, dentists, pharmacists, opticians, stockbrokers, architects, accountants, lawyers and advocates. In many cases, restrictive trade practices are said to be written into their constitutions and enshrined by law

The Competition Board may make recommendations for sweeping changes in the affairs of these professions, which have traditionally disdained the notion of commercial competition — probably to the detriment of the paying public The board's involvement here is in keeping with its brief from government to examine all legislation affecting competition.

Professional codes

If it sticks to its stated principles, the board may recommend abolishing some of the professional conduct codes which allow certain professions to

- Bind their members to fixed minimum charges;
- Prevent suitably qualified individuals in good standing from doing certain work (for example, conveyancing) if they are not members;
- Specify that certain work must be handled by more members than is sometimes strictly necessary (for example, advocates must be briefed by attorneys and senior advocates must appear in court with juniors), and
- Prohibit non-members from buying shares in certain practices

Such changes are already occurring in the US and UK, and it is hoped that government will have the courage to follow a similar course here

But doing so will, by no means, win the war against all price and market fixing. The next battle, in the manufacturing sector, will be harder And government may well shrink from the final and biggest battle of all — the challenge of imposing the same disciplines on agriculture with its parasitic marketing boards and co-operatives

The press and public have a role too. "Co-

Checkers' Utian ... a questionmark over 'good profits'

232 FM 12/10/84 244

incidental" price adjustments should be closely scrutinised The real questions are who benefits by such apparent collusion, and who loses? But so widespread, and so secret, are cartelised practices that the full dimensions of the cost to the economy may never be known What is certain is that, for a country which has waxed so enthusiastic over the benefits of free enterprise, SA has an alarmingly large number of commercial sectors locked into rings of collusive practice

US, British owners of firm in PE to sell up

E-Post 15/10/84

By LOUIS BECKERLING
Business Editor

THE American and British owners of Port Elizabeth-based Carborundum Universal are due to sell their South African investment and withdraw from the country

Kennecott Corporation, of the United States, and Foseco Minsep International, of the UK, have entered into an agreement with Murray & Roberts for the sale of the entire issued share capital of Carborundum (SA) Pty Ltd

Mr Dave Brink, chief executive of Murray & Roberts Industrial, the division which will take Carborundum under its wing, said today the transaction "should be concluded within the next month"

He declined to give details of the offer price under discussion

"If you want a very big ball park figure, you might say it's anything between R10 million and R40 million," he said

The conclusion of the deal, he said, was "conditional upon certain outstanding issues — we must obtain the necessary exchange control approval, and from their side certain audit reports must yet be presented, but we foresee no problems arising"

No comment could be obtained from Carborundum on the disinvestment by its parent companies, since managing director Mr Peter Van der Merwe was out of town

But Mr Brink said he envisaged no major management changes, or changes to the existing manufacturing operations of Carborundum Since no similar company existed within the Murray & Roberts Group, its latest proposed acquisition would be a "pillar standing entirely on its own"

Under the circumstances there was no proposal to consolidate the Port Elizabeth-based manufacture of bonded abrasives with the Reef-based operations of Carborundum, where coated abrasives were manufactured

Management would be granted "maximum autonomy" and its new owners would restrict their involvement to "perhaps helping Carborundum get further ahead than they have done in the past"

Mr Brink said he was aware of the increasing concern over Port Elizabeth's economic future, but Murray & Roberts already owned a number of companies in the area "so we don't see Port Elizabeth as any different from any other investment area"

Murray & Roberts did not expect the planned acquisition to make any material impact on its earnings during the current financial year

Barlows gets 90% of J Bibby

C.7 mines 16/10/84 232

Own Correspondent

JOHANNESBURG — Barlow Rand's bid for control of J Bibby of the UK has been "highly successful" Barlows said yesterday, with its ownership reaching 90,5 percent of Bibby shares at the close of the offer on Friday night.

"That level of ownership suits us very well," Barlows' chief operations officer, Mr Warren Clewlow, said

"We intend to maintain the Bibby listing on the London Stock Exchange, so Barlows has the currency and geographic spread for further overseas acquisitions when suitable opportunities arise

"As a result of the Bibby deal, approximately 10 percent of Barlows shares are now owned by individuals and institutions in the UK

"This strengthening of our shareholder base will also contribute to the achievement of our International Development plans "

Interests

Bibby — a diversified agricultural and industrial group whose interests are predominately in the UK — this month expanded its industrial base by buying the Barlows materials handling businesses in the UK, Europe and the United States

"The enlarged Bibby is set to perform well in the future," Mr Clewlow said

Because Barlows succeeded in getting control of Bibby by the first closing date of its offer on Friday, British takeover rules require that the offer remain open for a further two weeks Only at the end of this period will Barlows know how much more it owns of Bibby than the current level of 90,5 percent

NEW LOWS

	PRICE	PREV
ERPMO	21	30
WIT CONS	700	706
TRUMCOR	11	12
AMAPROP	300	315
NATPROP	59	60
N KLEINS	285	300
UNIDEV	35	36
BROMAIN	78	80
ENYATI	35	36
OIL	49	50
ADONIS	45	50
PROGRESS	155	160
NATL TRDG	330	335
AFCOL	585	590
WORLD	125	130
WORLD	125	130

Maister group buys PE sign firm

E. Post 16/10/84

Business Editor

THE Maister Directories group of companies has bought, for an undisclosed amount, Sign and Nameplate Industries, of Port Elizabeth

The group, publisher of the Yellow Pages directory, began a nationwide diversification into the signwriting industry after purchasing Brilliant Signs, in Johannesburg, last year

The expansion followed an earlier diversification into outdoor advertising, initiated with the purchase of the Metropolitan Outdoor Advertising Company

Newly installed general manager of a trio of companies included in the latest expansion in Port Elizabeth, is Mr Barry Morris

Mr Morris declined to put any prices to the deal but said included in the takeover was Algoa Anodizing and C J Van Heerden Signwriters — both companies having earlier been purchased by Sign and Nameplate Industries

"We are due to begin trading under the name of Brilliant Signs shortly — we'll probably begin phasing in the name change next week," said Mr Morris

While there had been no immediate changes to the operation, the new owners envisaged a growing emphasis on illuminated signs

"With branches in Johannesburg, Durban, Cape Town, East London, and now Port Elizabeth, we believe we'll be in a better position to compete both on price and service," said Mr Morris

RCI will get upper hand in merger with Rand Merchant Bank

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Star 1/10/84

By Peter Farley
Investment Editor

Rand Consolidated Investments (RCI) came of age yesterday following the announcement of plans to merge with Rand Merchant Bank (RMB)

And though the deal is a straightforward merger there is little doubt that RCI will hold the upper hand in the enlarged operation

Current RMB MD Mr Johann Rupert is stepping down as the bank's chief executive While he will remain a non-executive chairman, RCI's Mr Gerrit (GT) Ferreira will not only head up the combined set-up, but RCI will also have a three.two board majority

The shareholding in the new company has not yet been finalised, as much will depend on the first year's performance of the new RMB

But with RMB strong on the assets side and RCI clearly ahead on profitability or return on capital it would be no surprise to see the shareholding split 60·40 between RCI and the Rupert family

At an estimated net worth of R20 million and net profits of over R7 million the bank will be of an equivalant size to both Volkskas and Barclay's merchant banking operations.

It is no secret that RCI has been seeking a banking licence for some time now, but that several avenues have been blocked by the Registrar of Financial Institutions The attempted purchase by RCI of the licence once accorded Bankorp's Federale is a case in point

The current deal was mainly precipitated by the re-call of Mr Rupert to the family's Stellenbosch headquarters This meant that he would not have been able to oversee the daily banking operations and therefore felt obliged to sell the bulk of his RMB shares.

Mr Rupert's long-standing relationship with Mr GT Ferreira, dating back to university days together, made the end result a natural development

The new RMB will be seeking a listing as soon as possible, says new MD Ferreira But this can only be achieved once the shareholding in the merged company is finalised.

This should be sorted out by the third quarter of next year and Mr Ferreira would like to see the bank listed almost immediately afterwards Plans for RCI to come to the market via cash shell Autolec have obviously now been dropped

RMB will now be able to offer the full spectrum of banking services — excluding retail operations — with the talents of the two components dovetailing together at virtually every stage.

One important aspect will be the inclusion of RCI's 20-odd percent investment in SA's only commodity futures traders, Holcom In turn, Holcom should benefit enormously from the spin-off of being associated with a top-level banking operation

EVENING POST, MONDAY, OCTOBER 22, 1984

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and Shipping

Powertech to control Scottish Cables

JOHANNESBURG — The Power Technologies (Powertech) Group has announced that it intends acquiring 58,13% of Scottish Cables from the British based BICC Group for R12,8 million cash

Powertech, which paid 165c per share for BICC's shareholding in Scottish Cables, is to make a similar offer to the remaining shareholders

Scottish Cables shares are currently trading at 130c having dropped to this level from a recent price of 200c

The agreement is subject to the usual consents being obtained from the relevant authorities and certain other conditions, but is expected to be finalised by early next month

Making the announcement, Mr Hugh Brown, chief executive of Powertech, said "The deal means that Scottish Cables, a former British-controlled company, is now in South African hands and it is hoped that it will go a long way to improving rationalisation within the local cable industry"

Mr David Booth, chairman of BICC International, who came especially to South Africa with the objective of introducing a strong South African presence into Scottish Cables said "We are delighted to be associated with the Altron group of which Powertech is a subsidiary, and it is our intention to maintain and develop strong ties with the company"

For the year ended 31 December, 1983, Scottish recorded sales of almost R50 million and currently employs more than 900 people nationwide

Scottish manufactures a broad range of power and control cables and has recently concluded a R12 million expansion and modernisation programme

Mr Booth went on to say that under the terms of the agreement concluded, BICC will continue to provide long-term high-technology know-how and technical support to Scottish Cables

Existing agency agreements will remain in force and "we also firmly intend to take a significant minority stake in the local operations"

Mr Brown said that negotiations are currently in progress by which Asea Electric South Africa, a Powertech subsidiary, and Scottish Cables may be rationalised, so bringing about an entity which would effectively compete with the multi-nationals across a broad range of products

"Shareholders will be advised of the outcome of these negotiations as soon as possible but they may be assured that when completed, these transactions will create a major South African-controlled company with projected annual sales in excess of R100 million having a strong presence in the power, control and telecommunications cable industry"

The acquisition of Scottish Cables will have a negligible effect on the net asset value and earnings per share of Powertech

"In view of the distinct benefits that will flow from this transaction, it is likely that many of the minority shareholders will wish to remain invested in the company"

Thesens sold for R28,7m

Times 23/10/84 (232)

JOHANNESBURG — Federated-Blaikie Ltd has acquired the entire issued ordinary share capital of Thesen & Co (Pty) Ltd for R28,7m cash from Rand Mines Properties Ltd (RMP), effective October 1, Standard Merchant Bank Ltd announced yesterday

Thesens has in turn disposed of certain undeveloped farm properties in the Plettenberg Bay area to RMP subsidiaries for R1,5m, it added

The main business of Thesens and its subsidiaries is the growing and processing of timber in the Southern Cape coastal region It also owns a 50,3 percent interest in Amalgamated Motors Ltd, a motor dealer business trading in George, Knysna and Oudtshoorn

This acquisition will broaden Federated-Blaikie's asset and income base and stabilize earnings, Standard Merchant Bank said

The acquisition is conditional upon ratification by Federated-Blaikie and RMP shareholders — Reuter

Mercury 24/10/84 (232)

BP starting to buy in Matthey

London Bureau

BRITISH Petroleum has begun buying shares in Johnson Matthey, the troubled precious metals group, because it is interested in the company's platinum catalyst manufacturing units and other technology divisions.

BP bought 3,8 percent of Johnson Matthey shares for around £5 million (R10,5m) and intimated that it could buy more

'We have not yet decided whether we will make a full scale or partial bid for Johnson Matthey — they are options' said a BP spokesman

But he said the company needed more information

Technology

'It is not just an oil company — it is involved in technology too,' said the spokesman 'Johnson Matthey has a good track record in technology'

BP is interested in Johnson Matthey's catalyst manufacturing operations, refining and chemical business, pigments, microbiological equipment, and research into new fertilisers

Matthey's catalyst operations would be useful Catalysts are used to reform petroleum products and to reduce noxious exhaust emissions from motor vehicles, and within the next few years the European motor industry will begin installing them to meet more stringent anti-pollution requirements

BP holds 4,75 million shares in Johnson Matthey, which is currently valued around £170 million (R360m) Since BP's net income was £866 million (R1 800m) last year and revenues were around £32 billion (R67bn), a bid for Johnson Matthey is well within the company's grasp

Earlier this month the Bank of England was forced to take over Johnson Matthey's banking division because of estimated bad debts of £150 million (R315m) or more The rescue was timed to prevent consternation in international gold markets. When the news was announced Johnson Matthey's shares collapsed from 240 pence to 95 pence

Prospects

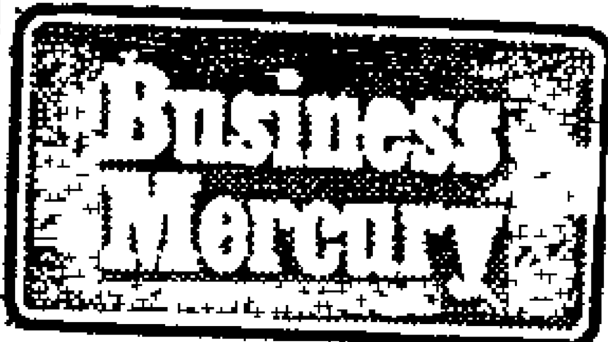
Bp said that it has retained Lazard Brothers to glean more information about Johnson Matthey's prospects. It especially wants to know whether the company is financially sound following the rescue of the banking division

BP also needs to know whether any takeover would jeopardise Johnson Matthey's agency and refining agreements with Rustenburg

The platinum company is a division of Johannesburg Consolidated Investments, and another Anglo group company, Charter Consolidated, has a sizeable stake in Johnson Matthey

Mr Quinton Morris, a senior BP official, is already on Johnson Matthey's board A few years ago BP and several other British companies helped fund a Johnson Matthey research project which was determining whether certain platinum catalysts could be used for leading petrol

Mercury 25/10/84 232



Control boards, cartels attacked

Mr Robin McGregor, author of Who Owns Whom - a Guide to South African Businesses.

Finance Reporter

A semi-socialistic and a ridiculoulsy over-controlled economy is having disastrous effects on South Africa's inflation rate

This was said by Mr Robin McGregor of Cape Town, author of *Who Owns Whom - a Guide to South African Businesses*, in an address to the Natal Society of Chartered Accountants and the Institute of Cost and Management Accountants in Durban last night

Mr McGregor scathingly attacked control boards and cartels and called for price-setting to be left to 'the little free enterprise we've got left'

He said 'South Africa could drown in a sea of controls unless Mr Barend du Plessis, the Minister of Finance, doesn't come to the rescue soon

'Cartels, control boards and an economy based on speculative gold are dangerous and should be got rid of before they ruin the country' he said

Prices

Mr McGregor sited 12 instances where items under control and price control board practices had risen as much as 70 percent above an inflation rate of 115 percent over the past six years

'All these came under price and control boards, but items, like frozen vegetables, creamers and coffee which is promoted by suppliers in competition with each other, such as chain stores, were as much as 70 percent under the inflation rate

'Mealie meal prices, which are fixed by a control board and promoted through a cartel, rose a staggering 187 percent.

'Bakers margin, which is under price control and cartel, rose 160 percent, and bricks, which also fall under price control and are sold through a monopoly, 157 percent

'Compare this against detergents, promoted through free competition, which have only increased 71 percent and toothpaste at 21 percent and you can see for yourselves what disastrous effects "controls" are having on the economy'

...see State ...' says Assocom

and other facilities which would be needed

The debaters called on the Government to live within its means and to gear its spending to available income Failure to do this had led to savings levels falling and a lack of cash for investment.

One speaker called on commerce to 'crack the whip and demand of Government that spending be according to available revenues'

Problem

He said that all Government departments had been asked to set priorities in their budgets and these had been categorised at five levels

This was how they would be considered by the State President's National Priorities Committee

A major point made by Dr Fred du Plessis, chairman of Sanlam, was that the principle reason for capital flowing to the United States was that it had 'discipline of labour'

Wage levels had not

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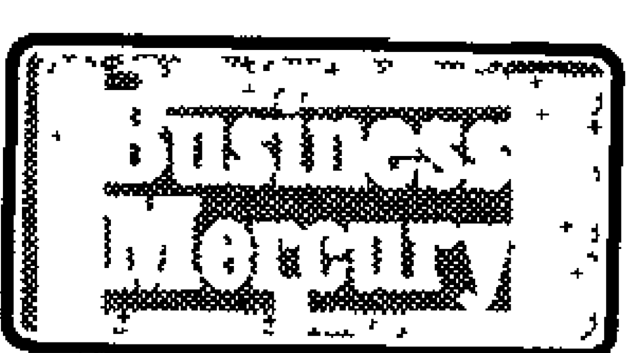
Mercury 26/10/84 232

Cartels 'must be broken'

Parliament must give the Competition Board real teeth to break cartels and authority to issue heavy fines on offenders.



'The Competition Board has no real power and is completely demotivated because most of its recommendations made to the Cabinet over the past five years have not been accepted,' said Mr Robin McGregor last night following his attack on control and price control boards during an address in the city on Wednesday

'If it is going to break cartels, either by fair or foul means, it must be given power, by Parliament, to make ad hoc decisions, quicker investigations and authority to inflict fines of R250 000 on offenders,' he said

Mr McGregor has been monitoring price increases in South Africa over the past six years and says the graph (right) destroys any doubt that items falling under control and price boards are having a disastrous effect on inflation and are ruining the economy

He said the 12 items quoted above the six-year inflation rate of 115 percent all fall under control boards and price controls and the items below the inflation rate are those supplied by free enterprise

'The Government have been so wrapped up in their ideological fantasies since they came to power they've forgotten about the economics of the country and big business has had a field day,' he said

'Believe me, irrespective of what they claim, the last thing big business wants is to see a change in government'

'Price and control boards must be scrapped Inefficent farmers are being protected by these boards — if they can't compete on an open market it's just too bad

'The only time control boards really serve any purpose is in the export market where competition must be generated with other countries

'But what we really need here is the system employed in the USA where anti-trust laws prevent anybody from buying into another company if it means them acquiring more than 30 percent of the market

'It's a fantastic situation, if they find a company has above 30 percent control they force them to sell and deconglomerate, and I'd love to see it happen here'

Mr McGregor said that in Britain, if a company buys 30 percent or more of a company it is forced to offer the balance of the shareholders the same price for their shares, which means they are faced with enormous capital expenditure and this tends to deter anybody going over 30 percent.

COMMODITY INCREASES FROM 1978 to 1984 COMPARED WITH THE INCREASE IN INFLATION

COMMODITY	INCREASE %	PRICE CONTROLLED BY: STATE	PRIVATE SECTOR	
MEALIE MEAL	187	control board	cartel	FUELLING INFLATION
BAKERS MARGIN	160	price control	cartel	
BRICKS	157	price control	monopoly	
EGGS	152	control board		
BROWN BREAD	150	price control	cartel	
ORANGES	147	control board		
WHITE BREAD	140	price control	cartel	
CHEESE	139	control board		
BUTTER	138	control board		
WHEAT MILLERS MARGIN	135	price control	cartel	
MEAT	130	control board	cartel	
RAILAGE-COAL	126			
INFLATION	115			
PETROL	114	price control	cartel	MAINTAINING INFLATION
COAL	114	price control	cartel	
FROZEN CHICKENS	97		oligopoly	LOWERING INFLATION
BREAKFAST CEREALS	95		oligopoly	
SUGAR	88	control board	cartel	
DETERGENTS	71		free competition	
FROZEN VEGETABLES	69		oligopoly	
TEABAGS	61		oligopoly	
BEER	61		monopoly	
CREAMERS	44		oligopoly	
COFFEE	33		oligopoly	
TOOTHPASTE	21		oligopoly	

RDM 31/10/84 (232)

The sad saga of a business which is doomed to fail

LAST week you published a report by Debbie Reynolds which dealt with the disastrous effects of the furniture manufacturing industry on the recent draconian regulations in respect of GST and the deposits and terms relating to hire purchase transactions

In her report Ms Reynolds intimated that my brother, who was a well-known and well-liked Durban furniture manufacturer, took his own life largely because of business problems arising out of these regulations. To a certain extent she was correct.

In fact, the sudden attack on furniture HP was only the proverbial last straw I doubt that anyone not in the trade really knows how the small-to-medium sized furniture manufacturer is forced to struggle in the ever-tightening coils of the retail chain giants

I weep crocodile tears when I read the Press statements by senior retail executives about how tough things are in the furniture trade.

Do their customers "squeeze" them until they barely cover cost, just to stay alive? No fear. Not only do they not budge on price (except, maybe, for spot cash) but they also enjoy the interest income which they earn on every HP sale.

Do their customers ask for (and get) ever-increasing terms of payment, enterest-free, and then decduct all sorts of "credits" from their cheques, "because we haven't received the signed invoices back from the branch Please let us have a copy?", thus gaining a further 30 days No sir Don't pay on time and very soon your furniture will be repossessed

Do their customers keep their trucks waiting, sometimes all day, and then, as often as not, send them back, after telling the driver to "come back tomorrow"?

Do their customers order goods, and then, a week or so before delivery, simply cancel the order? Or ask (sic) the factory to "hold on to the order, we're taking stock on the 25th"?

So that the manufacturer has to sit with completed and half-completed suites in the factory, wondering where the hell to put them?

Does the public know that most manufacturers deliver furniture to chains' branches anywhere in the Republic at the same price, but that many retailers then charge their customers for delivery?

Of course, there are "good" retail chains other than the sort I have described above. In the same way that there are "bad" manufacturers

But I cannot begin to tell you of the agonies and frustrations of dealing with some of the big groups the waiting in the factory at night for trucks to come back, the cramps in the gut when half — or all — of a carefully packed consignment is returned as "damaged in transit", or with the delivery notes endorsed "deliver after 25th", or "order cancelled" (when? by whom?) or any of the dozens of stock excuses which some groups use to gain another 30 days?

Or not to take delivery when it suits them But oh, the sweetness and light when they want something "urgently, it's a sale"

The honeyed tones, the "ag, be a pal — take one away from another ou" hypocrisy Well, anything for a "pal" Maybe when things get tough your "pal" will try to help you out So, stop the machines, shift into another gear, work all day Saturday and Sunday (double rate), and deliver the suite on Monday

Having made it at a [illegible] of course. Maybe you'll [illegible] a "thank you, pal" But [illegible] be surprised or upset if goods come back [illegible] "the customer didn't [illegible] the deposit"!

And all this for a [illegible]able 5% profit, or less. T[illegible] is, if the group doesn't [illegible] its muscle to make the [illegible] little manufacturers pay [illegible] his full-colour catalogue [illegible] means of "donations".

My business is in the [illegible]

SPENCER FINE

Life's getting tougher as crunch hits SA

By DEBBIE REYNOLDS

A DURBAN businessman committed suicide yesterday — becoming just another statistic of the economic depression which is slowly strangling South Africa.

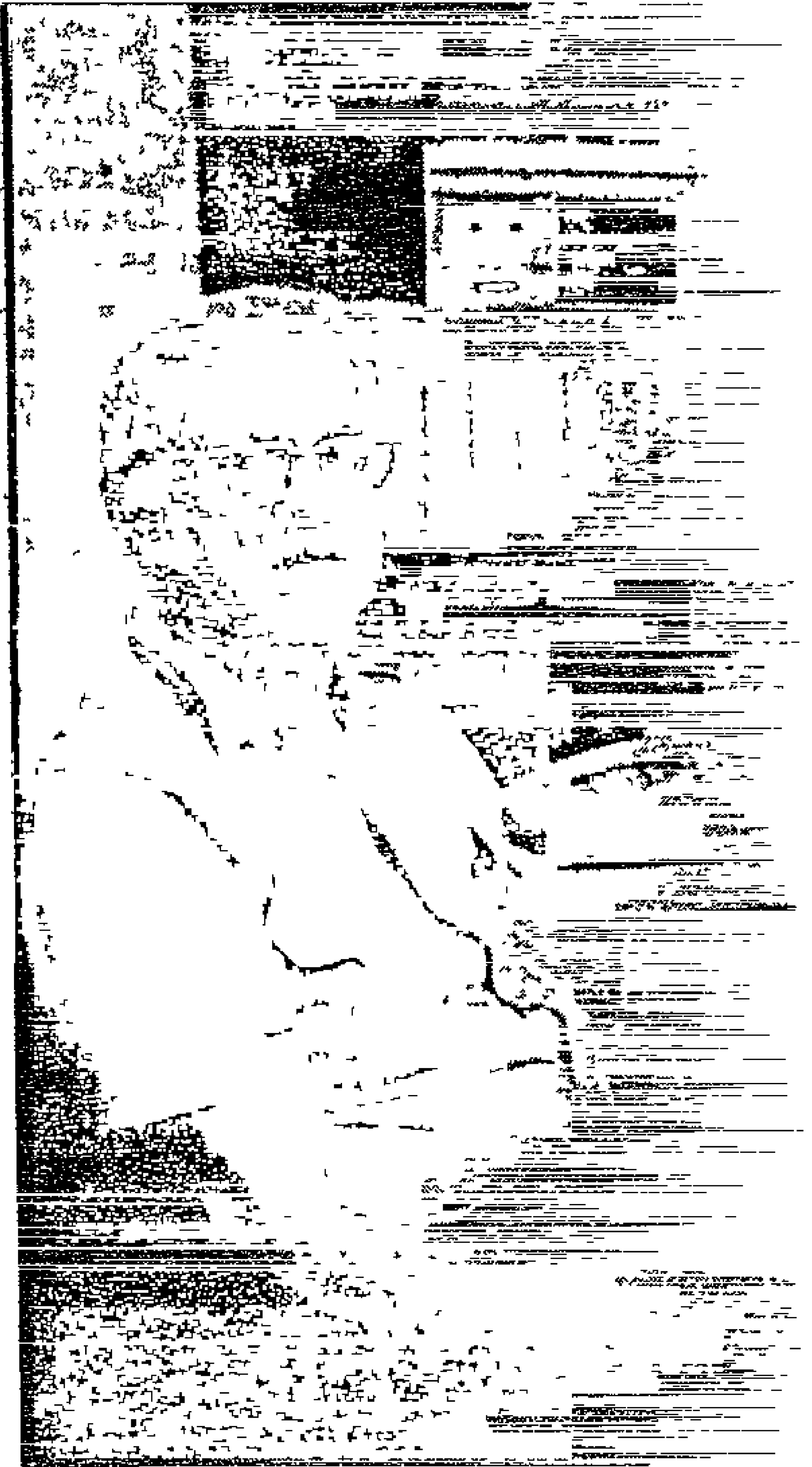
Mr Cecil Fine, 44, who lived in the luxury [suburb] of Umhlanga Rocks and owned a furniture company killed himself allegedly because of business problems [illegible]

In July this year 253 companies went into final liquidation compared to 230 last year and 193 in 1982.

"What is disturbing is the record highs reached this year in the value of judgments against companies."

In July the judgment figure reached an all-time high of R4 700 000 compared [to] R1 900 000 in July last year — [illegible] 150%

But [illegible]



MR SPENCER FINE ... crushed by the coils of

MR SPENCER FINE ... crushed by the coils of big business

Picture: PAUL BOSMAN

by whom?) or any of the dozens of stock excuses which some groups use to gain another 30 days?

Or not to take delivery when it suits them. But oh, the sweetness and light when they want something "urgently, it's a sale"

The honeyed tones, the "ag, be a pal — take one away from another ou" hypocrisy Well, anything for a "pal". Maybe when things get tough your "pal" will try to help you out ... So, stop the machines, shift into another gear, work all day Saturday and Sunday (at double rate), and delivear the suite on Monday

Having made it at a loss, of course Maybe you'll get a "thank you, pal". But don't be surprised or upset if the goods come back because "the customer didn't have the deposit"!

And all this for a miserable 5% profit, or less That is, if the group doesn't use its muscle to make the poor little manufacturers pay for his full-colour catalogue by means of "donations"

My business is in the process of being liquidated as a result of all the above

Plus, of course

- The never-ending battle to keep breathing while trying to keep this inspector or that inspector happy
- Running after the latest little *obersturmbahnfeuhrer* in the Town Planning Department.
- Working at night in order to get the many Governmental and quasi-governmental "returns" out "by the 14th" or else
- Trying to abide by the rules and regulations of the Department of Manpower, of Community Development, of the Unemployment Benefit Fund, of the WCA, of the Industrial Council, and so on and so on.

No wonder my poor baby brother committed suicide and that I suffered two heart attacks.

To top it all, the smug statements by well-fed (and very well paid) Cabinet Ministers exhorting the public to "tighen your belt and spend less" while they fritter away our blood-stained taxes on their ridiculously expensive nothings, merely add to the frustration and despair

And what help was there from the Small Business Corporation when it was obvious that 30 family bread-winners were going to lose their jobs?

Gee whiz, fellows, the small businessman is the lifeblood of any country And why does my bank manager no longer want to be my bank?

So, who wants to be in the business of manufacturing furniture?

Is HFO's nest-egg nearly R2 000-m?

● From Page 6

between them hold a staggering 51 790 259 shares in the corporation.

The identity of who stands behind the nominee companies goes unrecorded.

So, off to do some checking at the company records office at the Department of Industries and Commerce in Pretoria.

One discovers little more than that all three nominee companies have their registered address at 44 Main Street and that the directors are all Anglo executives: Jacques Desmidt, an alternate director; Graham Holford, finance manager; George Leeman, group accountant consultant; Philip von Backstrom, another finance manager; and Anthony Lea, a manager.

The combined issued capital of the three companies amounts to a paltry R28 — in R1 shares. Yet between them they control no less than 23 percent of the entire Anglo ordinary share capital.

Were these the clues to the size of the Oppenheimer fortune?

"It is often assumed so," says an enigmatic Main Streeter. "They all stay awfully quiet, but you may discover they are simply used by the corporation to ensure a little anonymity about corporate strategies.

"Rather try E Oppenheimer & Son (Pty) Ltd."

A family trust? A treasure chest of information about who stands in line for inheritances?

Back to the records office in Pretoria — only to find in a dog-eared file that the latest slip of paper covering the last financial year is no more than a small certificate confirming that the company had paid R80 to keep the registration intact.

"Private companies are no longer compelled to submit financial statements," explains a clerk.

But one knows one is on the scent when a bit more digging reveals that HFO sits as chairman of the company and that the list of directors, all members of the family or close friends of long duration, includes Mr Nicholas Oppenheimer, HFO's son, as well as former and current husbands of daughter Mary — Mr Gordon Waddell and Mr Hank Slack, both themselves now well entrenched in the Main Street hierarchy.

Back inside the Anglo American annual report one discovers that Nicholas and the former and current sons-in-law between them hold "indirect partial interests" in a mountain of 18 743 943 ordinary shares — worth more than R438 million at current prices.

So each of the trio ranks among the super-millionaires on his own account.

Not, it seems, that marriage or even birth into the family is an automatic passport to Treasure Island. That seems to be shown by the absence of the name of Bill Johnston, a well-known personality in the mink-and-manure set who also married Mary — in between Waddell and Slack — but never seems to have been a family favourite.

The three still favoured, in what must be the family trust, appear to have secured a sound future for their fortunes by their own proven talents:

"I have no complex about wealth. I have worked hard for my money, producing things people need. I believe that the able industrial leader who creates wealth and employment is more worthy of historical notice than politicians or soldiers." — J Paul Getty.

☆ Mr Nick Oppenheimer, at 39, is virtually certain to ensure the continuity of the family influence on the empire founded by his grandfather.

HFO, now aged 76, and who formally retired as chairman of Anglo American Corporation at the end of 1982, still makes an almost daily appearance at 44 Main Street — but the presence of his son Nick is growing in importance by the day.

Nick has already climbed the ladder to deputy chairman of the corporation.

HFO still carries on as chairman of De Beers, the diamond wing of the Oppenheimer empire. And no one lost the significance of the recent election of Nicholas as deputy chairman of the Central Selling Organisation, which is the crucial key to the influence of De Beers in worldwide diamond markets.

☆ Mr Gordon Waddell's divorce from Mary in the 1970s appears to have done nothing to unsettle HFO's high regard for his business acumen. His continued inclusion on the board of E Oppenheimer & Son is indicative of the lasting family ties.

He not only has a seat of his own on the executive committee in the inner sanctum of 44 Main Street, he has also now been made chairman of both Johannesburg Consolidated Investments and SA Breweries.

☆ Mr Hank Slack was recruited to 44 Main Street via family connections with the Engelhards in America.

Insiders say it is not simply his marriage to Mary that is behind his own claims to power at 44 Main Street. He has earned his spurs since an apprenticeship as personal assistant to HFO, and now also sits on the executive committee that sets all Anglo policy.

That still leaves unanswered the total size of the Harry Oppenheimer fortune.

Even the vast spread of shares owned through E Oppenheimer & Son would not count such items as what is reputed to be among the largest private collections of diamonds in the world.

It was more than 10 years ago that someone put a value on HFO's wife Bridget's jewellery at over R500 000. By now, that alone must run into millions.

And what about HFO's passion for racehorses? As the owner of such spectacular racecourse idols as Tiger Fish, Hengist, King Willow, Col Pickering?

One must also take into account the sheer scale of the Oppenheimer thinking.

When HFO and Bridget cast round in search of a quiet retreat that may possibly do for retirement, they had a look at buying in the Seychelles — an entire island called Silhouette.

It was not the price that put them off. That was a morsel at about R850 000. They decided against the island, according to reports, only because they reckoned it was a little too distant from family roots.

Instead, they settled on building a new holiday cottage on the Natal North Coast. But there are cottages and cottages.

The cottage the Oppenheimers built at La Lucia would be classed as a mansion by most of us: five luxurious suites, 10 bedrooms en suite, 15 bathrooms, half a dozen reception rooms, separate children's wing and guest wing, a swimming pool half-Olympic size, wine cellar, and so on.

But a count of all the Oppenheimer shares would at least give an idea of the famous wealth of the family.

An aide at 44 Main Street finally relented — a little.

"You can estimate the value of all the companies run by Anglo American, plus its other interests, at about R22 100 million," he said.

That alone works out to make the family nest-egg worth at least R1 768 million — without counting all the rest, which stays a mystery.

Nicholas Oppenheimer, gr... the gold and diamond empire ... the heir-app...

The fabul

Mr Harry Oppenheimer's est... hurst, sprawling across 18 ha ... plush Parktown, is easily the ... in South Africa.

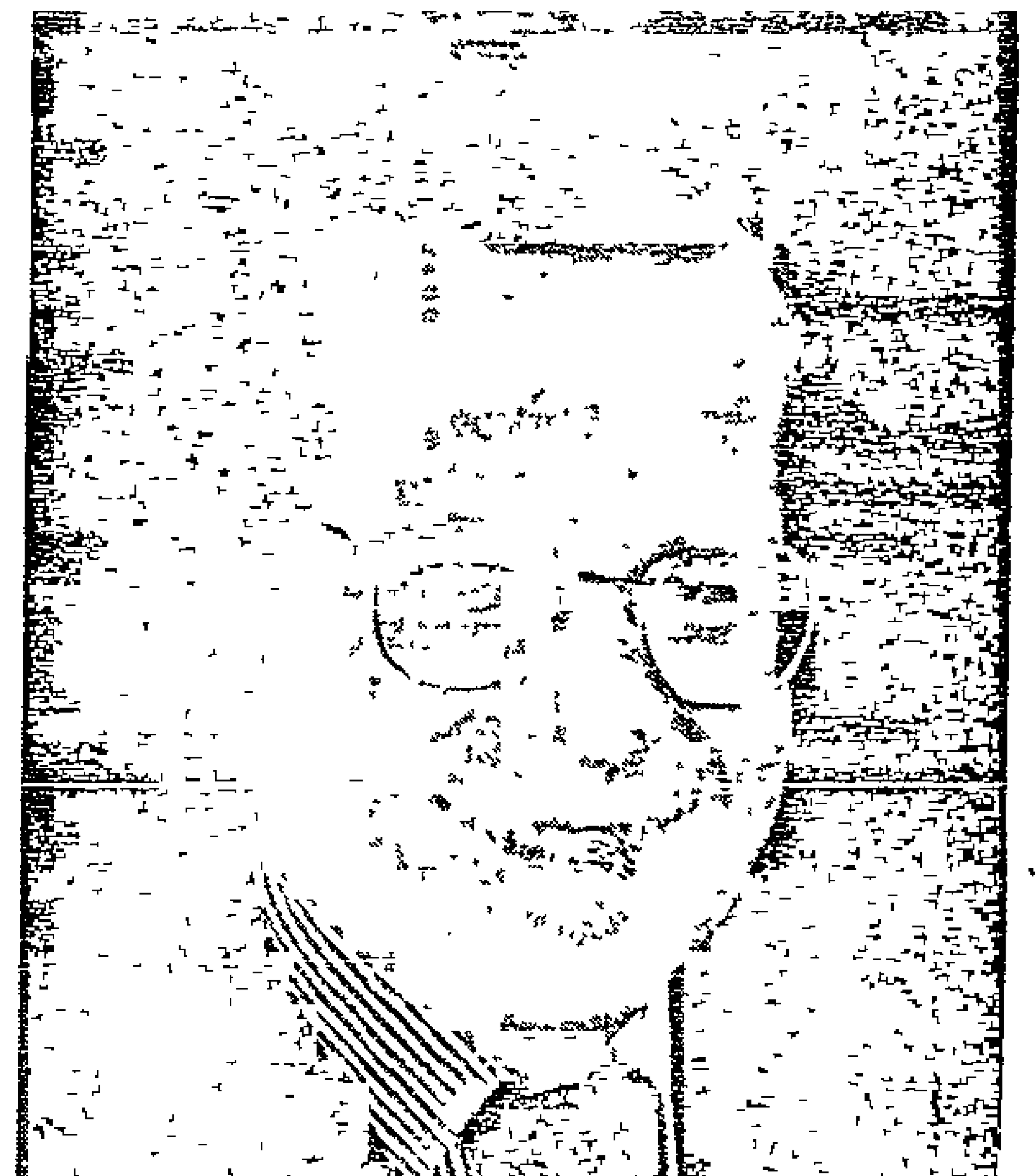
Its worth is inestimable. Ve... agent and sports patron Mr ... was hesitant even to estimate a ... finally conceded that Brenth... unique property" — would fet... very least, R10 million. If Mr O... ed to sell.

The estate consists of Brenth... Brenthurst and a new R3 millio... house Mr Oppenheimer's collect... cana, said to number 4 000 volur...

Brenthurst was designed by ...

...ndson of the founder of ...ire .. heavily tipped as ...parent.

Gordon Waddell, former son-in-law and now remarried outside the Oppenheimer family ... but still in favour.


Hank Slack, the American now married to daughter Mary Oppenheimer .. making his own mark at 44 Main Street.

Brenthurst, the plus-or-minus-R10 million Parktown home of billionaire Mr Harry Oppenheimer

...lous home of Mr O 000 000 000

by
Harvey Thomas

...tate, Brent-... ha of prime ... poshest pad

...eteran estate ... Wilf Isaacs ... e a value but ...hurst — "a ... fetch, at the ... O ever decid-

...hurst, Little ... in library to ...tion of Afri-

... Sir Herbert Baker and was originally known as Marion Court. The name was changed to Brenthurst when Sir Ernest Oppenheimer bought the estate and moved in sometime in 1921/1922.

Africa's great rajah of mineral treasures, now aged 76, is reported to spend most of his time in his new library when he is in Johannesburg.

Mr Oppenheimer also has homes in La Lucia (near Durban), London and New York.

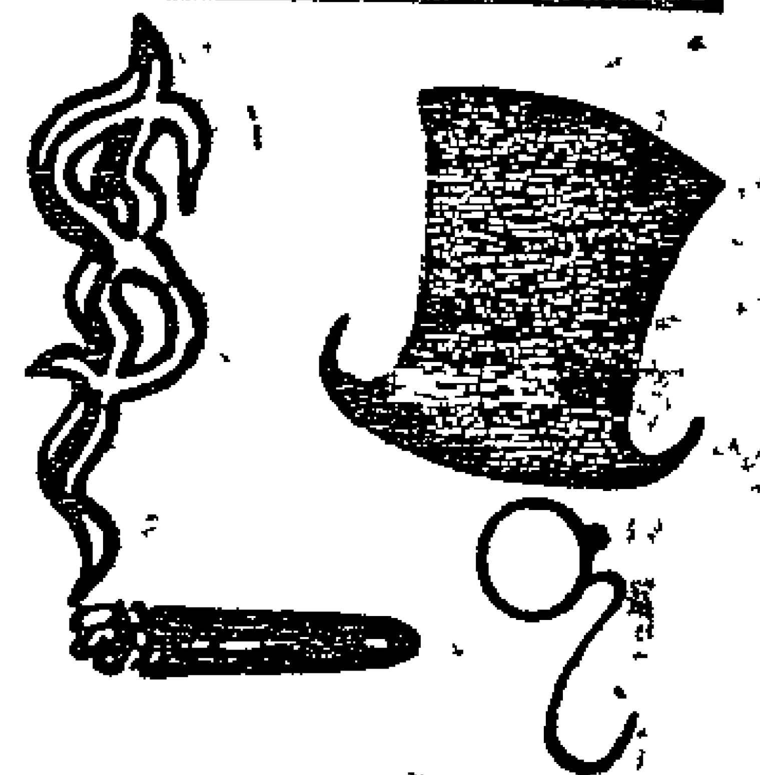
What is the inside of Brenthurst like?

I have been there only twice but recall an elegant blend of the old and the new with the emphasis on impeccable good taste.

The decorating style could best be termed "classic" but Mr Oppenheimer's eye for style is summed up in what is, perhaps, the most personal room in the house — his study.

Its book-lined walls are dotted with good examples of French impressionists.

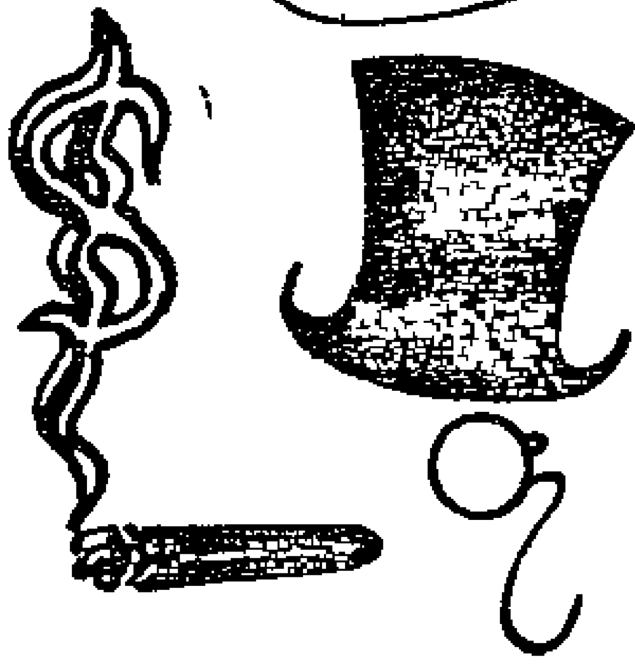
And, with his R10 million home, Mr Oppenheimer is something of an impressionist himself.



TOMORROW: PART 2 of THE SUPER—RICH

Star 3/10/84

232



Scores of the super-rich in South Africa can count their rands by the million. But Mr Harry Oppenheimer may be one of only two tycoons who can go on to count the millions by the thousand and join the exclusive ranks of the world's billionaires.

The second one is Mr Marino Chiavelli, the flamboyant and controversial oil dealer who immigrated from Italy in 1980 and dazzled even the jet-set with his displays of wealth.

Mr Chiavelli has estimated his fortune at a staggering R2 500 million — and still growing. Who could check the figures?

Billionaires are rare, even by world standards. And often their wealth is so fabulous it is beyond counting.

Years ago, the Aga Khan ceremoniously began each birthday celebration by weighing himself in diamonds.

There are dozens of Arab sheiks — whose numbers have multiplied since the oil crises that began in 1973 — whose wealth has become legendary.

And there are others who would consider it boorish to count their riches — such as Queen Elizabeth 11, whose Crown Jewels alone are beyond price.

Even the United States, the claim to only 15 billionaires'— dollars, which have become

'*Forbes* magazine, which ing the super-rich in the US. American billionaires shared equal to about a quarter of th estimated by its Gross National

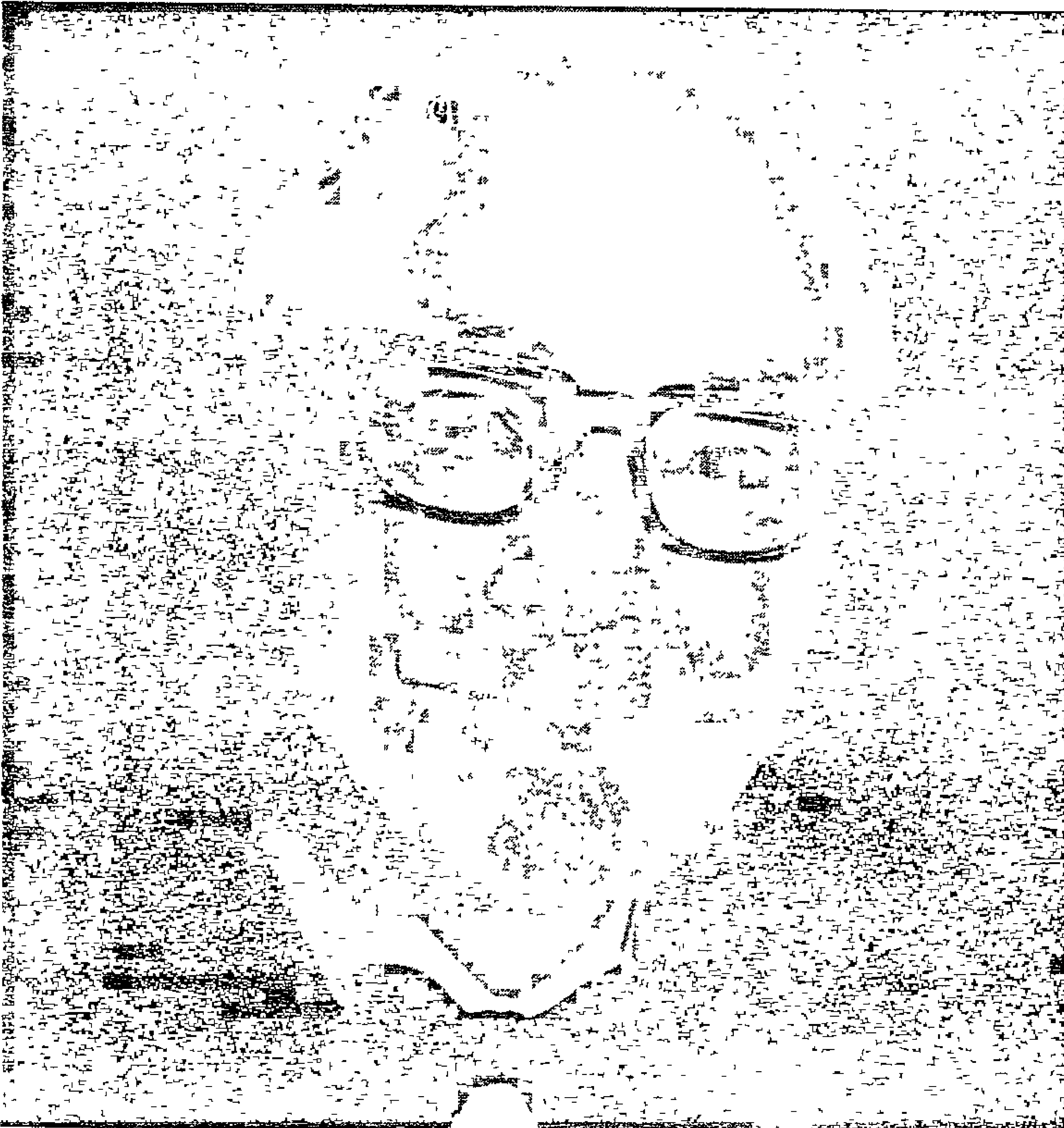
Top of the cash pile was mogul John Paul Getty. His fo lion — on current exchange publicly claimed by Mr Chiavel

Next came Sam Walton, an but well known at home as Mart stores. Worth: US $2 150

Another who made the gr Daniel Ludwig, the shipping and

The billionaires in the US Chinese immigrant who has

The men of multi
Harry O is the K



Harry Oppenheimer when he signed the scroll that made him a Free Man of Johannesburg . . . the quiet and unassuming helmsman of a business empire that has made him a billionaire.

by
Michael Chester

Tracking the millions of rands at the command of the richest men in South Africa can lead into secret worlds of high finance that produce James Bond thrillers.

It was the high adventure sometimes found — or imagined — behind the South African scene that inspired Ian Fleming, the creator of 007, for the plots of at least two of his best-sellers

The inside information the author picked up from a close associate of Mr Harry Oppenheimer, the undisputed emperor among the gold and diamond magnates, was all he needed to launch Goldfinger" on to the bookshelves and the cinema screens

The associate was Mr Charles Engelhard, king of the United States trade in noble metals, who scoured for new ways to find a loophole in the complicated South African Reserve Bank rules on gold exports

He found the loophole when he discovered that it was legal to export gold without the drudgery of going through official bullion sales channels The dodge was to ship gold out as *objets d art*

He despatched gold to Hong Kong in the form of jewellery, had it melted down into bars —

the wealthiest nation on earth, can lay ... though the Americans count in US more valuable than rands recently.

makes an annual exercise out of count- US, calculated last year that the 15 ... a combined US $21 000 million — the entire wealth of South Africa as ... Product.

... Gordon Peter Getty, son of the oil fortune was more than US $2 200 mil- ... rates far more than the fortune ...

an unfamiliar name to South Africans, ... the owner of the vast chain of Wel- ...50 million.

grade as a billionaire twice over was ... and real-estate baron.

... make a mixed bag. One of them is a ... amassed no less than US $1 600 million since he arrived in America in 1954.

The name will ring a bell with computer buffs: Mr An Wang, who invented the magnetic-core electronic memory when he was 28 years old.

A few of them leave even Mr Chiavelli in the shade when it comes to the audacity of bidding at international auctions of national treasures

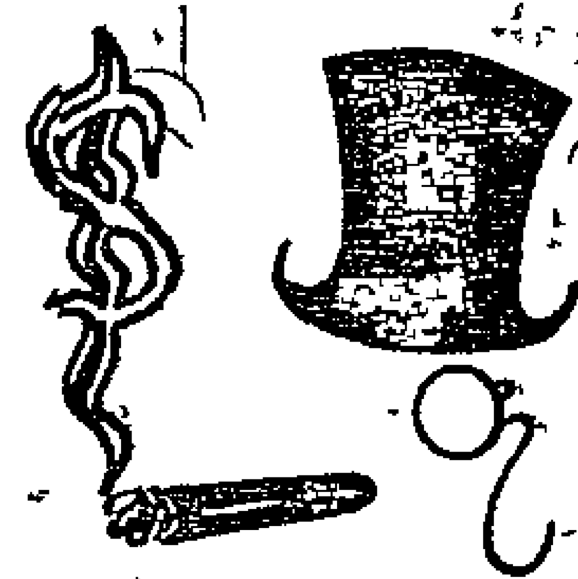
Less than a month ago, a billionaire from Dallas, Mr H Ross Perot, forked out R2,5 million for a 700-year-old copy of what may well be the most famous of British historical documents — the Magna Carta.

What he liked about it was that the document formed the basis of the US constitution. He's donated the copy to the US National Archives in Washington.

That's style.

Among the newest additions to the list of billionaires: Yoko Ono, widow of former Beatle John Lennon.

However, pop star Michael Jackson still has a long way to go to catch up. His fortune had still to climb above US $130 million at a count made last month.



...millions! — And ...ing

and opened new routes to the US market

Mr Fleming was so intrigued that he journeyed to South Africa to research another James Bond thriller — and found all the material he needed by learning about the nightmares of illegal smuggling operations

> "The only question with wealth is what you do with it." — John D Rockefeller.

that nag at the Oppenheimer hold over world diamond markets.

The result: "Diamonds are Forever", also soon in the best-seller lists.

The closeness of the friendship between Mr Engelhard and Mr Oppenheimer was seen by all when the American, with a string of top-class thoroughbreds, named one of his racehorses "Kimberley Kid" — his own very private nickname for the boss of De Beers.

The author of the 007 tales was convinced that he had entered a world where everyone had an automatic Midas touch. He soon found there must be a magic formula known only to a select few.

Mr Fleming formed a partnership with Mr Engelhard, determined to amass an African fortune of his own. They set out to develop timber estates on the banks of the Zambezi.

The venture failed. The partners tried to salvage their investment and grow vegetables instead. The whole crop was eaten by hippos.

Even 007 himself was unable to find the magic touch of the super-millionaires

HFO — as Mr Harry Frederick Oppenheimer is known inside the imposing portals of 44 Main Street, which stands at the heart of the exclusive financial zone of Johannesburg, and which has become an address known around as the world as the hub of the Oppenheimer empire — never talks about how much he might be worth.

"If he sat down and tried to calculate the fortune, even HFO himself would lose count after the first few hundred million," an aide confided.

Lesser mortals have even more difficulty.

There is an initial burst of enthusiasm when one combs through the 1984 annual report printed by Anglo American Corporation Here, surely, must be the first clues

But there is no direct mention at all of how much HFO owns out of the R9 600 million net value of funds held by 24 500 shareholders

Instead, the list of major shareholdings falls back on the use of names such as Fermain Nominees, Petard Nominees and Resident Nominees, which

A NOVEL IDEA

James Bond in the fantasy world of the blockbuster film "Goldfinger". Author Ian Fleming may have found the material for the plot in the goings-on behind the scenes of the world bullion markets ... but you will search in vain for such scenes in the real routine at the Oppenheimer head office here.

South Africa's super-rich ... the third and final instalment of our absorbing series on those with more than enough of the root of all evil

500 up! And that's double the tally of 20 years ago

By Michael Chester

Research into the records of companies listed on the Johannesburg Stock Exchange has revealed that the number of millionaires in South Africa has swollen to about 500, double the total 20 years ago.

The true figure may already be much higher because the estimate of 500 was based purely on the paper money held in Johannesburg Stock Exchange shares.

Anyway, the simple shove provided by inflation and high interest rates allows more and more to join the exclusive super-rich club each year.

The white section of the population may well now be carrying the largest proportion of mil- [illegible]

the precise number of South African millionaires.

All they are prepared to say is that on the latest official survey covering 1980/81 there were precisely 1 611 taxpayers, out of nearly two million, with incomes running above R100 000 a year.

The total was trimmed down to 621 when the numbers earning over R150 000 a year were counted.

An ideal clue to the exact number of millionaires would have come from an analysis going higher and higher up the tax ladder and showing what came from salaries and what [illegible]

"We consider that sort of information should be confidential."

A computer expert at the head office of the Department of Inland Revenue in Pretoria was equally adamant in declining to release more information.

"It wouldn't help that much anyway", he confided.

"The super-salaried guys can really count their wealth in the number of perks they receive ... company houses, company cars, company expense accounts for everything from dinner parties to overseas holidays.

"And the really rich employ the best brains they can find to camouflage their wealth from the taxman."

8 000 Americans in the millionaire class.

In South Africa, far more so than elsewhere, it is the white millionaires who have the highest profile, especially when the wealth is aired by the sort of birthday celebration held a few weeks ago by high technology tycoon Bill Venter who flew all his guests to a luxurious weekend in Mauritius for a super binge.

But the millionaire status is no longer the exclusive preserve of whites.

The Indian community, for example, can claim a fair sprinkling of millionaire businessmen, especially in and around Durban where they are deeply entrenched in the retail trade.

amassed a fortune from supermarket operations, motor sales and garages and enjoys a flashier lifestyle that includes running a string of racehorses that have gained him entry to the exclusive Johannesburg Turf Club.

But there are hundreds of millionaires who go unnoticed by the general public and prefer it that way.

Next time you board a municipal bus, look around your faceless fellow passengers and guess if you can spot one of them.

They do not all aspire to ermine cloaks and coronets.

There may be one or two not beyond trying to bum the fare from you.

llonaires of any country in the world except the United States.

THE RANKS

The Internal Revenue Service in Washington has released estimates showing that at least 500 000 Americans now crowd the ranks of the United States millionaires ... five times the total less than a decade ago.

The tax offices in Pretoria are far less forthcoming about statistics that may track down ments, in short, how many had made it and how many were still working at it.

"Sorry, but we release no details beyond the R150 000-a-year level", says Mr C E Kingon, the Johannesburg Receiver of Inland Revenue.

"If we provided a breakdown of bigger amounts, in a sort of pyramid fashion, it would become easier and easier nearer the apex to identify precisely who pays what and what they are worth.

THE RACES

Recent investigations by *Management* magazine concluded that by now there must be one millionaire for every 3 000 working whites and one for every 11 000 workers of all races.

The guesstimate compares with one for every 25 500 in Japan and one to 13 000 in Australia

Only the United States bettered the ratio with one in every

And Soweto can also claim at least a couple of millionaires in its black population:

- Ephraim Tshabalala takes a high profile as mayor, but displays little evidence of his wealth beyond an imposing mansion in the elite suburb of Dube.

He has made multiple millions from a business empire that stretches from petrol stations and cinemas to restaurants and retail stores.

- Richard Maponya has

Rich pickings

Many talk the truth when they say that they despise riches, but they mean the riches possessed by other men. — Charles Caleb Colton (1780-1832).

★ ★ ★

It is better to have old secondhand diamonds than none at all. — Mark Twain.

★ ★ ★

The only thing wealth does for some people is to make them worry about losing it. — Comte de Rivarol (1753-1801).

★ ★ ★

Those who condemn wealth are those who have none and see no chance of getting it. — William Penn Patrick.

★ ★ ★

Anyone who thinks there's safety in numbers hasn't looked at the stock market pages. — Irene Peter.

★ ★ ★

Money won't buy happiness, but it pays the salaries of a large research staff to study the problem. — Bill Vaughan.

★ ★ ★

When I was young I thought that money was the most important thing in life; now that I am older I know that it is. — Oscar Wilde.

★ ★ ★

He had so much money he could afford to look poor. — Edgar Wallace.

Messrs Five Percent ...

232

Star 5/11/1984

Studies by university researchers have revealed that a mere five percent of the overall population owns more than half the nation's entire wealth, writes Michael Chester

This small fraction owns

- 88 percent of the value of all private farms
- 33 percent of all fixed property
- 75 percent of all shares quoted on the Johannesburg Stock Exchange.
- 79 percent of the shares in private unquoted companies.

And the estimates are on the conservative side, says Dr M D McGrath of the Economic Research Unit at the University of Natal who headed the survey of the super-rich

The top 10 percent, virtually all white, pick up a whopping 57 percent of all recorded income

White families can hold the smiles

The real wealth of nearly one in four whites was registered at zero, counting home mortgages, debts and such items as hire purchase obligations

But what do we mean by super-rich in the sense the unit was using?

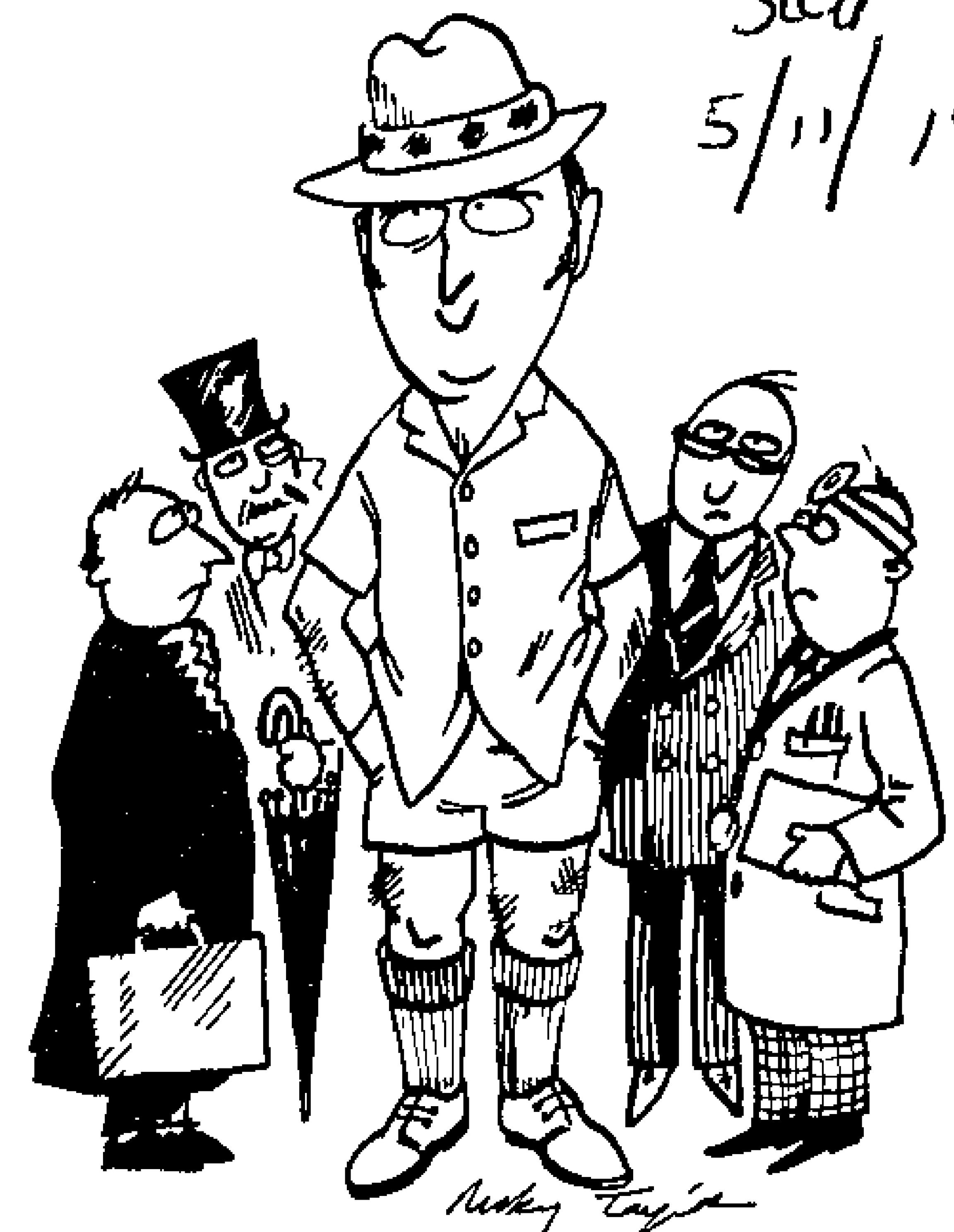
In typical academic fashion the varsity crew set their level at a scale now considered moderate at best R250 000 as at 1974, a decade ago.

Dr McGrath concedes the quarter-million-rand marker had grown to R600 000 by the time the unit put its findings on paper in 1982

Only a slouch would not have taken trends in inflation to mean that the unit was talking about millionaires in the scenario today

More interesting, though, are the findings on how the super-rich had split their investments

Almost half the total (45 percent) was ploughed into farms and less than a quarter was used to play the odds on the stock market



The findings brought absolute confusion into research based on measuring wealth by the size of share portfolios — the most popular device among researchers delving into the mysteries of the fortunes behind the super-rich.

Male chauvinists will rejoice that almost two-thirds of the super-rich were men

The grins may fade on learning that half of them were over 65.

The research also implies caution about careers the average wealth of farmers was 20 percent higher than that of the pinstriped-suit brigade of directors and managers and almost twice the size of the average professional such as doctor or dentist or accountant

If you consider yourself to be missing out, take heart

Dr McGrath goes on to discover "If there is a link between social status and power in society, these findings might indicate that wealth alone will not be the major determinant of power"

But in South Africa at least there is a lot to the old saying "Where there's muck, there's money"

The Natal researchers found that as many as 47,7 percent of all the super-rich were farmers.

They outnumbered company directors by more than two to one

There were also more than twice as many farmers as professionals in the top bracket

The research team quizzed a cross-section of the population about the prestige they associated with the occupations followed by their peers

Wealth alone was unable to match the high regard most of them had for occupations of service to the community, such as judge and professor, or Cabinet Minister or Member of Parliament

R1,6m bid for ABH

6/11/84 C. Times (232)

Financial reporter

ASSOCIATED BUS HOLDINGS' (ABH) 900 shareholders have been offered shares in Tollgate at 165c a share or cash in a R1,6m deal

This forms part of Tollgate's plans to acquire Associated Bus Holdings, Standard Merchant Bank and Barclays National Merchant Bank said yesterady

The Mitchells Plain and Atlantic bus operator, in which Tollgate owns 50 percent of the stock, has paid a nominal dividend of 1c a share in the last few years

The company was formed in 1973 to service Mitchells Plain and Atlantis, with an issued share capital of R700 000, with half the shares offered to the coloured community at 10c each

They are being offered cash — 45c a share — or new shares in Tollgate at 165c a share

The purpose of the acquisition is to rationalize bus services and lend muscle to ABH

The proposals are not expected to have a material effects on Tollgate shares' net asset value or earnings per share

2 3 2

SHORT-TERM INSURERS

More cartel capers

Cartel or no cartel, the Competition Board is about to launch an investigation into the so-called "market understanding" entered into by 14 short-term insurers This unprecedented move is the latest development in the weekly saga concerning insurers' attempts to jack up industrial and commercial fire premiums by 25%

The board's arrival on the scene seems to hold up a claim made by certain market sources that it would be invited into the fray by the insurers themselves This cunning ploy was first mooted two months ago when the market was discussing the establishment of a Technical Rating Committee (*FM* August 31)

The idea was that the board should be encouraged to investigate the arrangement with a view to giving approval Central to the plan was that nothing whatever should be written down This would clothe the issue in the guise of an informal understanding rather than a formally signed agreement. Since this would thwart attempts to prove the existence of a cartel, and therefore a restrictive practice, the board would have no option but to rule in its favour

Like most insurers questioned on this point, Commercial Union MD Bill Rutherford says he knows nothing about the suggested ploy In any event, "the situation can take care of itself," he says "Anyone who wants to come and see our rates and justify them is welcome"

The rating committee fell by the wayside long ago in favour of the informal market understanding This was because reinsurers became insistent that insurers get their industrial accounts onto a sound footing before the end of the year, otherwise reinsurance capacity would be withdrawn A rating committee would have taken too long

The market understanding is now already in full swing, judging by comments from various brokers It runs as follows "Where premium rates on industrial and commercial fire business are increased by a maximum of 25% then members within the market understanding will not undercut the terms of the existing insurer"

Normally the Competition Board acts on complaints received or on information it picks up suggesting an investigation is warranted. But as Competition Board chairman Stef Naude says "We've had no complaints sent in This is something launched entirely on our own initiative."

He explains that the first step was to obtain the permission of the Finance Minister Barend du Plessis — as required by law — before investigating a financial institution "This permission has now been granted," says Naude

Competition Board's Naude ... planning to visit insurers

He goes on to explain that the board believes there is potentially a restrictive practice After all, the plain intention of the insurers is to restrict competition for a period to permit them to increase insurance premiums "It has aroused our suspicion," adds Naude, "and obviously requires attention."

But whatever the cause of the investigation it is clear that the insurers are expecting the same ruling, that since there is nothing written down, there is no cartel and therefore no restrictive practice

As Aegis GM John Bull explains "There's no cartel as far as I'm concerned I've not signed anything And if I happen to support a company by quoting the same rate, and I think it is a reasonable rate, then there's nothing they can do about it I just happen to think that fire rates are too low."

In explaining the process of investigation, Naude says the first thing will be for the board to gather information from insurers on an informal basis It is doubtful if there will be difficulties here, but should these arise the board has little short of Draconian powers to enter any office, question persons at will and remove whatever documents it wishes

"If we establish that there is a restrictive practice," says Naude, "then we will go to the parties concerned and ask them to justify it as in the public's interest" And as any restrictive practice for whatever motive interferes with competition and has a deleterious economic effect, the argument will have to be a good one

But without a satisfactory answer, the board would rule against the market understanding and request it be terminated "If we are still not happy," says Naude, "then we would go for a formal investigation — a public enquiry — with notification in the government gazette"

If after this the board makes a recommendation for a dissolution of the cartel, a prohibition notice will also appear in the gazette Contravention attracts a fine of R100 000 or five years' imprisonment, or both

There's no doubt that insurers are very touchy about the use of the word "cartel" All the insurers stress the same point, that nothing has been written down, that it is not a cartel but a market understanding Even the use of the word "arrangement" was pounced upon and refuted by one insurer

Semantics aside, industrial fire risks have certainly been underrated during the last three years And the authorities are rightly concerned about the low solvency positions of certain local short-term insurers partly caused by the intense competition.

Pretoria wants this situation corrected as soon as possible, but without becoming tangled up in cartels and any arguments about their anti-free market nature In this light, the workings of the Competition Board could be intended to douse the flames of the critics by finding no restrictive practice thereby pre-empting future complaint

Meanwhile, one independent broker says that the understanding is as much an advantage to the big brokers as it is to the insurance companies "It gives them organic growth without the stresses of competition," he says

Insurance capacity

"But the smaller brokers like ourselves will have to aim at the non-cartel companies for more business — though this won't be easy since we are up against a finite amount of insurance capacity"

As Guardian National MD Mike Newman admits "We've lost one account to a nonparticipant. But whatever we lose should be made up by those higher premiums applied to justified cases"

Another way round the cartel will be to

If only we could drink petrol

S-Times 1/11/84

By David Carte

FIZZY soft drinks cost more than petrol

A litre of soda water, which comprises nothing but water and gas, costs 65c in a cafe, excluding sales tax and any deposit on the bottle.

A litre of petrol on the Highveld costs 63c, including tax of at least 15c So soda water is at least 30% more expensive than petrol

Other carbonated soft drinks cost the same as soda water, even though they contain syrups, sugar and other ingredients that the industry calls expensive.

A 750ml beer costs 80c in a bottle store, without the bottle That is R1,06 a litre But a third of the beer price is excise duty Without excise duty, beer costs 70c a litre — a bit more than soda water — and home delivered milk at 68c a litre

Brewers mumble about the additional pleasure factor in their product and insist that beer is infinitely more difficult to make than soda water If they could, cows would make a similar assertion about their short-life product.

Coke is it ... but petrol's cheaper

Picture: Andrew Gillingham

Impatient

Highveld petrol is made by Sasol, but the cost to the consumer is based on Opec prices, which have quintupled in the past decade Built into the petrol price are enormous exploration, exploitation, shipping, refining and distribution costs, not to mention huge profits for sheiks, oil companies and garages

Still, it is cheaper than carbonated soft drinks

Hennie Viljoen, head of the SA Federation of Soft Drink Manufacturers, gets impatient with the comparison

"You can't compare petrol with soft-drink prices They are too different. The difference is in volume handled and consumed Soft-drink prices are determined mainly by input costs

"Makers of carbonated soft drink use 110 000 tons of sugar a year They pay R574 a ton to the SA cartel — virtually three times the London price This makes the sugar bill alone R63-million

"Then there are ingredients, horrific water purification, bottling and canning expenses, the cost of crates and the enormous costs of distribution to thousands of tiny outlets all over the country Our industry uses more fuel than just about any other"

But with sales exceeding R500-million, soft drinks are profitable The Big Two, Coca-Cola and Pepsi Cola of the US, do not disclose their profits in SA, but several bottlers of their products are doing extremely well

Amalgamated Beverage Industries, which bottles Coke and Schweppes, has been such a good investment for SA Breweries that the brewer wants to increase its 30% interest.

Rennies recently paid R10-million for Sparletta Suncrush, which has the Sparletta franchise on the Reef.

Suncrush, bottlers of Coke, Sparletta and Schweppes in certain parts of SA, has been one of the highest-growth companies on the Johannesburg Stock Exchange. Cadbury Schweppes has also excelled.

According to the Soft Drink Federation, volume growth in soft drinks has been as good as it has in beer In the past five years volume growth has been 11%, 14%, 17%, 10% and 6% This year in spite of recession, it is expected to be 4%

Small brands

Apart from a short-lived spell of "predatory pricing" by Pepsi Cola in the Cape last year, there has been little price competition Different brand prices are generally identical in the same cafe. Cafe owners tend to follow "recommended" prices

Coca-Cola, with 86% of the market, dominates the industry.

Coke's own products have an estimated 65% of the market and Sparletta 19% Coke bottles Sparletta as well as Schweppes, which has 2% So, effectively, Coke has 86% of the total market. Pepsi has about 6% and other small brands the balance of 8%

"The brand leader" — as Mr Viljoen, a senior Coca-Cola man wearing his Federation hat coyly calls Coke — "recently increased its prices and the other manufacturers followed suit." Mr Viljoen says the federation does not set prices

The Competition Board recommended lifting price control from soft drinks because they are not a luxury and although there is not much price competition, demand falls heavily when prices rise.

In addition there is competition from tea, coffee, cordials, fruit juices, home soda makers ... and even Adam's ale

Mercury 1/11/84

Motor companies expected to announce merger

232

Mercury Correspondent

PORT ELIZABETH—The Ford Motor Company here and Amcar Motor Holdings in Pretoria have decided to merge. An announcement to this effect is expected, perhaps next week, but certainly before the end of the month.

This was revealed yesterday by the director of the Motor Industries Federation in Johannesburg, Mr Jannie van Huysteen.

Spokesmen for Ford and Amcar would not confirm or deny the proposed merger.

They said an announcement would be made when negotiations between the two companies had been completed.

Mr Reuben Els, of Amcar, said no date had been finalised for the release of a statement. Mr Harry Hill, of Ford, said a Press conference would be called if and when an announcement was to be made.

"Ford and Amcar would form a joint manufacturing concern with each company having an equal share," Mr van Huysteen said.

Authoritative sources predicted that the Escort manufacturing operation would be moved to Pretoria and that Amcar, in response, would move its light-truck assembly operation to Port Elizabeth.

With parts interchangeable between the Ford Escort and the Mazda 323 and the overseas link between Ford and Toyo Kogyo, Mazda's parent company in which Ford of the U S holds a 25 percent share, it seems likely the main thrust of the common manufacturing company would concern these two models.

Replace

This probably would see the Escort and Mazda retaining their current body shells but using similar drive assemblies.

The other benefit, according to industry sources, is that the Escort would move to a more modern production line.

Amcar's Mazda pick-ups and Mitsubishi trucks probably would replace the Escort at the Neave Assembly Plant where Ford currently builds all its trucks.

In September, Ford and Amcar issued a statement that the two companies were exploring matters of mutual interest.

In the past six months, Ford has retrenched 660 hourly and salaried workers and extended its end-of-year shutdown period.

Amcar retrenched 315 workers in August.

Argus 17/11/84 (232)

Argus group buys stake in Maister

THE Argus Printing and Publishing Company, battling with falling advertising revenues, announced yesterday it had acquired a 20 percent interest for R18,1-million in Maister Directories (1981) (Pty) and Yellow Pages (Pty).

The acquisition is to be funded by a rights issue

The managing director, Mr Hal Miller, said he was excited about being a member of the Maister group

Maister, Nasionale Pers, Perskor and ITT each reduced their 25 percent holdings to accommodate Argus

The Argus in its statement for the six months ended September 30 said while pre-tax profit had been held at R17,7-million compared with the R17,5-million for the seven months ended September 30 1983, attributable profit had fallen sharply to R6,7-million from R11,8-million

Tax was nearly R4-million higher at R6,9-million and a major reason why attributable profit fell to R6,7-million

Nevertheless the interim dividend has been maintained at 125c

While the group managed to perform well in the past six months, the second six months were going to be difficult and management was doing everything possible to reduce costs

Turnover, because of earlier buoyancy, rose to R287,5-million from R233-million Trading income was R1-million higher at R19,7-million and interest slightly down at R4,5-million (R4,7-million)

Income from investments and subsidiaries not consolidated (SAAN) was R2,5-million against R3,5-million, while minorities rose to R4,7-million from R3,5-million

The directors said, as anticipated, tax increased considerably, partly because of the higher rate, partly because of the consolidation of Hortors and partly because of the high level of tax allowances which were available last year

In addition, the interest of minority shareholders rose because of CNA Gallo's greater contribution to income and the consolidation of Hortors

Although there was a general rise in circulatons, a sharp fall in advertising demand in the latter part of the period adversely affected newspaper revenues

DETERIORATING CLIMATE

Improved profits from CNA Gallo and Hortors in spite of the deteriorating commercial climate resulted in a small rise in pre-tax profit when compared with the seven months to September 1983

The Saturday Star continued to receive strong support from both advertisers and readers and was trading profitably Only the first issue of the Sunday Star fell within the review period, but early results were satisfactory.

Newspapers had been hit by the general slowdown in business conditions, the 10 percent sales tax on advertising and the sharp fall in ad placings

Trevor Walker

BUSINESS

New move against cartel practices

PRETORIA — The Competition Board is to conduct a high-priority investigation into alleged competition restrictions and its subsequent recommendations could be an important development in South Africa's competition policy, Dr S J Naude, chairman of the board, said yesterday

The investigation is into "certain business agreements, arrangements, understandings, business practices and methods of trading, namely collusion on prices and conditions, market sharing and tender practices"

Notice will appear in the Government Gazette today

"In respect of prices and conditions, it will include any agreement or arrangement regarding the prices, fee, interest, premium or other consideration, and any other condition on which goods will be supplied, a service rendered or a loan, credit or risk coverage granted"

In a statement in Pretoria, Dr Naude said the board felt certain types of agreements or arrangements that might "seriously restrict effective competition" were fairly common in the South African economy

"The board therefore intends giving a high priority to this investigation," he said

With one exception, the approach up to now had been to first investigate alleged restrictions of competition and to take action where justified afterwards This had proved to be inadequate in many instance

"The new approach essentially entails the outright prohibition of those restrictive practices which, in view of experience in South Africa and elsewhere in the world, detrimentally affect effective competition, and in practice prove to be difficult to justify in the public interest

Because the investigation was also aimed at agreements or arrangements between firms in regard to price or market sharing or both, any prohibition flowing from the investigation was likely to have a substantial impact on any cartel arrangement, he warned

"Firms or persons involved in such practices must therefore seriously consider their position and either make the necessary adjustments or approach the board with the view to justifying their actions and exemption, in the public interest, from any general prohibition"

CEMBER 1, 1984

Official cites medical, legal cartels

PRETORIA — The economy was "riddled" with cartels and monopolies which could manipulate prices to the detriment of the consumer, the Consumer Council says. The deputy director of the council, Mr Bernard Hellberg, was reacting to the announcement this week of a sweeping investigation by the Competition Board into price fixing, market sharing and cartel forming in South Africa.

Mr Hellberg said examples were the medical and legal professions — "the best organised cartels you could find anywhere" — and the beer and wine industries.

"If we are to fight inflation effectively it is essential that price-fixing rings and monopolies be broken up and their products exposed to open and free competition."

The executive director of the Afrikaanse Handelsinstituut, Mr Fritz Stockenstroom, welcomed the investigation. In it he said the special situation in South Africa and the size of the market should be taken into account.

The PFP's consumer spokesman, Mr Harry Schwarz, agreed the investigation was long overdue. He said it must not turn into a witch-hunt. "It must be strictly objective — and quick," he said. — DDC

Clicks pays R1,2m for 50pc Australian stake

CAPE TIMES 5/12/84

232.

By PAUL DOLD
Financial Editor

Clicks' chairman, Mr Jack Goldin .. expects profits soon

Clicks Stores is entering the Australian market through a R1,2m stake in the Melbourne Priceline chain

The deal gives Clicks joint control of Mr John Gandel's Priceline which has six stores in major shopping centres

Clicks is funding the acquisition from its own cash resources

Its chairman, Mr Jack Goldin, expects the investment to be profitable from an early date with the the first earnings contribution likely in Clicks' 1985/86 financial year

The deal is the culmination of talks which began some years ago when Mr Gandel visited South Africa to discuss the possibility of starting a Clicks-type retail chain in Australia

Clicks offered to assist Mr Gandel, and his son, Ian, spent six months at Clicks earlier this year

Mr Goldin and Mr Gandel will be joint chairman and Clicks' senior marketing executive, Mr Martin Susskind, is being transferred to Australia to help with the running of Priceline

Mr Susskind is one of Clicks' top executives, with extensive experience in stores, management and buying

Mr Goldin said yesterday that he would have the full backing of the Clicks team

Mr Gandel has extensive property interests in Australia, particularly in shopping centres, and this should help Clicks find suitable sites for expansion

He is also joint chairman of Sussans, an Australian fashion chain

Clicks' move follows Pick 'n Pay's high successful entry into Australia where Mr Raymond Ackerman's Brisbane hypermarket is setting turnover records

'KING

Ford, Amcar talks 'on the right track'

5/12/84 Star

232

Discussions between motor manufacturers Ford SA and Amcar Motor Holdings are expected to reach "preliminary conclusions" in late January, a statement by Amcar says

The talks, first announced in September, have led to widespread speculation that the two companies are planning to merge their operations

The statement says that no conclusions have been reached yet

It adds that whatever conclusions are reached, no impact on existing operations could take place in either company before the second quarter of 1985

The statement says that Mr Lindsey Halstead, vice-president Asia-Pacific and Latin American automotive operations, Ford Motor Company, visited South Africa last week.

He reviewed progress made so far with Mr Leslie Boyd, executive director, Anglo American Corporation, who is chairman of Amcar, and with the management of the two companies

Mr Halstead said "I have conducted an on-site review of the progress made to date and feel we are on the right track

"Clearly there are opportunities for co-operation that will afford improved economies of scale and benefit the South African economy, as well as both Ford and Amcar"

Will the clamp work?

The Competition Board's new dispensation has been widely acclaimed as a resounding blow for real competition in this country

For far too long, so-called cartels, market agreements, and various restrictive trade practices have continued unchallenged. But their death knell has been sounded with the announcement last week of a far-reaching investigation into these practices by the board.

But whether the blanket powers that could arise from the investigation turn out to be a breakthrough depends very much on whether the government has the gumption to follow through on the board's recommendations. Ironically, the source of the board's possible new powers — government — could also doom the board to impotence After all, it has happened before.

The essence of the new dispensation is to replace the board's inefficient *ad hoc* approach of investigating alleged restrictive trade practices by a broad policy of prohibition In a sense, this represents a radical change in *modus operandi*

The private sector has welcomed the Competition Board's new brief to look at collusive and restrictive trading practices. Hopes are high that imaginative solutions can be found to break the stranglehold of the big cartels. But, in the end, there will be powerful lobbies, with considerable political leverage, against change.

The cost-effectiveness of the old approach has been low, and there are many cartels that continue quietly and happily because they cannot be ferreted out.

Stef Naudé, chairman of the Competition Board, explains "Rather than investigating a particular person or industry, and then taking action, as has been done in the past, the board now intends outlawing a broad section of restrictive practices which are believed to cut across the entire economy and hinder competition.

"I have no doubt that this investigation and the recommendations that arise out of it will have a substantial effect on the promotion of effective competition and will conceivably mean the end of cartels as we know them "

Once the recommendations are accepted, a phone call to a competitor to fix a price could land someone in court and or even in jail

The Maintenance and Promotion of Competition Act of 1979, under which the investigation is being conducted in terms of Section 10 (1)(c), provides for a maximum fine of R100 000 or a prison sentence of five years for offenders The scope of the investigation is wide and far-reaching, and has implications for a host of parties — such as trade associations, retailers, suppliers, manufacturers, professionals, health services and financial services and institutions

Broadly, the board will examine any form of collusion in the private sector. More specifically, three areas will come under the spotlight

Firstly, the investigation will examine any agreement or arrangement concerning prices, fees, interest, premiums or any other stipulation or condition on which goods will be supplied, a service rendered, loans or credit or risk coverage granted

The investigation includes both "vertical" price fixing between manufacturer and retailers, and "horizontal" fixing be-

Board chairman Naudé ... aiming to promote effective competition

232 FM 7/12/84

from the investigation

It is believed that recommended fee scales which are not enforced by the professions will have a far better chance of surviving any prohibitions However, where fees are determined by law, the board will have no power to interfere In SA, the legal profession, for one, could feel the pinch, as it did in the US when competitive reform pushed down average income

Arthur Chaskalson SC, vice-chairman of the General Council of the Bar of SA, says the issues raised by the Competition Board will be discussed at the next meeting of the executive committee of the general council at the end of January. He describes the current situation as follows

Modest minima

"Members of the Bar are entitled to render services without charge and, in appropriate cases, do so If they elect to charge, however, they must comply with fee schedules which prescribe minimum fees for certain classes of work.

"Minimum fee schedules are largely unimportant to established members and, for the most part, are relevant only to beginners at the Bar The minimum fees are set at modest levels with due regard to the nature of the services which have to be rendered and the amount of work appropriate to the rendering of such services"

Law man Van Zyl . . . 'no price fixing among attorneys'

Louis van Zyl, president of the Association of Law Societies of SA, which represents attorneys, says the association will respond to the investigation He says there is no price fixing among attorneys "Societies prepare guidelines which are merely intended to create an indication for members of what is considered reasonable"

In the past, he says, it was considered unprofessional to charge less than a reasonable charge for a certain amount and complexity of work "However, there has been a change in attitude in some countries towards this practice"

Will the board be able to get its way? Paul McNaughton, a director of Reef Coal, welcomes the investigation "However, we hope the board will be able to implement properly and thoroughly whatever recommendations they might make."

Ackerman also hopes government will listen to the board's recommendations, noting that "If this investigation does not get strong Cabinet support, it will be an exercise in futility"

The key to success, says Ackerman, does not lie with De Villiers, but rather with State President P W Botha and whether he is prepared to support De Villiers and any recommendations he might accept "Government will have to ignore political affiliations and tackle the issues fearlessly," Ackerman notes

Then there are those who believe that the scope of the investigation could be its greatest weakness Kantor disagrees "Rather than being a drawback, the scope of this investigation is broad enough to make particular vested interest groups less powerful" He also believes the present Act provides sufficient bite for the board to carry through its intentions

However, the failure of the board to implement its recommendations concerning the break-up of the liquor industry still casts doubt on whether it has the punch to have the current investigation enshrined in law

And will De Villiers have the necessary political clout to carry through recommendations which could irk some powerful lobbies — particularly in the trading and financial sectors? It was, after all, De Villiers who emphasised (when the board was conducting its investigation into the liquor industry) that the government was not bound by the board's recommendations

So what has changed?

Perhaps, if nothing else, the investigation will clarify whether political interference by some special pleaders has greater influence in government than commonsense for the economy as a whole

Business Day RDM 7/12/84 (232)

Huge appliance group formed

By MIKE JENSEN

A NEW group has been formed by Federale Volksbeleggings and Sanlam to produce South Africa's largest domestic appliances group, with R300m in annual sales.

The company, to be called Tek Corporation, will be the result of a merger between Tek and Defy, bringing in Sanlam as a new contender in the industry.

It will become a leader in "brown goods" such as TV, hi-fi and video recorders under the Telefunken and Pioneer brand names, and in "white goods" such as stoves, refrigerators, freezers, dishwashers, washing machines and microwave ovens under the Defy, General Electric, Hotpoint and Zanussi brand names.

The new group will be a wholly South African-owned enterprise, controlled by Fed Volks — 54% — with Sanlam holding the balance of 46%

Federale was the sole owner of Tek and the deal brings Sanlam in as a new shareholder through the injection of funds, a spokesman told Business Day.

To make the merger possible, the new funding has been injected into Tek, which in turn has bought Defy from Glynwed, of the UK and General Electric, of the US for R27m

Glynwed retains full ownership of the foundry and pressings division of Defy. This division, based at Newcastle, Natal, manufactures solid fuel stoves, cast-iron pots and porcelain enamelled baths

It will be owned by a newly-formed subsidiary of Glynwed, called Falkirk Industries, and will be operated separately from the enlarged Tek.

Announcing the merger in Johannesburg yesterday, Mr Johan Moolman, managing director of Federale Volksbeleggings, said. "In view of the uncertain levels of demand and the major rationalisation programmes to be undertaken by the new group, it would be premature to quantify the effect of this transaction on Federale's earnings for the last quarter of the current financial year

"Results for the 1985/86 financial year will continue to reflect the effects of a depressed market, but thereafter it is expected that the enlarged Tek should contribute satisfactorily to Federale's earnings"

Mr Neville Organ, who recently joined Federale, becomes chairman of the enlarged Tek Corporation.

"Neither Defy nor Tek have been making money this year In the search for profit, Tek this year entered the market for white goods. Conversely, Defy was preparing to enter the market for brown goods," he said

"Now we can focus on combining the best of each team's service, technical, production and design staffs for the benefit of the consumer and retailers alike."

As part of the reorganisation, it is possible that Defy's factory at Vulcania, near Brakpan, will be closed early in 1985, said Mr Richard Newby, managing director of Defy

He becomes joint managing director of the enlarged Tek, responsible for all manufacturing operations

On the marketing, sales and distribution side, the area for which Mr Mike Bosworth — current managing director of Tek — takes responsibility as joint managing director, there will be an examination of the 30 distribution depots that Defy and Tek have in main centres

The cost savings made possible through merging the Defy and Tek national distribution networks would considerably strengthen the new group, said Mr Bosworth and Mr Newby

Precious metal prices

RDM 7/12/84 (232)

Altech challenged as Reunert buys into TM

By MIKE JENSEN

COMPETITION between SA's two electronics giants — Reunert and Altech — has reached new levels, with Reunert buying a major stake in Telephone Manufacturers of SA (TM) for R62,75m.

Altech has traditionally held the lion's share of Post Office business, which accounts for about a third of SA's R3bn a year electronics industry

But the Reunert acquisition now leaves only one area of Post Office business outside the competition — long-distance transmission

Agreement in principle has been reached for GEC SA — owned equally by Reunert and GEC UK — to buy a 50% stake in TM.

The purchase is being made from GEC UK Plessey SA remains the other 50% shareholder of TM.

TM is one of three suppliers of electronic telephone exchanges and is the sole supplier of telephones to the Post Office Both types of equipment are supplied under long-term contracts that run to March 1985

Reunert has not been represented in these markets until now

GEC SA will acquire, with effect from October 1, GEC UK's 50% stake in TM. Payment will be in the form of R62,75m worth of preference shares in GEC SA

Half of the prefs will be converted to ordinary shares in GEC SA on April 85 and the balance not later than October 1, 1986

To maintain its 50% stake in GEC SA, Reunert will buy new ordinary shares in GEC SA at a cost of R62,75m, half when the first block of preference shares are converted to ordinaries and the other half when the balance of conversions take place

The chairman of Reunert, Mr Derek Cooper, said yesterday "The acquisition will have no material affect on Reunert's net asset value, but is expected to increase earnings for the period to September 1985 by about 3c a share

"More importantly, this represents a significant broadening of the telecommunications business in which Reunert has been investing over the past year"

Mr Colin Ferreira, the managing director of Reunert Information Services, said three companies in the Reunert group were already deeply involved in telecommunications.

"Through Telkor and AEI Henley, Reunert supplies microwave transmission equipment and PABXs (telephone exchanges), as well as holding a five-year Post Office supply contract for coin telephone boxes

"Through ATC, telecommunication cables are supplied to the Post Office under a five-year contract."

Mr Cooper added that in the past financial year, ended in September, the group's electronic business had a turnover of R348m, or 37% of Reunert's total turnover. Of the group's profits, 83% were earned in the electronics and electrical engineering field

Rand's weakness against dollar creates opportunities

US firms see some bargains coming up

Star 8/12/84

By Bill Levitt

While the US dollar has been outmuscling the rand, it has also kicked open the door for American companies to move into South Africa and acquire financially-strapped firms at bargain prices

SVP, a company that sells business information and also specialises in mergers and acquisitions, reports that a number of US companies have made inquiries while others have commissioned in-depth market surveys and analyses as preliminary steps to a takeover.

The reason is simple, says Mr Peter Goldburg, one of the firm's directors

The rand has dropped by more than 40 percent in value against the US dollar since September, 1983

For a dollar, Americans get about R1,85

"Firms buying in US dollars are effectively coming in at half the price and if they can afford to export and maintain cash flows, they can eventually collect tax rebates at the rate of about R2 for every rand spent if they qualify," Mr Goldburg said

An example used was a pharmaceutical company said to be one of the largest in the US It has a subsidiary here solely to market prescription drugs, but the company wants to expand that division and get into the newly allowed generic drug trade

Mr Goldburg said the company needs to expand its international sales base to pay the hefty research and development costs and the easiest way to achieve that would be to acquire established companies

While South Africa's market is relatively small, Mr Goldberg says after-tax return on investment stands at 15 percent — well above the US average

SVP has narrowed the field and negotiations are said to be under way

OTHER FACTORS

Although the rand's continuing weakness appears to be the main stimulant for the take-over moves, there are other factors that have contributed to it, said Mr Goldburg.

- Businessmen here have never had to worry about foreign exchange Now they must cover forward and few understand the concept enough to apply it effectively.
- Banks have not yet acquired the expertise and have had difficulty offering timely advice.
- Businessmen have never really had to worry about cash flow management "Now that the prime rate has shot drmatically to 23,5 percent, it has become a crucial factor and many more insolvencies are unrelated to assets

"The economy has changed to such a degree that many medium-sized companies cannot cope anymore"

Some labour intensive industries have moved to the decentralised zones, but there one faces other problems — including high turnovers from unskilled workers and low productivity.

One hurdle facing potential foreign investors will be tax laws which limit the borrowing capacity of foreign-controlled firms depending on the company's South African interest

The more a company is controlled from outside SA, the less it can borrow against its share capital.

The object is to force foreign companies to bring in overseas financing and keep more of the profits in South Africa

But given the favourable rand/dollar exchange and the growing sophistication of the South African economy, Goldburg says the time is ripe for foreign investors — especially in the services sector where monopolies are not a factor.

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Takeover spree ends

By PATRICK McLOUGHLIN
Deputy Financial Editor

THE aggressive corporate takeover juggernaut has finally run out of steam and 1985 will see rationalisations and rescue buy-outs — but not mega-deals involving the 'gobbling up' of smaller companies by large and hungry predators

This is the consensus of brokers, analysts, bankers and industry leaders who have seen the big deals dwindle to a trickle this year as the economic downturn slammed companies and dried up bankrolls reserved for expansion.

"We will see fewer large deals in the new year," said a prominent merchant banker. "Reorganisation will be the subject on managments' thinking to get them through the troughs and strengthen their operations in time for the 1986 upturn"

Another said· "There's a limit to how many takeovers you can have. The obvious big ones are disappearing After two to three years of aggressive takeovers and expansion there's going to be a breathing space and 1985 will be it"

The 1984 takeover go-slow occurred despite a promising beginning when initial market takeover rumours prompted one commentator to say the "1983 takeover fever had clearly spilled over into the new year"

The relative placidness of this year — and the probability of an uneventful 1985 — contrasts sharply with the last few years which have been marked by a constant stream of corporate takeovers Major groups have, sometimes seemingly willy-nilly, bought and absorbed smaller, more specialised operations and this has contributed to the creation of narrowing choice of JSE shares available to investors.

Last year was witness to such massive deals as the purchase of the controlling interest in Premier from Associated British Foods by a consortium of Anglo, Liberty Life and JCI. It was the year that Old Mutual bought control of Rennies from Jardine Mathieson and Sol Kerzner sold his personal shareholding in Southern Sun to buy 51% of SS's casino operations and begin his amazing run toward tying up the Southern African gambling and entertainment industry

The size and volume of the deals prompted the Financial Mail to observe that the South African business scene in 1983 was "dominated by a rancorous power game which saw increasing concentration of ownership and growing animosity between some of the country's corporate majors"

It seemed to many that the mighty industrial giants were grasping, in one titanic competition, for the relatively few remaining operations — however large — almost regardless of price The price paid by Old Mutual for Rennies, for example, was regarded by many as being high and Gencor's purchase of Tedelex at R11 a share must not have amused Gencor shareholders who saw the electronic and household appliance retailer subsequently post worsening results and the share price plummet to the current level of around R4

This year, however, has been marked by a defi[illegible]

MAJOR TAKEOVERS AND PURCHASES: 1984

Company	Date announced	Value (R-million)
☐ AECI buys Sentrachem's 40% stake in Coalplex	January	R50
☐ Altron buys Fintec	January	R 6
☐ Sanlam buys Protea Holdings	February	R60
☐ Sanlam buys Abercom	Feb-March	R20
☐ Pepkor buys Ackermans	March	R21
☐ Gencor raises Samancor stake to about 50%	March	R140
☐ Formscaff buys National Bolts	March	R12,5
☐ Sanlam buys 49,9% of Sankl	May	R45
☐ Barlows buys Eriksen	July	R12,7
☐ Sanlam buys 21% of Anchusa	July	R35
☐ Amrel buys Bromain's Tip Top Furnishers	July	R16
☐ Premier increases stake in Ovenstone Investments from 25% to 50%	August	not disclosed
☐ Sage takes out Ned Equity minorities	September	R31,8
☐ Unihold buys QH Super	September	R20
☐ Barlows buys J Bibby	September	R554
☐ Sage takes out Union & London minorities	Oct-November	R6,2
☐ National Acceptances buys Katz	October	R5,5
☐ Group 5 sells Basil Read	October	R5,5
☐ Sanlam buys Messina	November	R20
☐ Powertech buys Scottish Cables	November	R12
☐ Reunert buys Telephone Manufacturers	December	R62,75

MAJOR MERGERS: 1984

Companies	Date announced	Value combined assets involved
☐ Ovenstone-Diroyal	May	R140m
☐ Anglo American Life -Southern Life	August	R3,5bn
☐ Rennies-Safmarine	August	R964m
☐ Freight Services -Rennies Shipping	September	not disclosed
☐ Rand Cons Invest.	October	R20m
☐ Apex Mines -Clydesdale Collieries	November	R137m
☐ Tek Corporation-Defy	December	R160m
POSSIBLE MERGERS		
☐ Anglo American considers merger of OFS gold mines	December	R5bn (market sources estimate)
☐ Amcar-Ford	September	not avail

● Mr Daling of Sanlam

● Mr Bloom of Premier

● Mr de Beer of Gencor

● Mr Clewlow of Barlow Rand

THE MEGA-DEALS DWINDLE TO A TRICKLE AS RECESSION-HIT COMPANIES TIGHTEN THEIR BELTS

Major features of this year's bids and deals have been the R554-million takeover by Barlows of the UK company J Bibby — the only real 'mega deal' — the aggressiveness of Sanlam and a number of significant mergers including those of Anglo American Life with Southern Life and the Safmarine and Rennies get together.

Although far-seeing companies, such as Anglo American and those with an international product base such as Rembrandt, have been operating overseas for some time, this year saw an increasing awareness of the limited size of domestic markets and the realisation among industry of the need to look abroad in order to ensure the continuation of healthy profit curves in the medium and longer term.

strategic local acquisitions and capital expenditure".

Among the few organisations buying was Sanlam but, according to its investment chief, Mr Marinus Daling, the purchases represented no deviation from the insurance group's long-standing 'arms length' investment policy

"We were busy this year," he told Business Express "The opportunities were there and we took them

"Certain of these deals, for example the purchase of 49,9% of Sanki (the controlling company of Kimet) were on very attractive terms. Anchusa (21% of which was bought for R35-million) was not at a bargain basement price but to buy into a company like that you have to pay"

While Sanlam — and aggressive operations such as the Altech [illegible] —

takeovers and a conservatism by management toward forking out cash, now yielding excellent returns from the banks.

"Companies are in between being flush with a lot of money; they are trying to run the business they have," said a senior JSE analyst.

A merchant banker noted "If stock market prices fall next year there will be those companies trying to buy assets at a discount At the moment it's a toss-up between whether institutional funds will keep prices at relatively high levels and whether the poor economic outlook for company profits will impact on share prices."

The massive Barlow Rand purchase of Bibby, announced in September, reinforced this sentiment in the minds of many

Barlow Rand had long wanted a major overseas investment that would provide a geographic and currency diversification and act as a springboard for international expansion. Commented chief operating officer, Mr Warren Clewlow, in the annual report: "The potential for future growth has been enhanced by the establishment of a strong base for overseas expansion, together with further

have been on the rampage, most groups will continue to pull in their horns for some time to come "Huge takeovers tend to accelerate in times of economic upturn when companies are flush with cash," said Mr Tony Bloom, chief executive of the Premier Group Mr Tom de Beer, financial director of Gencor added. "We have done quite a few takeovers in previous years and it's now a time of consolidation.

"We had to get our books in order"

Until such time as 'the books' in most companies remain under stress, investors can clearly expect few advances on the takeover front

9/12/84

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S. Express

D-Dispatch 14/12/84 (232)

Argus and Perskor in Natal merger

DURBAN — The Argus Printing and Publishing Company and Perskor have merged their two Natal Afrikaans weekly newspapers

Tempo, which is owned by Perskor, will merge with the Argus group's Natal Monitor, which was launched three months ago

The new product will be called Tempo incorporating Natal Monitor

Tempo, in its new format, will not be the political mouth-piece of the National Party as it has been since its inception firstly as Die Nataller, 29 years ago, and then as Tempo for the past 11 years

It will be "apolitical" according to the executive editor, James Byrom Editor Fred de Lange says it will allow a variety of opinions to be aired from all parties, but the newspaper itself will not comment

The merger has a split of 51 per cent ownership by Highway Mail (Pty), owned by Argus, Caxton and Robinson and Company, and 40 per cent by Drakensberg Pers, owned by Perskor The new company has still to acquire a name

Commenting on the merger, Mr Quinton Saggers, manager of Natal regional newspapers who will manage Tempo said "The merger is the rationalisation of two Afrikaans newspapers in competition for a small but important market With our expertise we are looking forward to providing the Afrikaans community in Natal with a good product to meet their needs"

● Argus has set the price of its rights issue at 4 600 cents This represents a discount of 900 cents on yesterday's JSE 5 500 cents traded price

The rights issue, which will raise about R18,46 million, is being made to fund the company's acquisition of a 20 per cent stake in Maister directories and yellow pages

Shareholders are being offered 26 new shares for every 100 shares held

Argus recently announced the R18,12 million acquisition from Mr Maister, Nasionale Pers, Perskor and ITT, each of whom reduced their 25 per cent interest to accommodate the deal

At a meeting yesterday shareholders approved a resolution increasing the authorised share capital of the Argus to 2,2 million shares of R2 each from 1,6 million shares, thus paving the way for the rights issue to proceed — SAPA

Indices

JOHANNESBURG — RDM share price indices on the Johannesburg Stock Exchange yesterday (under headings — yesterday, previous day, last week) were

MINING

Coal	1 664,0	1 659,5	1 716,1
Dimnds	1 508,8	1 503,3	1 508,8

RAM 17/12/84 232

End of depot monopoly welcomed

By ANDREW DUNCAN

THE Government's decision to end the monopoly on container depots, has been welcomed by the clearing and freight forwarding industry.

Mr Pat Henegan, president of the South African Association of Freight Forwarders (SAAFF), said his organisation welcomed the move to allow the establishment of a second container depot organisation.

Last week the Government announced it had accepted the Competition Board's report into the country-wide monopoly excercised by South African Container Depots (SACD)

Until the Government announcement, SACD (a consortium comprising Grindrods, Mitchell Cotts, Freight Services and Rennies) had been the sole licensees permitted to operate container depots at all the ports.

The board's report stated that the controlling interests in SACD had linked together powerful interests in the freight field.

It said their control over the only licensed depots might have given them a competitive advantage over other firms in the container industry

Mr Henegan said there would be tremendous support for any new depot.

"Around 75% of the cargo coming into the SACDs, is handled by forwarding agents other than those having a vested interest in SACD

"With the support of up to 60 clearing and forwarding agents, any new depot will be a viable proposition.

"A second depot will give us the opportunity of choice. This is not the case at present, where no one can neither govern nor dispute SACD's tariffs. We have never been happy with this 'take it or leave it' situation."

He said that in the past his organisation had applied to open a second depot adjacent to the one already in existence at City Deep, Johannesburg.

This had been turned down by the Department of Customs. Their view was that any additional depots would have to be provided on a national basis.

Mr Henegan said there was sufficient volume of traffic to establish additional depots at Cape Town and Durban, while Johannesburg could easily accomodate three container depots.

However, he said that even in boom times, the SACDs in Port Elizabeth and East London had been able to cope adequately and there were insufficient volumes to warrant a competing depot.

Mr Bernard Schwikkard, managing director of Micor, said it was one of the greatest things to have happened to the freight business. "It has opened up a new era of free enterprise and will benefit importers.

"In the past we have been forced, at an exorbitant cost and with poor performance, to make use of SACD

"While it is early days, it is a tremendous step forward and we would like to see the establishment of new depots as soon as possible."

He said in the present economic climate it might be difficult to attract investment and that suitable land and premises.

Safmarine's corporate general manager liner services, Mr Jan Rabie, said the full impact of the announcement was difficult to assess.

"We do not have any objection to competitive facilities but they must be comparable to what is available at SACD

"While we have investments in SACD we would be prepared to use competitive facilities as long as it was on a market related basis. However, we would of course give preference to SACD"

Mr Ulick Brown, chairman and managing director of Ellerman and Bucknall, said his group had noted with great interest, the opening up of the container depot field.

He said Ellermans had contractual obligations to SACD and that it had given his company good service.

"We welcome the degree of competition, but until such time as comparitive facilities exist, we will continue to place our business with SACD"

RDM 17/12/84 (232)

Opposition grows to OFS mine merger

By ELIZABETH ROUSE

MAJOR French bank, Dreyfus, is mustering its international clients in a major campaign against the proposed merger of Anglo American's six Free State gold mines

A telex-telegram message is being sent to clients, prompting them to express disenchantment at Anglo's proposed move to merge Free State Geduld, President Brand, President Steyn, Western Holdings, Welkom and unlisted Jeannette Gold Mines into a R3,7bn market capitalised company.

The bank joins US huge US investment funds, such as International Investors Fund of New York, in expressing opposition to the disappearance of four gold shares from the Free State sector, leaving only five shares in that sector

The bank's and investment funds' main argument is that the merger deprives them of a free choice of investment among producers with varying prospects and that the JSE's gold sector — which has not seen a new listing in six years — is being further truncated

Fears of dilution of dividends by inclusion of short-life producers in one major company are another major factor in investor dissatisfaction. The mixture of high grade mines such as Brand and Steyn with the marginal Western Holdings complex is viewed with misgivings

Institutions, UK unit trusts and North American funds are the main objectors to the merger Many may not hold more than 5% of their portfolios in a single stock When the gold companies are merged, institutional holdings will in many cases be at or above 5%

That means they will either not be able to buy more stock in the giant company or be forced to sell stock to satisfy regulations

Anglo American has already come up against the Finance Minister, Mr Barend du Plessis, who has expressed his misgivings about the tax implications of the merger. He intends referring the fiscal implications of the large merger to the Margo Commission on tax

Anglo's gold and uranium division chairman, Mr Peter Gush, answered that the operation would be "totally tax neutral".

However, tax considerations have been the main reason for new gold mining developments taking place under the aegis of a large producer In the golden days the opening of large ore bodies would have warranted listings of separate gold producers

Johannesburg broking firms are also getting adverse reaction to the merger from their clients

"Opposition is growing," says a leading firm's mining analyst. "Anglo appears to have misread the market, not anticipating the reaction of shareholders"

The scheme has obvious benefits for the future of the Free State mines, which are now moving into lower grade areas But an equitable merger will have to be devised to satisfy shareholders

The analyst believes that a scheme similar that of Western Holdings — which left Welkom (owning 6,84m Western Holding shares) on the JSE board — might be a possible solution

Standard Brass to acquire business of engineering firm

(232) E. Post 20/12/84

JOHANNESBURG — Standard Brass Iron and Steel Foundries is to acquire from the Unique Engineering Company Pty all its assets and liabilities as a going concern, the company announce

"The business has operated from December 5, 1984, as a separate division of Standard Brass but, in view of the fact that Standard Brass has assisted in financing Unique, the effective date is March 1 1984," the statement says

The purchase consideration would be determined with reference to the audited net profits before tax of the business for the financial years ending February, 1985, and February, 1986, respectively but would not exceed R2 475 000

"The price will be payable in two tranches following the completion of audited financial statements of the business for the aforementioned two financial periods

"Profits for 1984 will benefit by the purchase of Unique and it is expected that Standard Brass' pre-tax profits as a whole will be of the same order as in 1983

"The business will trade under the name Unique Engineering and it should have a material impact on earnings in 1985, but overall earnings will obviously depend upon the business climate, which has yet to show an improvement, and the performance of all Standard Brass Foundry and engineering operations" — Sapa