

FOREIGN FIRMS IN SA-BRITISH

1992

# T & N strengthens

## international links

By David Canning

T & N Holdings' South African operations are to be more closely integrated into the group's worldwide infrastructure, with the announcement that top Durban executive Mr MC Pretorius is to take up a new appointment as deputy chairman, reporting to London-based chairman Colin Hope.

At the same time, T & N says 1991 group results "have shown satisfactory improvements over 1990". It expects 1992 results to reflect greater success.

Mr Pretorius's appointment is one of several changes in the SA management structure designed "to take advantage of opportunities opening up to South Africa".

Mr Hope says the changes also are designed to develop strengths "on a worldwide basis", and to use the international infrastructure to best advantage.

In this respect, he has appointed product chief executives who are responsible for developing international strategies in respect of technology, marketing and sourcing.

"The new organisation structures of T & N Plc creates many opportunities for the operations in South Africa as T & N Holdings executives will contribute towards international planning of marketing, technical issues and production infrastructure in the future."

Access to all technology is open to South Africa and greater exports will become a reality much sooner.

In his new executive position Mr Pretorius "will be responsible for a range of activities which include corporate financial, external relations, acquisitions and disposals, review of major capex prior to board submission, the management of social change, international links, pensions and legal and secretarial".

Low-cost vehicles the main thrust

# European car makers keen to come back

B/Day 14/1/92

SEAN VAN ZYL

FIVE major West European car manufacturers could enter the SA market in coming months, pumping billions of rands into the economy and creating new employment, highly placed industry sources said yesterday.

Most of the new vehicles would be aimed at the lower end of the market — some with price tags as low as R15 000.

The UK-based Rover Group, formerly Leyland Motor Corporation, was expected to be the first foreign car manufacturer to open up in SA with the relaunch of the Mini. Leyland withdrew from the SA passenger car market in the early '80s.

Rover spokesman Ian Strathan said from London last night that the possibility of the Mini coming back onto the SA market could not be ruled out. He added Rover was actively pursuing new business opportunities throughout the world.

However, a source close to the company said Rover was already negotiating with an SA partner, most likely an established local car manufacturer, for a joint venture to relaunch the Mini. He said the project would require setting up at least one new production plant, which local industry sources estimated would cost between R500m and R1bn.

The source said the new Mini would be brought into SA in part kit form although the body would most likely be manufactured locally. He expected a formal announcement of the project to be made in

coming months once the negotiations were finalised.

Local sources said a number of European manufacturers had already undertaken feasibility studies to set up new vehicle production facilities in SA in line with the Department of Trade and Industry's strict Phase VI local content programme.

Citroen, which recently expressed interest in establishing a new production plant in Namibia, was also strongly rumoured to be looking at SA, sources said.

Speaking from Paris, Citroen international division manager Jean Paul Huertas said the group had recently undertaken an in-depth research study of the SA car market, "which looked very interesting".

Huertas said a decision on whether Citroen would re-enter SA would be taken in about a month. "We are looking at the possibility but no decision has been taken as yet."

Speaking from his company's head office in Paris, Peugeot spokesman Martin Alloiteau said the car manufacturer had been keeping an eye on SA. However, he said Peugeot was evaluating the local economic situation and no decision to return to SA had been made.

Italian car manufacturer Fiat, which has a majority shareholding in Alfa

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## Car makers <sup>B/Day 14/1/92</sup> From Page 1

Romeo, is also said to be reviewing the situation in SA.

Nissan SA, which holds the local Fiat agency, said yesterday that Alfa was keen to expand its business in SA.

However, Nissan spokesman Stephanus Lauschér said Fiat was unlikely to come into the market through Alfa Romeo without local backing. He said to his knowledge no negotiations in this regard had so far taken place between Nissan and Fiat.

French-manufactured Renault was also rumoured to be about to return to SA.

"They have good contacts here. They are not wasting time and resources by sending people over here to establish a bridgehead," an SA source said.

Both Fiat and Renault disinvested in the '80s when anti-SA sentiment was running

high.

Another highly placed local industry source said some of the inquiries had come directly from the various European manufacturers and some indirectly. Other inquiries had been routed through embassies.

"It would not come as any surprise to me if more than one came back. The inquiries have mainly been about the local content programme. They are obviously closely monitoring the situation with a view to opening up here.

"They wouldn't be asking the type of questions they have been unless they were serious. This is clearly just more than a passing interest. The type of in-depth research being carried out can only lead one to the conclusion that they are looking at the viability of these projects."

## New name for Plessey SA

CAPE TOWN — Plessey SA, taken over by Sankorp last year, has changed its name to Plessey Tellumat SA. *Blom 21/1/92*

MD John Temple said the new name was intended to strengthen Plessey's identity in export markets and to distinguish it from other former Plessey operations elsewhere in the world.

In the past Plessey has served its international markets through its wholly owned UK subsidiary, Tellumat.

Temple said Plessey Tellumat aimed to increase exports to 20% of turnover


*(61)*  
LINDA ENSOR

in the medium term. The company's export drive was focused on Africa, Europe and Britain.

He stressed the changes had no effect on technology or product relationships.

Sankorp GM investments, Derek Hunt-Davis, has been appointed chairman of Plessey in SA.

# Plessey SA<sup>(61)</sup> changes name

Finance Staff 

Plessey SA, the electronics and telecommunications market leader which became a wholly-owned subsidiary of Sankorp last year, has changed its name to Plessey Tellumat SA.

Managing director Dr John Temple says: "The change stems from the change of ownership and the choice of name is to strengthen our identity in export markets and to distinguish us from other former Plessey operations elsewhere in the world. STAR 211192

"We have been exporting electronics products from South Africa since the 1980s and have served markets worldwide through our own wholly-owned UK subsidiary, Tellumat — hence the use of that name.

"Our aim is to increase exports to 20 percent of turnover in the medium term."

# Recession drives

STAR 25/1/92

# Britons to SA

THE chill winds of recession blasting the British advertising industry have brought a benefit to South Africa — an influx of top advertising talent.

The influx is likely to continue in coming months as British creatives see the chance of beefing up their portfolios by working in a comparatively thriving, highly professional industry.

Bernstein Loxton Golding & Klein director Arlene Klein says BLGK is recruiting talent from Britain and expects to hire some top professionals soon.

Many British advertising people are wary

about the situation in South Africa, she says, "but the sunshine and the opportunity to work are tempting.

"South Africa has also been hit by recession, but the opportunities here are greater than they are in Britain, and there's a smaller pool of talent."

One British heavyweight who has moved to South Africa is John Sherfield, who recently left Ogilvy & Mather in Johannesburg after nine months to join Bernsteins as senior art director.

In Britain, he says, a large number of "very good people" have been

retrenched.

Since Australia and the United States are also suffering economically, many of those retrenched have been obliged to seek greener pastures in Hong Kong, Singapore and other parts of the world, including South Africa.

Mr Sherfield does not believe the influx of talent from Britain will deprive South Africans of jobs: "Personally, I want to learn from South Africans and perhaps the local industry will benefit from the talents of the newcomers.

"I see this country as a wonderful, long-term opportunity."

# UK construction firm to invest in SA

CAPE TOWN — Multinational Amec plc, the largest construction company in the UK, has decided to invest in SA, having identified the country as one of its primary areas of international expansion.

It plans to use SA as a permanent base to spearhead exports of offshore and onshore petrochemical and oil-from-gas constructions into Africa and elsewhere.

Amec has an annual turnover of about R11bn and took the largest share of the construction and design of the North Sea offshore platform.

Amec director and group chairman of the corporation's process and energy sector Dennis Clark said Amec also wanted to take advantage of the anticipated growth in construction work when foreign investment flowed into SA in future.

Clark and his team held meetings with government officials and leaders of the engineering, petrochemical and construction industries last week with a view to finding partners for joint ventures.

Amec used mainly joint ventures on a 50:50 basis in its international investments, Clark said, with the local partner providing construction facilities and Amec introducing new technology.

Clark said in an interview the response to Amec's involvement in SA

LINDA ENSOR

had been enthusiastic.

He would like to see the corporation established in SA by mid-year and to have a local operation up and running in 12 to 18 months. He hoped within a few years to have a business generating a turnover of about R250m annually.

Clark saw SA as a base for fabricating and exporting offshore platforms to Nigeria, Angola and the west coast and possibly to Indonesia in the Far East.

Success

The international demand for offshore platforms was satisfactory, Clark said, with total world investment in offshore development forecast to reach \$60bn between 1993 and 1995. Growth points identified by Amec were Southeast Asia, Malaysia and Indonesia.

Amec was involved in two ventures with Dorbyl Engineering and Babcock Engineering to construct and fabricate 80% of the topside of the Moss gas offshore platform. Its share of the project was worth about R300m and its success prompted an investigation into further involvement in SA.

Discussions have been held with

Dorbyl and Babcock about extending the relationship into further offshore projects.

Clark said Amec's investment in SA was possible only because of the expertise developed locally during the Moss gas project.

"We have no desire to use large numbers of UK people as SA has competitive labour costs. The cost of a design engineer, for example, is less than half that of his counterpart in the UK," Clark said, adding that equipment procurement also had competitive advantages provided inflation was kept in check.

Amec was also keen to get involved in onshore work such as the design, construction, maintenance and refurbishment of petrochemical plants and refineries in SA. While Amec had missed the recent wave of refinery expansion, further expansions were in the pipeline, Clarke said.

As world leaders in environmental pollution control, Amec believed there were opportunities in this area in SA and had also identified phase-one engineering as a growth area.

Amec's initial capital investment would not be high but later it would be necessary to enhance the fabrication and construction facilities of its local partner and to invest in sophisticated computer design equipment.



Britain's Overseas Development Minister Lynda Chalker speaks to journalists at Jan Smuts airport yesterday after her two-day visit to SA. She said she had discovered "a real sense of urgency" among the country's political leaders. Picture: ROBERT BOTHA

## 'Violence <sup>61</sup> must end'

31/01/92  
KATHRYN STRACHAN

BRITISH Overseas Development Minister Lynda Chalker said yesterday there was an urgent need for economic growth in SA, but warned that the violence would have to end before the country could attract foreign investment.

Speaking at a media conference at Jan Smuts airport, Chalker warned there was a shortage of international capital as Eastern European markets were also in competition for foreign investment.

"SA needs capital if it is to succeed," she said, "but there is nothing that chases investors off more quickly than outbreaks of violence in the country." <sup>2000</sup>

Chalker said one of the main priorities of her visit was to offer support to Codesa and urged participation in the talks. <sup>1/6</sup>

She said British funding of Inkatha would not be affected by recent reports that it had received received state aid.



Weekly Mail Reporter  
EARTHLIFE AFRICA is taking Thor Chemicals to an international tribunal on charges of polluting one of the earth's most important renewable assets — water.

The case is set to be heard in February by the Second International Water Tribunal, meeting in Amsterdam to hear complaints of water pollution in Asia, Africa and Latin America. Environmental organisations from 17 countries will present dossiers about water problems in their countries and enter into discussions with the companies and governments they have accused of contaminating the world's water.

# Thor to face world tribunal

While the tribunal does not have the power to impose fines against companies found guilty of polluting water, part of its brief is to publicise the details of allegations. Thus, South Africa's legislation on pollution will also be on trial.

The Natal plant of Thor Chemicals, which is a subsidiary of a British multi-national, has been accused by Earthlife of severely contaminating the Mngweni stream with mercury.

In its indictment, Earthlife says this has created serious hazards for the

immediate environment and for communities downstream. The company had refused to acknowledge publicly the extent of the pollution, the threat it posed to communities or its responsibility for the contamination.

Earthlife also accuses Thor of importing mercury waste from Europe and the United States — a toxic product which those countries' environmental regulations have classified as too hazardous to reprocess.

In July 1988, Thor denied importing toxic waste. "We supply American

Cyanamid with mercury-based catalysts and take back the waste after they have used the product," the company said in a statement. "Our plant is environmentally safe and all the local authorities are satisfied it is safe."

Thor's managing director, Stephen van der Vyver, said he had nothing to add to the 1988 statement, but he indicated that his company was sending a written response to the tribunal.

One of the three Earthlife members who will be attending the tribunal, Chris Albertyn, is confident they will

win the case. "Thor tried to discredit us as a lunatic fringe. A guilty verdict will vindicate our stand and warn other multi-nationals planning to invest in South Africa that they will not be able to cut costs by ignoring the environment," he said. "We believe the resultant negative publicity will force corporations to review their operations."

The First International Water Tribunal, which dealt with water pollution in Europe, resulted in concrete measures being taken by governments and industries to address the problem.

Other African countries due to appear before the second tribunal are Ghana, Nigeria and Tanzania.

**TINY ROWLAND**, chief executive of the troubled Lonrho group, slipped in and out of South Africa this week on a mystery visit.

Deputy chairman of the multinational group Paul Spicer confirmed Mr Rowland's visit, saying that "quite a few" of the 15-million Lonrho shares bought at bargain basement prices in the past few weeks had "found their way down south to very sensible people".

This fuels speculation that Lonrho is trying to sell off some of its southern African interests to reduce crippling gearing of more than 70%.

Talk in London is that Gencor could soon be able to take responsibility for Lonrho's interests south of the Sahara.

"I am not commenting on Gencor or anyone else," Mr Spicer told Business Times. "We like them very much and they like us. But then we have some significant friends in southern Africa, including Anglo American."

Gencor has been mentioned as a probable buyer should Lonrho decide to sell some of its shares in Western Platinum, in which Gencor has a 27% interest.

## India

But chairman Brian Gilbertson says no meeting was held with Mr Rowland this week and no offer has been made for the mine.

"But if he wanted to sell, we would be interested," says Mr Gilbertson. "We have a pre-emptive right on Wesplats."

Head of investments at Sanlam, Ronnie Masson, is unaware of Mr Rowland's visit to SA. A spokesman for Old Mutual would not comment on the Lonrho chief's visit.

Mr Spicer says: "Whenever he travels like this it has one purpose — to act in the interests of Lonrho and its shareholders. That is as much as I will say at the moment."

Nothing should be read into Mr Rowland's discreet visit — his first acknowledged trip since September 1971.

"I can certainly confirm that he was in South Africa and he was moving at a politically very high level before going straight to India."

Lonrho is eager to scotch suggestions that Mr Rowland is another Robert Maxwell, the British tycoon who drowned last year when his business empire foundered.

## Rights

It is believed there are three possible reasons for Mr Rowland's SA safari:

- Political discussions — Rowland is notorious for horse-trading, particularly in black African countries where he built his business empire. More than 60% of Lonrho's 1989-90 profits came from Africa, much of them from Wesplats. Mr Rowland will be keen to update himself on political developments;

By **ROBIN PEGLER** and **CIARAN RYAN** in Johannesburg and **IAN HOBBS** in London

- Reassuring institutional investors that the group is not in trouble, although they will take some convincing. Several institutions bought large parcels of Lonrho as a rand hedge in 1990 when the price was nearly 2000c. It has fallen by 60% to 750c. It is estimated that 13% of Lonrho shares are held in SA.

- The possible sale of all or part of Lonrho's 73% interest in Wesplats to Gencor to reduce its £1.1-billion debt. Wesplats, according to Lonrho, is the lowest-cost producer of platinum. It is regarded by SA analysts as a highly efficient producer.

Gencor will be flush with cash after its R2-billion rights issue and can afford to wait for a recovery in platinum and rhodium prices. But cash-strapped Lonrho does not have time on its side.

There is good reason for Gencor to hope that Wesplats might eventually be offered for sale at a favourable price because of its strong bargaining position.

Lonrho has sold its 50% interest in Kuhne & Nagel to its former partner in Germany. It has many assets in 80 countries which it can sell to cut borrowings.

In the past 10 weeks, the market has wiped out nearly half of Lonrho's market capitalisation — now down to R4.2-billion.

## Worse

Last week's shock cut in the 1991 final dividend and the 24.2% drop in pre-tax profits to £207-million confirmed fears that the group was in trouble. No interim payment will be made this year.

Mr Spicer blames the fall in profits on the recession, but this is only half the story. Lonrho has financed its expansion by borrowing. Although it benefited from this in good times, the interest bill became crippling when profits fell.

Worse still, earnings were hit by the depreciation of Third World currencies against sterling. Lonrho borrowed in hard currencies and invested in weaker ones, resulting in losses. Earnings received from Third World countries were also hit by the weakness of their currencies.

Mr Spicer is indignant about UK press reports which speculated that Lonrho would lose control of the UK import and distribution of Volkswagens and Audis from the end of 1993. The VW and Audi business, started 16

years ago, has been a spectacular success and accounts for more than 20% of Lonrho's worldwide turnover.

Mr Spicer blames speculation in a Financial Times report for a further 50c fall in Lonrho's share price. The report, he said, "was typical of the recent disgraceful press speculation that has been damaging to Lonrho".

He told Business Times that the VW-Audi contract was due for renegotiation only at the end of 1993 and VW had said publicly that as long as Lonrho was run by Mr Rowland and his management team, the contract was secure.

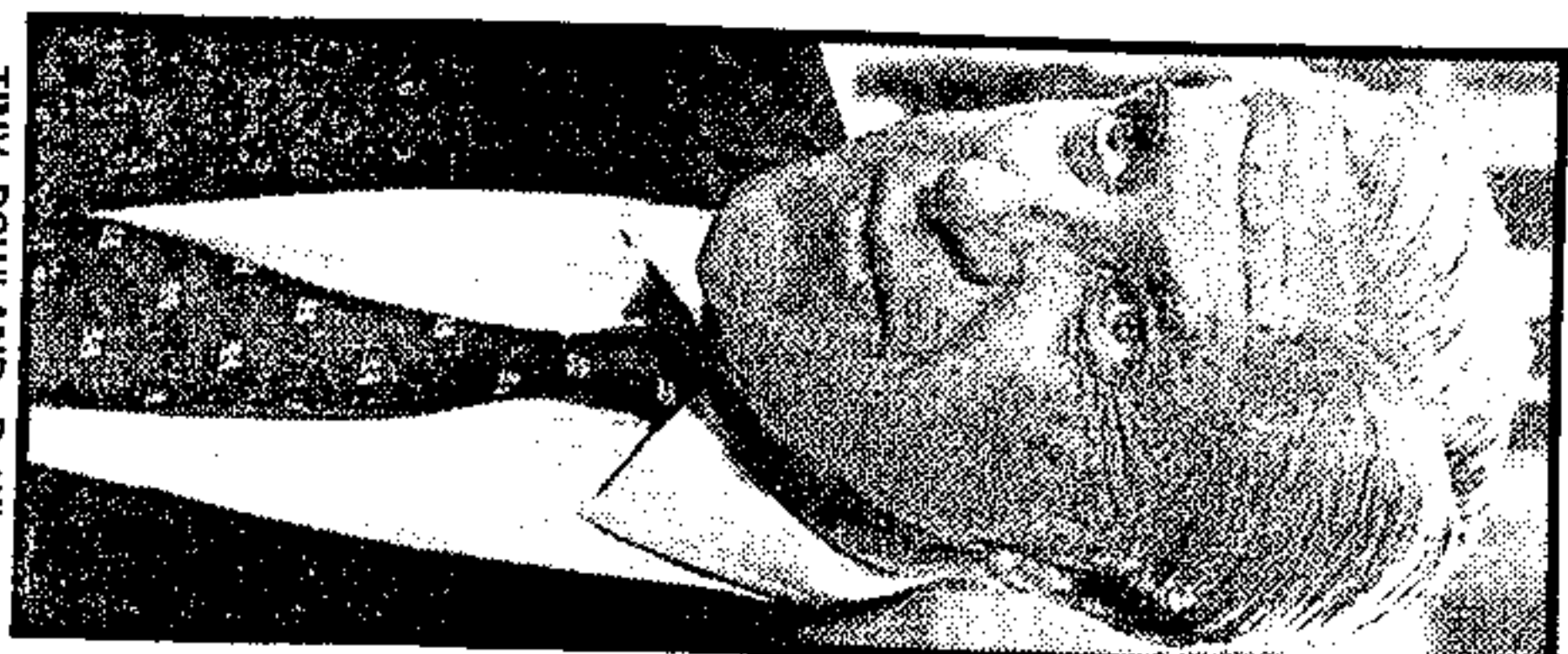
At 74, Mr Rowland is looking for a successor. His style of management is dictatorial and he has a reputation for being a tenacious fighter.

Witness his long court battle with the Fayed brothers about their acquisition of House of Fraser...

# Lonrho's Tiny in mystery SA visit

Stimes (Buss) 2/2/92

(61)



TINY ROWLAND: Bathing

# British not ready to invest in SA

*B/D ay 4/2/92*  
DURBAN — Few British investors and policymakers are ready to invest in SA, and most are ignorant of the economic opportunities available, a recent Gallup poll conducted in London has found.

The poll was commissioned by the SA Foundation and questions were directed at parliamentarians, journalists and UK fund managers.

"Not only are levels of ignorance about SA surprising, but when it comes to matters of trade and investment, it is very clear that SA has not come in from the cold," the foundation said.

The UK has among the strongest business, historical and cultural links with SA, and more information concerning SA is in circulation there than in other Western nations.

Positive impressions created by initiatives such as Codesa are offset daily by reports of violence.

While apartheid legislation had been lifted, 52% of fund managers said it was still "in force".

Thirty-nine percent of those polled said it would take 10 years or more to correct social and political economic imbalances.

More than a quarter of respondents said a black majority government

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Own Correspondent

would be in place within four years; 52% said it would take longer.

The ANC was the party most likely to form the next government; second most likely was a coalition of black and white parties.

More than 59% of respondents said they were "optimistic" about SA's future, mostly because of the perception of the willingness of South Africans to change. They felt SA was unlikely to have a socialist economy; a free-market economy with partial state intervention was expected.

Compared with Russia, Czechoslovakia, Brazil and Taiwan, SA emerged as a "medium risk" investment prospect.

Political instability and violence were perceived as the main disincentives to investment, with only 12% saying anti-apartheid group activity remained a disincentive.

Eighty-seven percent favoured trade with SA, with only 4% saying trade should be banned until a one-man-one-vote system was in place.

The foundation concluded that enormous challenges still faced South Africans optimistic enough to conclude that the country had "come in from the cold".

# SA still out in the cold for investors — poll

By Shaun Johnson  
Political Editor



Those who believe that international businessmen are queuing up to invest in the new South Africa had better think again, according to the results of a Gallup poll commissioned by the London office of the South Africa Foundation (SAF).

In spite of the optimism expressed in South Africa after President de Klerk and ANC leader Nelson Mandela addressed the Davos World Economic Forum, British investors are not convinced of this country's attractions — and there is no reason to believe that their

European and American counterparts think any differently.

In influential British circles, South Africa is regarded as being an investment prospect only marginally more enticing than Russia, Czechoslovakia and Brazil, the survey reveals.

The survey, conducted among influential UK fund managers, MPs and journalists, is cause for "considerable concern regarding UK-SA investment and trade", according to the SAF.

"Not only are the levels of ignorance about South Africa surprising, but when it comes to matters of trade and investment it is very clear that SA has not come in from the cold.

Some 25 fund managers, 50

MPs and 25 media figures were polled. Their attitudes suggested a worrying level of indifference towards South Africa — a sentiment which, observers note, could be even more debilitating than active hostility.

Some of the key findings are:

- Nearly half of all respondents believe much of or most apartheid legislation is still in force.
- Close to 40 percent said it would take 10 years or more for South Africa to correct current social, political and economic imbalances.
- Nearly half believed a future South African government would have an economic policy of "free market with partial

State intervention".

- South Africa was regarded as a "medium risk" investment.
- Just less than 70 percent of respondents cited "political instability" as the greatest disincentive to investment.
- "Violence" was cited by close to half of those polled.

The SAF interpretation of the results is that, in spite of the freer climate created by the negotiations process, British decision-makers are not expressing marked interest in investing in South Africa. It is pointed out, for example, that the current generation of fund managers was trained in an environment in which there were little or no dealings with South Africa.

AS roadshows go the European performances of President De Klerk and ANC president Mandela undoubtedly added to the swelling reservoir of goodwill to South Africa.

It was especially true at the World Economic Forum in Davos where the focus was on investment in and trade with post-apartheid SA (PASA).

Backed by a chorus line of SA captains of industry, commerce and finance and with Inkatha's Chief Mangosuthu Buthezi chiming in, there was less counterpoint and more harmony in the serenade of the two leaders to prospective investors.

Unfortunately, of necessity, it was only a familiar overture to the international investment community which still waits for the curtain to rise on the real show.

Since Mr Mandela walked free two years ago, there has been a proliferation of international PASA conferences, seminars and presentations at which every shade of opinion in SA has been voiced. The cloud of ignorance which accumulated during the sanc-

# Politics making way for SA's bottom line

...ions years has rolled back. The number of inquiries I have received in London every week from financial advisers about subscribing to the Financial Mail, Sunday Times and Business Day must have totalled close to 1500. Stockbrokers, corporate finance directors and fund managers who are interested in the new SA now have large databanks on the country.

Each, too, has a theory about the possible political permutations which can emerge from the constitutional negotiations. But in general terms, according to Jon Bergtheil of broker James Capel, which keeps a permanent finger on the pulse of sentiment about SA, most assume that there will be a settlement

which will embrace "some sort of free market".

The sea-change in the history of the 20th century which has occurred in the past three years virtually ensures that PASA cannot afford to be too far out of step with the rest of the world and find itself marching with only the anomalies for company, such as Fidel Castro's Cuba.

So there has been a shift in the weighting attached to investing in SA from the political likelihood to a more clinical examination of economic prospects and values and returns.

Mr Bergtheil says: "The

political utterances don't surprise fund managers although it has increasingly become a matter of trying to read between the lines to gauge what kind of economic policy and strategy will emerge in South Africa.

"But at the moment they are not turned on by the values they see."

Pending concrete developments in SA, views of value are largely governed by the financial rand discount which is expected to fluctuate as political developments lurch raggedly forward.

It is expected that as a result the financial discount will swing between 5% and 20%, causing buying opportunities at the bottom and profit-

taking at the top for many of those who trade in SA shares.

Mr Bergtheil says: "When the discount got down to 7%, values looked too low and many investors pulled back. The message we got was to give them a call when it went out to 15%."

This week with the financial discount 16% below the commercial rate to the dollar, interest was returning, mainly for big tradeable, high-yield SA bonds, such as Eskom. There is some optimism that inflation in SA may be near its peak and that with rising real yields investors will reap a double benefit

## JOHN CAVILL in London

from higher bond prices and an exchange-rate gain.

Mr Bergtheil says the decision to tax interest on short-term financial rand deposits has caused "a few jitters", but has not affected "serious investors." Investors want clarification of the ground rules. Because the financial rand is an offshore currency it need not be deposited with SA banks.

By now most prospective and actual investors can reel off the potential of PASA, its developed infrastructure, availability of labour, power and sophisticated financial markets and the wider rewards to be had if its role as the "engine of growth" in the

sub-continent can be fulfilled. But the ultimate test remains the bottom line of earnings a share and dividend growth.

LONRHO's share price appears to be in a state of neutral buoyancy after the storm of controversy and speculation caused by the profit and dividend slump and moans about the governance of chief executive Tiny Rowland.

Capitalised at £781-million the 600-company conglomerate now bobs on its 40% discount to net asset value while awaiting the next stage in proceedings.

That will come with the full annual report and accounts on February 26 when the balance sheet will be fine-combed by analysts and investors for signs of hope or despair — none more keenly than Old Mutual, the second-biggest shareholder after Mr Rowland, with an estimated 8% of the company bought as a rand hedge at prices well above the current 119p.

A month later Lonrho faces its most exciting annual meeting since Conservative Prime Minister Ted Heath dubbed it the "unacceptable face of capitalism" after a three-year investigation by Department of Trade inspectors into alleged irregularities under the Companies Act.

Its criticisms of a raft of activities, from deals done in Rhodesia — which led to Lonrho finance director being briefly detained by police in SA — to offshore payments for the then chairman Lord Duncan-Sandys to expenses charged to Lonrho by Mr Rowland.

The 600-page report's conclusion was milder than that of the investigation into the late Robert Maxwell's which said the press tycoon was not "a fit person" to be in charge of a publicly quoted company. In chief, the report said that Lonrho needed a board which could provide "an independent check on its executive" and added:

"We believe that Mr Rowland has a great deal to offer Lonrho and its shareholders, but his achievements will be all the greater if he will allow his enthusiasms to operate within the ordinary processes of company management."

Lonrho rejected all the points — as it does most criticism — and today it is still resisting pressure for independent directors.

Its damage-limitation exercise has led Mr Rowland to talk to the big funds which hold stock in Lonrho, but still not to stockbroking analysts — he still holds the City in disdain. His failure to communicate with the people who advise market makers in the stock remains a major flaw.

Analysts, who are tentatively recommending Lonrho as a high-risk buy because of the underlying value of its businesses and calibre of on-line management, believe the downside is limited.

But much hangs on whether Lonrho's balance sheet sends a positive signal and how Mr Rowland handles the annual meeting — even though he never speaks at these occasions.

However, some plausibility is attached to the rumour that Gencor — ex its rights issue — may find Lonrho a tempting investment at the present price. It is what one analyst called "a decent market rumour".

The thesis is that while Gencor would not be interested in Caribbean hotels or Scottish newspapers, it would find Lonrho an interesting investment when it unbundles its interests.

# I still back second tier



By DAVID COBBETT, director of Simpson McKie Inc

FOLLOWERS of the investment scene are familiar with the phenomenon of the two-tier market.

The first tier comprises shares favoured by the major institutions and the second (by far the majority) not so blessed because of smaller market capitalisation and restricted marketability.

In an article published in Business Times a year ago I waxed eloquent on the values to be found in this second tier and ventured to make some selections. Readers will not be slow to conclude that if I now return to the subject it is because I have a good story to tell.

Last year was surprisingly good for investors in industrial shares. From the date of my article to February 6 the

JSE industrial index rose by no less than 56%.

The performance of my selections in that time is given in the first table.

Possibly fortune favoured my selections. But the fact that all six produced excellent results came as no surprise to those who studied their records.

Their relative obscurity resulted in all six being neglected by the market and they were patently undervalued. To a large extent this has been corrected and at least two (African Life and Santam) have now attained institutional recognition.

Although their prices have soared, each of the six to my mind still offers above-average value and I can certainly see no reason to sell any of them.

### Skilled

As we enter 1992 the two-tier market remains intact and bargains are still to be found. But all share prices are much higher than a year ago and with no light yet on the economic horizon only a genius or a gambler can hope to repeat 1991's performance.

In giving six selections for the coming year I limit my aim to demonstrating again that carefully chosen second-tier shares can offer better value and, in terms of market prices, better security than the high-flying market leaders.

If I beat the JSE industrial index in the next 12 months I shall be content.

What that index will be is a very different question. My six selections are in the second table.

ABS Holdings describes its business as "the adding of value to standard computer hardware by means of skilled staff and specialist software".

### Vow

I am of a generation that has difficulty in grasping exactly what ABS sells, but I like the people who run it and the figures they produce. The recent annual report exudes optimism.

Autopage is controlled by Altech, which is a recommendation in itself. It leads the fast-growing radio paging business and is diversifying into financial information services.

Interim profits were 15%

	Market		Dividends Received	Return		
	Price 18.1.91	Price 6.2.92		Capital	Income	Total
African Life.....	135c	285c	14.2c*	111.1%	10.5%	121.6%
Currie Finance.....	370c	700c	43c	89.2%	11.6%	100.8%
Detakor.....	95c	170c	9.5c	79%	10.0%	89
Santam.....	215c	510c	33c	137.2%	15.3%	152.5%
Unihold.....	120c	175c	19.8c*	45.8%	16.5%	62.3%
WB Holdings.....	225c	370c	21c	64.4%	9.3%	73.7%
			Average	87.8%	12.2%	100%

\* taking scrip alternative

	Market price 6.2.92	Historic Yield
ABS Holdings.....	50c	9.0%
Autopage.....	135c	5.9%
Karos Hotels.....	150c	—
Omnia Holdings.....	430c	7.9%
Otis Elevator.....	270c	7%
Sable Holdings.....	1 025c	4.4%

most good things) they are not easily obtainable.

Omnia Holdings holds a comfortable 25% of the fertiliser market and has diversified into explosives, seeds and farming.

The company has vowed to reward shareholders for their sufferings when the fertiliser market was a jungle and the recent 50% jump in the interim is an earnest of this intent.

Otis Elevator's recent purchase of Melcor, its main competitor, adds glamour to this company. Still under the control of its US parent, Otis is confident that, after a rough patch two years ago, its profits, unlike its products, will only go up.

The chairman tells shareholders that they "can look forward to increased dividends in the years ahead".

Yielding 7.5% on last year's payment and with the Melcor acquisition still to make an impact, the share has all the potential of being

a real winner. The forthcoming rights issue should provide a good buying opportunity.

Sable Holdings, having sold its Steiner Service business to Bid Corporation, is sitting on more cash than the company's market capitalisation. It also has a sound property portfolio worth probably R5 a share.

### Warning

John Nash has yet to decide what to do with the money, but with the family owning 80% of the shares he is not likely to do anything foolish. A long shot is that he may elect to buy out minority shareholders.

A word of warning. This year's selection is more adventurous than the previous one and the market in some shares is limited. Buy them by all means (if you can), but my first choice for solidity and growth remains the 1991 list.

## R60m for clean-up

WORK is progressing at one of the world's largest waste-water purification works north of Sandton. 9/2/92

The R60-million contract has been won by Gillis-Mason Construction and the project at the northern wastewater purification works is expected to be completed by April next year. There will, however, be a phased hand-over of some sections before then.

The contract includes 26 circular concrete tanks 25m to 35m in diameter and 5m to 6m deep, four rectangular biological reactors, a 40 000m<sup>3</sup> balancing tank and a chlorine maze and aeration one.

## All about Africa

CSIR Information Services has launched the Africa Information Unit to capitalise on opportunities in Africa.

The unit will provide South Africans with information about Africa from databanks, journals, newspapers and specialist reports. 9/2/92

It is also in contact with national and international institutions and research organisations involved in Africa.

The unit's range of specialised services include a business network database which provides business and government contacts in specific countries.

## WEEK IN BRIEF

A SUMMARY of the week's corporate announcements. MONDAY: Dorbyl warns. Peppin delists. Mediclinic warns. Unilever warns. M-Net's rights offer 106% subscribed.

## Public service wants 21% rise

By ADRIAN HERSCH

PUBLIC service unions demand a 21% pay increase this year.

They also want a minimum wage of R1 000 a month.

Eleven unions and staff associations — with widely differing ideologies — formed a common bargaining forum and submitted joint demands to the Commission for Administration (CFA).

The pay talks will be watched with interest in the light of government promises — for the 10th year — to cut State spending.

The salary bill for the public service — not to be confused with the entire public sector — is R26.2-billion.

A CFA spokesman will not say what the State will offer. The talks begin on February 17.

A union spokesman says although the CFA was asked to submit counter proposals it had not yet done so. This is "somewhat unusual", he says.

Other demands include: ● The house owners' allowance scheme, be increased to R100 000 and married women should benefit from it.

● All pay allowances to be made pensionable.

● Rates of overtime be increased to "market-related" levels and that the maximum for overtime payment be removed.

● The position of supervisors be protected in any revised dispensation.

● Maternity leave of six months.

The forum includes two Cosatu unions — the National Education Health and Allied Workers Union (Nehawu) and the Health Workers Union (HWU).

Other unions included are the Public Servants Association, the Public Servants League, the Public Servants Union, the SA Nursing Association and the Natal Provincial Staff Association.

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# Investors' attitudes to SA are improving, poll shows

8/10/92 10/2/92  
LONDON — A poll of 90 European fund managers to be released shortly shows investor attitudes to SA are improving rapidly but enthusiasm is tinged with caution.

The poll by Business Planning and Research International (BPRI) was commissioned by UK-based investor specialists Sage Partners. It is being released alongside a Gallup poll of 25 British fund managers for Strategy Network International.

"The playing field is more level in terms of ethical embargoes but that doesn't dictate that investment follows," said Tim Read of London stockbrokers Smith New Court.

The BPRI poll found 50% expected to invest more in SA in the future against 8% who expected to invest less. Gallup found more than half would invest now, a small minority would wait five years and 8% would never invest there.

SA was rated a lower investment risk than Brazil, Czechoslovakia or Russia, Gallup said.

BPRI found it was a lower risk than all but EC countries and less than Hungary, Mexico or Argentina, said Neil Ryder of Sage Partners.

Fund managers saw mining as the most attractive sector, said Gallup. Ryder said businessmen rated agriculture and food first, then mining, tourism and manufacturing.

The two polls, to be released in the next two weeks, appear to show political instability rather than any party's specific policy as the main obstacle to investment.

Fund managers praise "responsible" leadership,

the sound infrastructure and the vast potential local consumer base.

"But the question is, do we want to go in right now?" said one.

Syndication managers and brokers back the polls' findings, pointing to a spate of business "fact-finding" trips and the success of three recent bond issues in Europe. The Development Bank of SA's DM150m bond was presented this week and Transnet will present its two-year fixed-interest bull-bear issue, Elfi IV, in March.

"Investors in Europe and the UK have been very loyal to SA. They have consistent requests for paper," said one syndicate manager. But he stressed the recent issues had been

short-term, pre-placed and heavily underwritten.

The issues have been decried by the ANC which has threatened not to honour repayment of debt contracted by Pretoria now.

"They can't say that and be taken seriously," said Smith New Court's Read.

He said calls for nationalisation and debt default were "more for the consumption of the comrades in the townships than international capital markets".

Fund managers note there is also opposition to foreign bonds from white businesses inside SA.

"Foreign borrowing is an unnecessary burden on state finances ... it should not be a test of financial vigour," said one. — Reuter.

# M&R buys as Blue Circle quits SA

*Biday 13/2/92*  
IN THE third disinvestment move in three months, UK group Blue Circle Industries plc is selling its 42,3% stake in local cement and building materials producer Blue Circle to Murray & Roberts (M & R) for more than R400m.

M & R, which has already spent more than R700m on acquisitions in less than six months, already owns 42,3% of Blue Circle through wholly owned subsidiary Darling & Hodgson. D & H has the first right of refusal on Blue Circle Industries plc's stake in the local company.

The deal leaves Anglo Alpha as the only cement producer still with an overseas principal. Swiss group Holderbank Financiere Glaris and its associates own 34,1% of Anglo Alpha. The other cement group, PPC, is controlled by Barlow Rand.

A Blue Circle Industries plc spokesman said an announcement would be made shortly.

In other recent disinvestments, UK-based Pilkington plc sold its 48,4% interest

JABULANI SIKHAKHANE

in Glass SA to Plate Glass & Shatterprufe for R525m, and Swiss group Nueva Holdings sold holdings in Everite Holdings and its subsidiary, Everite Group, for R116m to Group Five and the French Bank of Southern Africa.

M & R and Blue Circle published a joint cautionary notice yesterday warning shareholders that negotiations in progress could affect share prices.

Market speculation is that M & R would buy out Blue Circle Industries plc, increasing M & R's stake to 84,6%. M & R would make an offer to minorities and then delist Blue Circle.

Frankel, Max Pollak, Vinderine analyst Mike Howarth said Blue Circle Industries plc had been rationalising operations and selling peripheral businesses in other countries. It was a "natural consequence" of the world recession.

□ To Page 2

## Blue Circle

□ From Page 1

The Blue Circle share price is R34,50. Market sources said the UK company had always asked for a premium, which was the main obstacle to D & H or its former parent Malbak making a bid. At current market prices the 42,3% holding in the local company is worth more than R399m.

"The deal will be based on future earnings rather than the net asset value. And everybody knows that when the economy turns, those cement companies will start running," Howarth said.

He suggested M & R might use equity financing for the deal, issuing new shares to institutions. A rights issue was also a possibility as M & R's cash needs might be greater when the economy improved.

The acquisition of control of Blue Circle would make sense for M & R, analysts said.

*Biday 13/2/92*  
Blue Circle accounts for a large chunk of D & H's business. In financial 1991 Blue Circle contributed 63,5% of D & H's turnover and 58,7% of operating income.

The biggest benefit, however, would be in the rationalisation of operations, analysts said. Blue Circle has an engineering

division which could easily be moved into Genrec or M & R's industrial division.

In the building materials division, M & R and Blue Circle already have a joint venture in Ready Mixed Materials, in which Blue Circle holds 60%.

In the past six months M & R bought the remaining shares in Unitrans's holding company, United General Investments, from its ultimate parent Sankorp for R131m, acquired control of D & H and 35% of Standard Engineering for about R399m.

M & R shares rose 100c to close at R58 yesterday.

JOHN CAVILL reports from London that Blue Circle Industries plc has been streamlining its operations and trying to reduce costs for the past 18 months. At the same time its net debt has risen sharply.

In 1990 (to December 31), sales dropped 5% to £1,2bn while pre-tax profits fell by 16% to £195m. In the first six months of 1991 turnover was down by 19% at £531m while earnings before tax slumped by 38% to £57,5m. Net borrowings climbed by nearly £54m to £316m.

# 'Mercury madness' at chemical plant

w/maul 14/2-20/2/92 (61) (12) (13) (14)

**S**OME of the worst cases of "mercury madness" seen this century have emerged at the Natal Midlands plant of Thor Chemicals — and it is set to become the focus of the country's biggest environmental controversy this year.

The entire workforce at the British-based multi-national — which imports toxic waste — may be at risk, according to medical researchers. Already at least 12 workers have had their health damaged after being subjected to levels of mercury contamination far in excess of international limits.

At least three other victims have been examined by psychiatrists and neurologists who confirm that they display damage to the nervous system, a textbook symptom of mercury poisoning. Mercury is a red-listed toxin that also causes congenital defects in unborn children as well as respiratory diseases and stomach ailments.

The manufacture of mercury has been subjected to strict controls in most industrial countries since being identified as responsible for one of the world's worst environmental tragedies at Minamata in Japan some 35 years ago. Its use in the felt industry during the 19th century led to the phrase "as mad as a hatter" being coined and occupational dangers of mercury have been known for more than a century.

According to the workers, two who "went mad" from the exposure to deadly mercury fumes were forced to resign, and at least 10 others are facing a similar fate.

Thor Chemicals, however, denies it. "We have never sacked an employee suffering from any form of illness, especially an employee who has supposedly 'gone mad' from mercury poisoning."

In a statement yesterday, Thor said the allegations were "the most vicious kind of mischief-making" and were "totally unfounded".

But a company survey conducted in 1991 shows that 87 percent of the workforce had levels of mercury in their urine higher than the international safety standard and that the average level was four times the safety standard.

Some of the workers have told Dr Mark Colvin, who heads the Industrial Health Unit in Durban, that tests conducted by the company revealed their blood samples at times contained up to 20 times the accepted international limits.

The scandal has already led to calls for a full judicial inquiry into the recycling of imported toxic waste at the Thor plant in Cato Ridge near Pietermaritzburg.

The shock findings, which emerged after Colvin managed to track down retrenched workers from the Thor plant, come hard on the heels of news that the firm has been taken to the Industrial Water Tribunal in the Netherlands for polluting a river in Natal with toxic material.

Workers told Colvin that the level of mercury found in workers' urine at the time when Mkhize and his colleagues were contaminated had frequently been more than 20 times the World Health Organisation's safety limit.

"It was clear that at least four of them had been affected to a greater or lesser extent by their exposure to mercury. They have been seen by psychiatrists and neurologists. Two workers have expressed suicidal tendencies and one of them also expressed homicidal intentions," says Colvin.

"There are apparently at least another eight former workers who were affected by mercury but these men live in different townships and will be difficult to trace without the co-operation of the company."

**Workers at a UK-owned firm which imports toxic waste are said to have "gone mad" from exposure to mercury fumes, reports EDDIE KOCH**

Among the retrenched workers is Eric Mkhize (25), who was allegedly made to resign after showing symptoms of chronic poisoning. His is one of the worst cases of mercury contamination seen in this country.

Mkhize is said to have been retrenched after he went "crazy" and began handing out money, playing with toys and doing other bizarre things in Thor's offices.

"Management got him to sign a letter of resignation on the grounds that they would give good references for other employers. He still has both visual and auditory hallucinations that cause him great fear ... For a long time he had to have people watching him when he slept because he used to wake up with anxiety attacks and run into the veld," Colvin said.

Thor said that Mkhize had worked there for only seven months, had resigned of his own

accord and did not have mercury poisoning when he left three-and-a-half years ago.

Mkhize, along with the other victims, has never been compensated for the damage caused to his health. He shakes, has frequent mood swings and has twice told doctors he plans to commit suicide. "His main worry is that he knows that he is unemployable with his body tremors, facial grimaces and emotional instability and yet he has received no compensation from the company," says Colvin.

"This is a textbook case of mercury poisoning and such a severe case should never occur in modern industry. I doubt if such a case has been seen in an industrialised country in 50 years."

Another victim is Siphwe Sibiya (29). He worked at Thor between July 1988 and June last year when he was retrenched for unknown reasons. "He is now excessively shy and has stacca-

to-like speech — both typical symptoms of mercury," says Colvin.

Both workers were in normal health when they began working at Thor.

Thor said that Sibiya had worked in the gardens at the factory and later in the textile manufacturing facility. "We find it extremely strange that someone without any exposure to mercury can be suffering from mercury poisoning."

The Natal branch of Earthlife Africa, which first alerted the public to pollution caused by Thor, has announced it will campaign for a full judicial inquiry into the shock disclosures.

The Chemical Workers' Industrial Union (CWIU), which organises the workforce at Thor, agrees that the scandal shows the need for an investment code that will oblige foreign companies in South Africa to enforce environmental standards that apply in their home countries.

The company has agreed to negotiate with the union around the health and safety problems faced by the workforce and Colvin is confident this will help to improve the situation there.

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# Markets cool off after panic wave

By CIARAN RYAN in Johannesburg and JOHN CAVILL in London

ALTHOUGH foreign investors are expected to remain wary of committing new funds to South African securities until after the referendum, London investment analysts do not expect a big sell-off.

There was a rush of non-resident gilt sales on Thursday, totalling R53,2-million. Purchases totalled R17,2-million on Wednesday.

On the share market, the value of foreign deals was R10,6-billion on Thursday, half that of Wednesday, as foreigners started off-loading shares.

**Dive**

London analysts say the financial rand had already been undermined by the disinvestment of large British groups, such as Pilkington Glass and now Blue Circle, and by the taxing of interest on short-term deposits with SA banks.

Responding to foreign selling pressure, the finrand dived from US28,2 cents to a low of US27,3c before recovering to US27,5c on Friday, widening the discount between it and the commercial rand to 27%.

Ironically, this widening discount is likely to arrest — and possibly reverse — a decline in share and gilt prices in spite of political uncertainties as foreign investors return to pick up bargains.

The fall in the finrand failed to prevent a 24-point drop in the JSE all-gold index to 1 214 and a 25-point decline in the overall index to 3 526. But the industrial index recovered 32 points to 4 652 at the close on Friday.

## Crises

Fund managers said investment strategies would not be changed much in the weeks leading up to the referendum.

This reaction supports the view that SA investors are relatively insensitive to political crises. In fact, any decline in share prices would present excellent buying opportunities in a market gen-

erally seen to be overpriced. One portfolio manager told Business Times: "We are likely to see more foreigners switching in and out of the market. This is a luxury they are entitled to."

"Our investment strategy is determined by fundamentals more than short-term hiccups in the market."

"One of the effects of the referendum will be to slow down the number of rights issues."

The enthusiasm for the Gencor rights issue, pitched at 1 000c, looked a little faded on Friday as the share price dropped to 1 050c. The discount between the rights and the market price narrowed from about 15% a few weeks ago to 5%.

Head of investment at Sanlam, Ronnie Masson, said the share market was likely to drift slightly downwards in the coming weeks. But high-quality scrip would be picked up by bargain hunters.

Benchmark gilt Eskom 168 shot to 16,55% before retreating to 16,45% on Friday. Rand-hedge shares, such as Richemont, De Beers, Charter and Minorco, as well as golds are likely to suffer volatile swings in price.

The finrand is expected to suffer violent swings as buyers hold off.

**Clock**

A London currency dealer said: "At the low the effective yield on Eskom 11% 2008 was getting close to 22,5% — six points more than inflation. That is highly attractive to investors."

"People who follow SA developments know that even a Conservative Party government would not be able to turn the clock back to apartheid. They also believe the odds are in favour of President De Klerk winning the referendum, even if it is a close-run thing."

He said trading volume in the finrand had shrunk: "The fall was more due to buyers holding back than selling pressure. There was a lot of marking down by market makers in the finrand and it

From Page 1  
brought-in buyers.

Investment analysts briefing jittery clients have been telling them that President De Klerk's move will force white South Africans to focus on stark options — chiefly the risk of sacrificing all the

## Panic's over

gains made in the past two years and returning the country to isolation.

"Nobody can believe they will opt for that or even something which will delay the pace of reform and the economic stagnation that would result," said one.

# SA a bridge too far for foreign investors

By ROBIN PEGLER

SI Times (Buss) 23/2/92

THE underlying factors in the withdrawal from South Africa by two foreign companies, and possibly a third, are business and not political considerations.

UK glass manufacturer Pilkington has sold its SA interests to Plate Glass, its partner in Glass SA.

The controlling shareholders of Everite in SA have put their stake in the company up for tender. The highest bidder is Group Five.

Blue Circle and Murray & Roberts have issued a joint announcement. It is believed that discussions are taking place about Blue Circle's UK parent selling its 42.3% stake to M&R, which has 42.3% and first refusal to buy.

Patrick Furlong, managing director of Pilkington SA, says the UK parent is pressed for cash in a worldwide context and needs to reduce its debt.

It has to decide where to concentrate its main efforts. The geographical areas it

wishes to concentrate on are Europe, North and South America and the Pacific Rim.

SA is isolated geographically and does not feature in Blue Circle UK's main activities. Because results of the subsidiary have been good, it is able to command a favourable price.

(61) Cash

There is regret at having to sell because Pilkington started to export to SA more than 100 years ago. It has been manufacturing here since shortly before the Second World War.

Pilkington's manufacturing and the Plate Glass trading interests were merged in 1983.

An analyst for a London broker gives a somewhat different picture for Blue Circle's UK parent. He says debt is not a problem, standing at a comfortable

34% of equity. However, the SA company is not a subsidiary but a joint venture with M&R. The UK parent prefers to be in a position where it can control cash flow rather than merely receive dividends.

Political considerations do not weigh heavily with Blue Circle UK because its operations have survived in countries which were far worse politically than SA. It is possible to live with such uncertainty if the domestic management is good.

SA is not a core area for Blue Circle in terms of worldwide group strategy. All in all, there is a case for the UK parent to sell its SA interests — even if it is not so strong as it is for Pilkington.

Nueva, holding company of Everite, is in a different position, according to Everite managing director George Thomas.

Nueva is controlled by the Swiss Schmidheiny family, which established large cement and asbestos cement factories in many countries.

In the past few years the empire has been divided between two brothers.

Stefan Schmidheiny inherited Nueva, but he decided that any ecologically doubtful investment was more suitable for a corporation than for an individual who might be vulnerable to criticism by ecologists.

Asbestos' bad reputation as a health hazard is not entirely deserved. About 30 years ago the dangers were not appreciated. It takes many years before illnesses manifest themselves. They became apparent only in the late 1960s, resulting in huge claims for compensation.

Now that its potential dangers are recognised, asbestos has been made safe both for workers and users, provided that the guidelines are strictly followed.

## Stigma

Nevertheless, it is likely to be many years before asbestos loses its stigma.

SA's geographical position is likely to detract to some extent from any appeal which this country might otherwise have for multinationalals.

This factor will probably deter investment in SA unless the foreign company concerned is looking for a springboard into Africa.

## Price freezes price

(189) ADE will freeze the price of all its of this year. says that since July 1990, prices 32 percentage points be 23/2/92. engine represent- of the year



NESS

**Protectionist**  
**policy must go,**  
**says top UK**  
**industrialist**

By David Canning

DURBAN — British business is encouraging South Africa to become economically-competitive on a world scale and to move away from protectionism.

This was the message delivered by Sir John Banham, director-general of the Confederation of British Industry, at an SA-British Trade Association (Sabrita) lunch in Durban yesterday.

He said protectionism in general "is bad news for business, consumers, competition, international trade and investment".

Paying his first visit to the Republic, Sir John described SA as being of "great importance" to the UK as it was among its top five overseas markets, outside the OECD.

Developments in SA, including the outcome of the referendum, were being closely watched by British business, he said. This flows from wide-scale links between the countries and "self-interest" flowing from the UK's huge existing stake in the country and the potential for future trade.

He said potential British investors in SA were weighing up the risks and returns obtainable in the Republic with those of countries like India, Pakistan, Israel and in the Pacific Rim.

The lessons of countries like the former East Germany were pertinent. As a result of the command-type economy which had existed there, "eight hours of work" generally meant two hours of actual work and "six hours of waiting for the electricity to come back on or for parts to arrive."

## 'British investors require stability'

*Biday 25/2/92*  
DURBAN — Political and economic stability — and in particular free market principles — would attract British investment to SA as this country was one of the five most important export countries outside the developed nations, says Confederation of British Industry director-general Sir John Banham.

Addressing SA businessmen yesterday, Banham said there were many potential investors who were

looking for countries with stable political and free market economic policies. *(61)*

"We're looking to SA because it's a very important market," he said.

Banham said the upcoming white referendum and the constitutional process in SA were important to his country and British business would do all it could to ensure both had positive outcomes. — Sapa.

# SA told to sell its opportunities

B/day 25/2/92

LONDON — SA's present package of investment incentives looked like a script from the Goon Show, British Industry Committee on SA (Bicsa) director Nick Mitchell declared here yesterday.

Mitchell, whose organisation represents 80% of UK companies with investment worth £10bn in SA, made a strong appeal for a coherent strategy and concentrated effort to sell the country's opportunities to international investors.

He was speaking at the two-day conference, Investing in SA, organised by Business Research International with the SA Foundation.

Apart from problems such as the violence in SA, Mitchell said there were several problems with attracting business in spite of the wide range of opportunities for British companies. The removal of disincentives, such as high corporate taxation and bureaucratic obstacles, were probably more important.

There was a need to clarify objectives and priorities and then to promote SA's case coherently in the markets of the world.

Mitchell said: "In the last year I have attended 15 separate presentations — from promotions for Johannesburg and Qwa Qwa, Pietermaritzburg and KwaNdebele or the Cape and Transkei — but nothing which

JOHN CAVILL

counted as investment in SA itself. "The first decision in making an investment is the choice of country and the second is the choice of region. The case must be presented as a south or even southern African story. It is a fact that opportunities which are not sold in the market place means they go unfulfilled."

Mitchell said he hoped the National Economic Forum would produce a united effort from "those representing the present and the future" but he also warned of the dangers of bringing in codes of conduct, as proposed by Frank Chikane of the SA Council of Churches.

However much people might agree with the morality behind such codes, said Mitchell, "you must bear in mind that there are many competitors for investment in the world and conditionality can be dangerous".

He described urgency on the economic front as the "great missing ingredient" in developments in SA.

At the same time he warned British businessmen to be on the alert to the competitive advantage of acting now "before SA gets its act together".

There was already "a scrum" for investment prospects "with French, Germans, Italians and Japanese running around SA looking for opportunities", he said.

## Coates in the black

WILLIAM GILFILLAN

3 (Day)  
26/2/92

STRINGENT cost controls at Coates Brothers, the SA subsidiary of the UK-owned printing ink group, helped it offset the recession. (26)

Turnover grew to R155m in 1991 (1990: R145m) which converted into a rise in operating income of R17,7m (R15,4m). The directors said the widened trading margin, up to 11,1% from 10,6%, resulted from "stringent controls on costs".

Pre-tax income rose to R17,6m (R15,6m) and attributable income was R9,4m (R7,9m).

The directors would not comment on the results yesterday. However, analysts believe the turnover increase was achieved through higher prices rather than any improvement in volumes. This, they say, added to the improvement achieved through cost cutting.

A dividend of 72c a share was declared on earnings a share of 276,5c. In 1990 the group paid a dividend of 61c a share on earnings of 232,6c a share.

# UK investments shifting to SA

By AUDREY D'ANGELO  
Business Editor

BRITISH companies have invested more than the Japanese in the US, John Banham, chairman of the Confederation of British Industry (CBI) said in Cape Town yesterday.

In the past five years they spent \$25bn on acquisitions in Continental Europe. Now attention is shifting to SA. But new investment here will depend on the outcome of the referendum on March 17 and of Codesa.

Banham was speaking at a Sabrita (SA-Britain Trade Association) lunch at the Vineyard Hotel.

He said that SA was one of the six most important markets for the UK outside the European Community (EC). And the UK contributed 40% of foreign investment in this country.

Members of the CBI were now looking at SA very differently from the way they did 10 years ago.

"In the early 1980's the bulk of British investment was going to the US. We are much bigger investors in the US than Japan."

In the second half of the 1980's the emphasis switched to Europe. Acquisitions were made there in preparation for the internal market.

"But that came to an end. If you haven't put your marbles in place by now you are not going to make it.

## Sabrita asking for 'Yes' vote

BUSINESS and commerce "know only too well what a 'No' vote in the referendum would do to our battered economy," Sabrita representative in the Western Cape Terry McCulloch — director for corporate affairs at Shell — said yesterday.

Welcoming the director of the Confederation of British Industry, John Banham, McCulloch said the announcement that Codesa and the

whole reform process would be on the line on March 17 had "come like a thunderbolt. White SA is reeling from the shock".

The threat to the economy that a "No" vote would bring was "too ghastly to contemplate".

Sabrita and its members were throwing their weight behind the reform process in asking for a "Yes" vote.

"Now people are asking 'should we invest in SA, India, Indonesia and so on . . . or should we rather look at Russia or other countries in Eastern Europe?'

"All these relative risk assessments are being made against a background of unparalleled uncertainty.

"If you think the risk is high in SA, look at what Yeltsin is facing."

However, Banham continued, it was very important that people should understand what was happening and the realities of life in SA.

"Our people will look at SA very closely, depending on the results of Codesa and the referendum.

"It is not for us to say what we would like to see. That is a matter for South Africans."

But the reaction of prospective investors was going to be very different according to the result. SA had a great potential "if it ends up

the way I believe we all want to see."

Banham said requests for information from the British consulate in Cape Town about business opportunities in SA had gone up tenfold in the last 18 months.

Discussing the state of the British economy, he said it was far more buoyant than would be expected from reports of recession. Inflation in the manufacturing sector was only 2% and falling. Industrial disputes were at a 50-year low.

"We are steadily approaching a situation of low pay relative to productivity, which means low unit costs.

Britain was now exporting more per head of the population than Japan.

There had been a tremendous improvement in the quality of management. "Last year manufacturing profits were the second highest ever in real terms."

(b1)

CT29/2/92

# Flood of UK money waiting for new SA

STAR 3/3/92

By Frank Jeans

A flood of investment money into South Africa from Britain could follow a political settlement and stable market conditions.

This assurance was given by Sir John Banham, director-general of the Confederation of British Industry, at a lunch of the South Africa Britain Trade Association (Sabrita) in Johannesburg.

Sir John said British businessmen were looking carefully at the Codesa process and saw South Africa as a target area for market growth.

Giving an indication of the wealth of funds earmarked for foreign investment, Sir John said British investors had secured acquisitions in Europe to the tune of \$25 billion.

"For South Africa to maintain a real growth rate of 5 percent a year, it would need to attract at least \$10 billion a



Sir John Banham.

year," he said. "But this would translate to one quarter of all of Britain's mobile investment abroad."

● Britain has renewed its presence in the South African business exhibitions scene, with 13 companies taking part in the recent Packprocess-Print Expo at the Nasrec centre south of Johannesburg, organised by Specialised Exhibitions.



# Sun Life lends lustre to TransAtlantic outlook

LONDON — Blighted by depression in the property market, TransAtlantic Holdings, the UK insurance-property group controlled by Liberty Life, has cut its dividend for the first time after an 18% fall in pre-tax profits last year to £57.8m.

The dividend, which has grown by an annual compound rate of 25% since 1983, was reduced from 13.5p a share to 12p — the same level as 1989. And chairman Donald Gordon, whose Liberty Life group directly and indirectly owns about 55% of TransAtlantic, reports a fall in net assets for the second year running as the values of properties in Capital and Counties (80% owned) were revised downwards because of the UK slump.

## Prospects

Total shareholders' funds dropped 8% to £904.6m. In 1990 they fell nearly 13% from £1.1bn to £984m.

But Gordon reports strong growth and exciting prospects at Sun Life, the insurance and financial services group which is jointly owned by TransAtlantic and Union des Assurances de Paris after a take-over bid in September.

Sun Life's net equity profits rose 32% to £43m. TransAtlantic's share increased 50% to £12.6m and will be higher this year following the take-over.

Insurance funds at Sun Life were £1.7bn up at £9bn. Sun Life had now displaced Capital and Counties as TransAtlantic's

## Own Correspondent

main asset, accounting for 52% of shareholders' funds.

Gordon said Sun Life would assume greater importance in TransAtlantic's business and development from now on.

He warned, however, that the collapse of the property market in the main economies following the 1980 boom in building will affect financial markets for a long time — hitting banks, insurers and property companies alike.

However, at Capital and Counties — where asset values were written down by 29% while net earnings almost halved to £16m — investments in large shopping centres will benefit quickly from an upturn in UK consumer spending.

Flexibility and liquidity had become "more important than overall return" and TransAtlantic had reduced its net debt from £362m to £315m, Gordon said. Cash and liquid resources were up £69m to £338m in spite of TransAtlantic's £250m investment in the Sun Life bid and Capital and Counties' £102m rights issue.

Meanwhile, TransAtlantic is still seeking a listing on the London stock market, having been turned down before because of its pyramid status. Gordon said while TransAtlantic may well have benefited from not having a high profile listing in London when the property sector was out of favour, the board continued to "pursue a dialogue with the London Stock Exchange".

BIP am  
5/3/92

LONRHO

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FM 13/3/92



# Liquidity doubts still linger

**Activities:** UK-based multinational with mining, agricultural, commercial and industrial interests in 60 countries.

**Control:** R W Rowland with 14% is the biggest shareholder.

**Chairman:** M J J R Leclézio; MD & CE: R W Rowland.

**Capital structure:** 653.4m ords. Market capitalisation: R5,1bn.

**Share market:** Price: 785c. Yields: 8.2% on dividend; 8.9% on earnings; p:e ratio, 11.2; cover, 1.1. 12-month high, 1 640c; low, 615c.

Trading volume last quarter, 6.5m shares.

Year to Sept 30	'88	'89	'90	'91
Turnover (£m) .....	4 216	5 108	5 476	4 846
Pre-int profit (£m) ...	225	273	272	207
Pre-int margin (%) ..	5.3	5.3	5.0	4.3
Earnings (p) .....	23.4	27.1	23.6	14.2
Dividends (p) .....	10.1	14.2	15.7	13.0
Net worth (p) .....	203	222	216	204

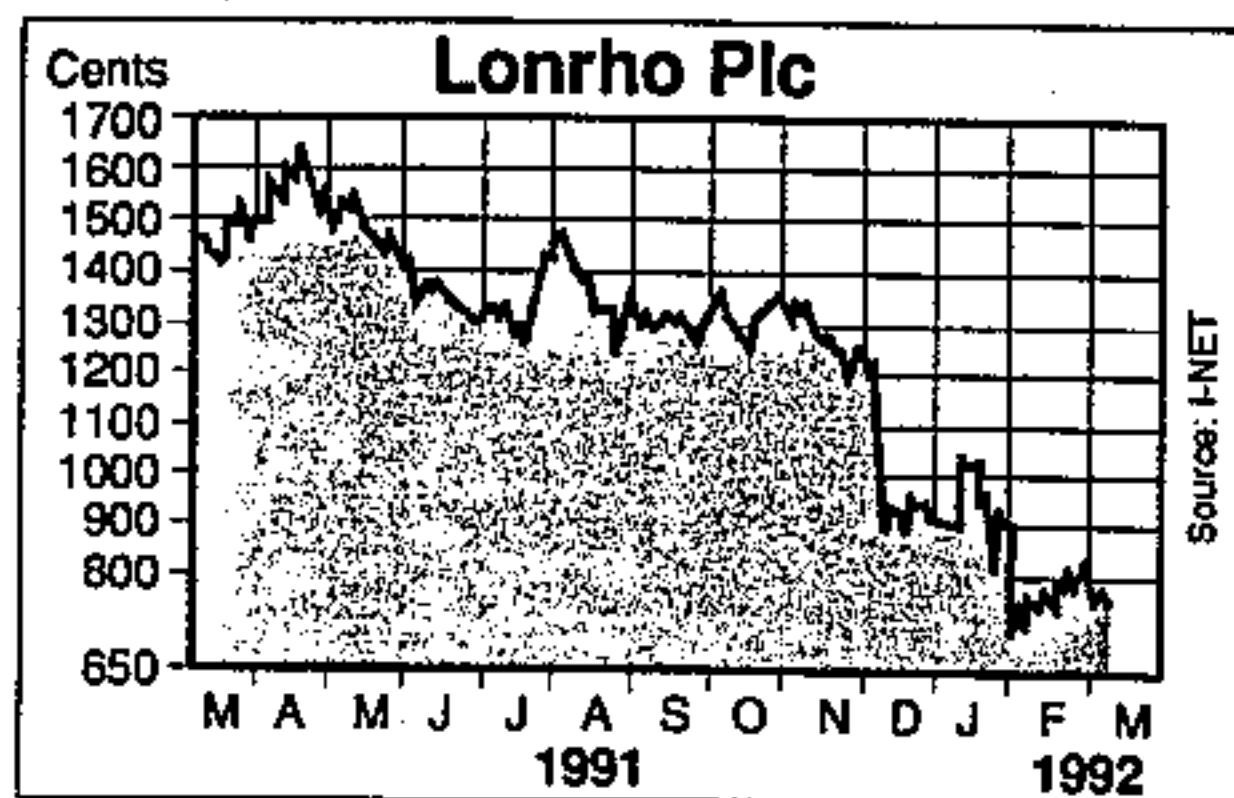
**Disappointment** at the preliminary figures (Fox January 31) was compounded when the annual report revealed that the £66m dip in pre-tax profit would have been even worse but for £39m profit on sales of property and fixed assets — up from only £6m in financial 1990. Treat these as exceptional and adjusted pre-tax profit would be down from £267m in 1990 to £168m — or by some 37%.

Further helping the picture, capitalised interest, mostly on the hotel building programme, rose from £13m in 1990 to £27m.

Another significant item concerns the impact of exchange rate losses — taken below the line — on a reported NAV of 204p a share, barely changed from 1988's 203p. Management's efforts over the past three years, in other words, have created no incremental value — and with the lowest earnings since 1985 and dividends since 1988, current results are nothing to crow about either.

At the time of the preliminary, the company blamed the downturn of precious metals prices for "nearly half" the drop in second-half profit. Given the annual pre-tax profit from mining of £77m, this implies a split between the two halves of about £54m in the first half and £23m in the second.

This is in spite of a 29% increase in annual output of platinum group metals in SA and a 42% rise in gold output at Ghana's Ashanti



Lonrho's Rowland ... what assets can he sell?

Goldfields — a combination that puzzles analysts.

But all major activities except finance (up a negligible £1m) kicked in lower profits: motor distribution (off 35%), manufacturing (65%) and leisure (30%) all actually did relatively worse than mining.

Hotel and motor distribution interests were hit by recession and/or the Gulf War, but printing and publishing interests generally seem to have done well.

### Record profits

On the positive side, Lonrho, which claims to be the largest commercial food producer in Africa, turned in record profits from sugar, with an "exceptional" performance from the Malawi estates offsetting lower production, because of bad weather, in Swaziland and Mauritius. Other agricultural operations in Malawi and elsewhere in Africa had a bad year, though.

Geographically, pre-tax profits from Africa fell by only £18m; it was the UK, with a £36m drop, that was the main culprit. The UK contributes 40% of group turnover (£1.9bn) but only 9% (£19m) of pre-tax profit. That compares with 1990 turnover of £2.2bn and pre-tax profit of £55m.

Apart from being a totally inadequate return, this could make it difficult to recoup UK Advance Corporation Tax.

The divisional breakdown in the review of operations is not identical to the profit breakdown in the P&L account, which hampers analysis. But the company is clearly stung by suggestions that it has difficulty repatriating profits from the Third World to its London

base, saying that 87% of £283m year-end cash in the bank (1990: £355m) is held in Europe and the US by companies operating in those territories. As long-term loans are £888m, this is a less than total reassurance.

Lonrho does not publish a holding company P&L account or a cash flow statement, making it difficult to gauge the upward flow of cash — which many analysts see as one of its major problems. Ability to repatriate funds, of course, will also be a determining, and possibly limiting, factor in asset sales.

CE Tiny Rowland says the capital investment programme is winding down, but year-end commitments were still £156m (1990: £170m), including £99m (£79m) on platinum mining. He expects borrowings — and hence gearing — to fall this year, encouraged by asset sales — which, other reports have suggested, could raise up to £400m.

That would certainly transform the balance sheet. The trouble is that the best-quality assets are always the most saleable — which may be one reason for the frequent (and as frequently denied) rumours that the platinum interests could be sold to Gencor, with whose Impala Platinum there is already a link.

Another traditional area of concern has been the lack of management depth. What happens when Rowland (now 74) is no longer around to polish the egos of African heads of State? To deflect this, Lonrho last year doubled the number of associate directors (drawn from top management) to 20.

Rowland sees this year as one of "good housekeeping" and says Lonrho "remains soundly based to move back to its normal pattern of turnover and profit." The group has withheld the (3p) first interim for this year, but this should apparently not be seen as any portent of total distribution.

Rowland underlines the opportunities in

### PRE-TAX PROFIT BREAKDOWN (£m)

	1991	1990	1989
Trade .....	35	40	26
Motors .....	32	49	45
Manufacturing .....	7	20	35
Mining .....	77	99	67
Leisure .....	14	20	56
Financial Serv .....	23	22	26
Agriculture .....	19	23	18
	<u>207</u>	<u>273</u>	<u>273</u>
UK .....	19	55	109
Europe & Other .....	33	33	19
Southern Africa .....	65	85	62
Other Africa .....	85	87	70
The Americas .....	5	13	13
	<u>207</u>	<u>273</u>	<u>273</u>

Continue →

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**COMPANIES**(61) ~~(1)~~ ~~(2)~~

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unified Germany and ex-communist Europe. Africa has served Lonrho well over the decades, and it remains to be seen whether the rejuvenation of eastern Europe will be as lucrative — or whether Lonrho will find that culture as sympathetic.

Since the share was severely hit by selling on the preliminary results, there has been persistent nibbling by speculators looking for recovery, eyeing the 40% discount to NAV. This buying has so far been matched by selling from disgruntled holders, keeping the share price down around 120p — or R8.

A purchase at these levels could be rewarding but demands strong nerves.

*Michael Coulson*

STAR 20/3/92

## Barclays keeps

### SA option open

Star Bureau (S) (61)

LONDON — Barclays Bank has confirmed that it is considering a come-back in SA, following Tuesday's overwhelming vote for change.

The bank is one of a number of European corporations believed to be anxious to return to SA.

"It is possible in the future that Barclays may operate in SA to handle large corporate business," a spokesman said.

In late 1986 Barclays made a R100 million profit when it sold its 40,4 per cent holding in Barclays National Bank.

# Referendum lifts Lonrho share price

B1 Day 20/3/92 (22) (61) (14)

LONDON — The resounding "yes" vote in Tuesday's referendum saw Lonrho's share price bounce back by more than 10% to 108p yesterday. This is in spite of the removal of the multinational conglomerate from the London Stock Exchange's top 100 list and a bearish forecast by the group's own stockbrokers.

UBS Phillips and Drew's report, entitled *Dependent on Disposals*, predicted that Lonrho's pre-tax profits will fall by a further 27.5% this year to £150m after the 24% drop to £207m in 1990-91.

It highlights the dilemma facing Lonrho as it cuts its £1bn debt.

The group's highest quality assets, and those in hard currency countries, are the easiest to sell but without them Lonrho's remittable cash flow will suffer.

The decision of the steering committee of the stock exchange to delete Lonrho — along with three other companies — from the list of shares which make up the Financial Times-Stock Exchange (FTSE) index of 100 leading shares is not a comment on

Own Correspondent

the company itself, but simply its share price performance.

Lonrho's price has more than halved in the last four months, and it stands at about a third of its 1988 peak of 320p when Australian financier Alan Bond acquired more than 15% of the group.

At the time, Lonrho was worth £2bn — and chief executive Tiny Rowland boasted that its real value was £5bn.

Disillusionment with the group's performance and management, plus the sub-investment rating given to its \$350m Eurodollar debt by Moody's Investor Services of the US, knocked the shares back to a seven-year low of 94p last week.

This put a market value of £600m on the group.

Yesterday, however, Lonrho rallied as the "yes" vote for political reform allayed worries about the vulnerability of its Western Platinum operation in SA to civil unrest.

It was earlier reported in London

that Lonrho was classically positioned for a takeover bid "within months" and that entrepreneur Lord Hanson was one of those interested in its mining division.

The Sun newspaper said Tiny Rowland's once great empire was "ripe for the picking" with shares having fallen from 250p to just 91p in a year, with debts of £100m.

Rowland had pledged to sell £500m worth of assets this year and London analyst Rob Davies was quoted as saying Lonrho was a "definite takeover target".

An analyst quoted in the Financial Times said Lonrho's sales would not make "a blind bit of difference".

The Financial Times said Phillips and Drew believed Western Platinum was worth only half the £1bn valuation put on it by Rowland in his group's 1990 annual report. Lonrho has a 75% stake in the mine.

Phillips and Drew were also quoted as saying Lonrho had concentrated too much on the possible disposal of UK assets and not enough on possible disposals abroad.

## Barclays looks at returning to SA

Own Correspondent

LONDON — Barclays has been tipped to be the next big British bank to return to SA, following the lead set by Standard Chartered last year. *8 Day 20/3/92*

The group clawed back £100m in provisions made against its loans to SA after a risk reassessment which was reported in the 1991 results. Yesterday a spokesman said Barclays, which sold its 40% in Barnat in 1986 to Anglo American, De Beers and Southern Life, was "monitoring developments in SA with interest".

He said it was possible Barclays may, in the future, set up representation in SA to handle large corporate business there and to service global business.

Yesterday the London Evening Standard cited "senior political sources" in SA as claiming a "major European corporation" would buy 25% of a business it sold to SA interests, paying more than the original price. Barclays denied it was the company.

# Octavian MD in SA to brief Lloyd's members

WILLIAM GILFILLAN

LOCAL names of Lloyd's are being briefed on prospects and reforms at the insurer by the MD of leading Lloyd's members' agency Octavian Underwriting Octavian, the fifth largest members' agency, has about 30 SA-based individuals who back underwriting on the London insurance market.

MD Paul Sandilands is currently in SA. "I am here to brief names on the implications of the Rowland Task Force report on reforms at Lloyd's and expectations for the announcement in July of Lloyd's global results for 1989 — the latest year for which results will be available under Lloyd's three-year reporting system", he said at the weekend.

"The outlook is improv-

ing despite widespread losses in 1988 and gloomy forecasts for 1989 losses after an unbroken 20-year run of overall profitability", he added.

Most Octavian names either broke even or made profits in 1988, in spite of it being a difficult year, compared with the majority who suffered losses.

Lloyd's has predicted a 3% "pure" loss for 1990 and a 3% "pure" profit for 1991.

Sandilands said 1990 losses would not necessarily be evenly distributed, adding that many names would break even, with some even making modest profits.

He said the time was right for new names to join the Lloyd's market.

## Teargassing: varsity acts

STEPHANE BOTHMA

THE University of the Orange Free State has taken interim steps against two male students involved in the teargassing of President F W de Klerk in the campus cafeteria on March 9.

Police have not made any arrests. A Bloemfontein police spokesman said they were waiting for a decision by a senior prosecutor following the completion of investigations into a charge of assault laid by a female student on March 10 relating to the same incident.

No charge was laid by De Klerk following the incident which forced the presidential entourage to flee from the cafeteria, leaving Justice Minister Kobie Coetsee with two fractured ribs. *Bidan 2313/92*

Acting rector Eelco Boonstra said the investigation — conducted by university officials in co-operation with the police — had developed to such an extent that interim steps had been taken against the students, whose campus activities had been limited to attending lectures and other academic activities.

The investigation would most probably be completed early next month in order to refer the case to a student's disciplinary committee.

# Branson details grand expansion plan for SA

SELF-MADE British tycoon Richard Branson yesterday outlined a grand scheme to complement his airline's involvement in SA by setting up a chain of hotels, music and book retail outlets and a local division of his model agency.

He said in an interview he was looking for an SA partner to invest about \$100m in Virgin Atlantic in return for a 25% holding.

Branson met Allied Bank MD Bob Aldworth and Cecil Margo, commissioner of the inquiry into civil aviation, to discuss Virgin's involvement in SA. Branson said he would be appointing a local banker to

8/Day 24/3/92  
LINDEN BIRNS

handle any forthcoming deals. Aldworth could not be reached for comment.

Virgin's total investment in SA in the next two to three years would be in the region of \$400m.

Earlier this month Branson sold the Virgin record label for more than \$1bn, which he will use to expand the airline.

"One cannot underestimate the euphoria abroad over the results of last week's referendum. In the tourist market I believe SA will find there is a pent-up demand

overseas of people who want to visit."

Last month the SA and UK governments agreed to change the bilateral air services agreement between the two countries, allowing a second UK airline to operate on routes from London to SA. Branson said the only stumbling block was the distribution of landing slots in SA. At present these are distributed on a 50-50 basis between SAA and British Airways.

"We're hoping that the new policy which will be announced at the end of the month will provide for a 60-40 redistribution,

□ To Page 2

## Branson

8/Day 24/3/92  
which will allow Virgin Atlantic to start four flights a week." He would then ask the UK's Civil Aviation Authority to award Virgin three of BA's 10 weekly slots so it could offer a daily service.

"If there is no redistribution then it will be disastrous and we won't fly to SA; we'll take our investment elsewhere."

Virgin's retail outlets, known as megastores, concentrate on music and books. Branson said that by opening stores in Johannesburg, Cape Town and Durban, and by using his airline to transport im-

ported items, he would be able to reduce the retail cost of records, cassettes, compact discs and books by up to R5 an item.

The Virgin Group's model agency Storm, the third largest in the world, would also open an SA division, he said.

If everything went according to plan, Virgin Atlantic would start flights to SA in October, open its megastores and model agency next year, and begin setting up hotels in the next two to three years.

● Picture: Page 3

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# Virgin has still not got official SA go-ahead

LINDEN BIRNS

VIRGIN Atlantic airline owner and chairman Richard Branson has not been given Transport Minister Piet Welgemoed's full approval to start flights in October, nor has any formal agreement been reached regarding the allocation of landing slots.

Transport officials confirmed last night that the Minister "definitely did not give his signature or stamp of approval to anything he discussed with Mr Branson".

Yesterday afternoon Branson said his airline had been given the Minister's go-ahead to offer five direct flights a week between the UK and SA and that it would inaugurate its new service in October.

Branson and Welgemoed met in Cape Town to discuss Virgin Atlantic's envisaged operation on the UK-SA route.

If Welgemoed had given his seal of approval, he would have pre-empted the next round of negotiations between the UK and SA governments, British Airways, Virgin and SAA, which concern the drafting of a new bilateral air services agreement.

Welgemoed would also have pre-empted the publication of SA's new international civil aviation policy, which he is expected to announce next Wednesday.

Transport director-general Skippie Scheepers said Welgemoed could not, and did not, grant Virgin final approval, but that the licensing committee would not be averse to considering Virgin's application.

He said his department did not want to give the impression that it was repudiating Branson's statements, but the Minister could not pre-empt the committee.

On Monday Branson said he was looking for an SA partner to take a 25% share in his airline, and that he would invest also in a hotel chain, music and book retail outlets and a model agency in SA.

He warned that if Virgin Atlantic was not given an adequate number of landing slots in SA, he would take his investment proposals and capital elsewhere.

Virgin Atlantic's ultimate plan is for daily flights on the UK-SA route. Should it be allocated slots, this would end the 50-year-old bilateral air services agreement

□ To Page 2

## Virgin

between the UK and SA enshrining BA's and SAA's monopoly of scheduled flights.

Talks last month between the two governments and three airlines — BA, SAA and Virgin — were postponed until April, after deadlock was reached over the allocation of landing slots.

BA Southern Africa GM Malcolm Freeman said that Branson's plans and any decision by Welgemoed would be subject to negotiation and finalisation of the new bilateral agreement.

On Monday, Branson said if Virgin was not awarded seven slots, he would apply to the UK's Civil Aviation Authority to strip BA of three of its 10 weekly flights and award them to Virgin.

Branson recently used similar tactics

against BA in his bid to increase landing slots at Tokyo's Narita Airport, but eventually had to settle on a compromise arrangement after BA successfully appealed against the CAA's initial approval of Virgin's application.

Freeman said Branson's threat was a legitimate one, but that BA would "vigorously defend" any such application to the CAA. He said that while welcoming competition, BA would continue to offer market-related fares on the route.

During recent weeks Branson has steadily increased his discount promises, from 20% to 60% by yesterday.

SAA spokesman Zelda Roux declined to comment until an official statement was released by Welgemoed.

□ From Page 1

# No merger, say FNB and Nedcor

MERVYN HARRIS  
and SHARON WOOD

SPECULATION hotted up again on financial markets yesterday about a possible merger between FNB and Nedcor, but both denied there were plans to join forces.

Nedcor CEO Chris Liebenberg said a merger could not be done without Old Mutual, because it was the majority shareholder in Nedcor and it was not looking for a buyer. FNB senior GM Norman Axten said the two parties had not spoken and had no intention of merging.

Speculation was bound to happen after the Absa/Bankorp merger, Axten said. FNB and Standard Bank were seen as unlikely partners and this left a possible Standard Bank/Nedbank merger or an FNB/Nedbank merger, and markets had settled on the latter.

The rumours first started circulating about a month ago after Absa announced it would be taking over Bankorp. While some

analysts initially scoffed at the suggestion, the persistence of the rumours has given credence to such a possibility.

An analyst said Anglo American would probably be happy to reduce its stake in the financial services sector. It had recently reduced its interest in FNB.

On the other hand, FNB would be favourably inclined to increasing its share of the home loan market through the Perm, which was part of the Nedcor group.

There could be cultural synergies between Nedcor and FNB, the analyst said. While Old Mutual would have to have discussions with Anglo's insurance-arm Southern Life, analysts pointed out that Old Mutual already had interests in all the major banks.

# Immediate investment rush unlikely, says poll

Business Day Reporter

THERE has been a subtle post-referendum shift in sentiment towards investment in SA among UK investment brokers, according to a survey.

But while the referendum will provide impetus to the renewed global interest in SA, it is unlikely to galvanise institutions into immediate investment activity.

This has emerged from a snap survey of influential brokers by London communications consultancy Financial Dynamics.

James Capel broker John Taylor said SA was now increasingly viewed as a legitimate market. "The final moral impediments are now out of the way and the stigma of unacceptability has been removed," Taylor said.

But without exception, brokers did not expect the reform mandate to kick-start investment in SA immediately, the survey found.

Capital House CE Norman Riddell told Business Day yesterday there was still a lot of work to be done before SA could expect any significant inflow of funds.

Inflation remained a hurdle and the country could not expect any serious in-

vestment until government had addressed the problem, Riddell said.

Smith New Court analyst Steve Oke said there had not been a flood of activity into the market but the way had been cleared for investors to make informed decisions about SA.

The brokers surveyed were still looking forward to positive words from ANC leader Nelson Mandela regarding US investment.

"This, coupled with the clear positive message from the referendum, will provide the much needed boost of American interest. The frustration of still having American investment potential excluded continues to dampen the market," the poll found.

Investors could still take the view that the balance between risk and reward did not yet lie favourably. Although the attraction of the financial rand discount did not go unnoticed, liquidity was a serious hindrance and the market was considered expensive.

## Govt slated for backing takeover

LINDA ENSOR

CAPE TOWN — Government action in overturning the Competition Board's ruling against the takeover by FSI of Arwa raised doubts about its commitment to the promotion of competition, Cape Town Chamber of Commerce acting president Herbert Hirsch said in a statement yesterday.

Government had counteracted the first major action by the board in recent years to combat monopolistic practices, as FSI's takeover of Arwa created a monopoly in the manufacture of women's hosiery, Hirsch said, adding that government should instead give the board its support.

## EXECUTIVE SUIT



## BAe opens office in SA

LINDEN BIRNS

BRITISH Aerospace (BAe) has opened a permanent southern Africa office in Johannesburg, allowing the company to strengthen its ties with potential airliner and corporate jet customers in the region.

Initially the office will concentrate on corporate and regional commercial jet sales.

BAe plc's other business interests include military aircraft, satellite communications, specialised electronics, armaments, the Rover motor vehicle company and business property development.

Regional director Bill Jones yesterday said it was impossible to predict whether BAe would eventually use its regional office to promote these other interests.

The company has spent the last four years consolidating its position in Africa.

Next week BAe will be demonstrating its latest corporate jet, the BAe 125-1000, at the Aviation Africa '92 aerospace trade fair at Jan Smuts Airport.

It is believed that Anglovaal chairman Basil Hersov ordered one of these \$15m jets before the aircraft prototype had been fully certified.

# British Aerospace hot on the trail of new local sales

6/10 am 27/3/92

61 200

BRITISH Aerospace (BAe) has been active in the southern African market for many years.

With the lifting of sanctions it has been able to raise its profile, something it did long before several of its competitors saw the value of open business in SA.

The past eight months have been difficult for the company, and it recently implemented measures to counter the effects of depressed economies.

Observers say the company will be vigorously marketing its wares during the next year and needs to do business in all spheres of its operation.

BAe will showcase its jet and turbo-prop regional airliners, corporate jets and military products. Its interest in the Airbus Industrie consortium will be represented by the French-based manufacturer at the airshow.

The company's regional aircraft family incorporates the BAe 146 four engine jetliner, the Advanced Turbo-Prop (ATP) and the Jetstream turbo-prop range.

Safair Freighters last year became the latest southern African operator to acquire a BAe 146-100, which it uses on its twice nightly express cargo flights between Johannesburg and Cape Town.

Air Botswana has bought two BAe 146-100s and Air Zimbabwe has also purchased a BAe 146-200.

Last year, the BAe 146 captured 57% of the 70 to 130-seater market with 27 orders for new aircraft.

The ATP, a new generation twin turbo-prop which seats between 64 and 72 passengers, was launched in 1988 and is in service with several operators around the world. Last year, 27 orders were placed for this aircraft, representing nearly a third of the market.

## Computerised

The company's stake in the small airliner market is represented by the Jetstream Super 31 and Jetstream 41 aircraft.

The Super 31 is a 19-seater computerised turbo-prop which has become popular with users in the US. Its larger sister, the Jetstream 41, seats 29 passengers and was introduced a year ago.

The first of 136 Jetstream 41 deliveries is expected in the final quarter of this year.

The regional aircraft are ideally suited to the southern African market, which has been marked by increased levels of inter-airline co-operation and deregulation.

BAe will also use the airshow to introduce the world's first mid-sized intercontinental range twin-jet, the BAe 1000, to SA's corporate jet market. The aircraft was marketed here last year, but only on paper, and a sale of one aircraft to Anglovaal chief Basil Hersov was reported last May.

The BAe 1000 was manufactured in response to demand for intercontinental range, bigger cabins and increased performance, says BAe local agents Osprey Aviation Holdings chairman Richard Charter.

The aircraft has a rich heritage, being a direct descendant of the BAe 125-800 which captured 55% of its market in 1989, the year of its introduction. It is also a descendant of the original Hawker Siddeley HS 125, first built in the early '60s.

On the BAe 1000, the fuselage has been lengthened by almost a metre, increasing the cabin capacity from six to eight passengers in an executive configuration, or up to 15 in a corporate shuttle layout. This also increased the plane's fuel capacity. By fitting new, efficient engines, power has been increased and consumption reduced.

Both the BAe 1000 and the BAe 125-800 will be on static display at Aviation Africa.

## Foreigners flock to Rand Show

DARIUS SANAI

THIS year's Rand Show is attracting 10 times more foreign exhibitors than last year's, according to Rand Show spokesman Johan Theron. *B10 day 27/3/92*

But despite displays from more than 250 foreign companies representing 34 countries, only two US firms are exhibiting, Theron said this week.

Atlanta-based BKT International and Detroit-based Rexair — a vacuum cleaner manufacturer — will be the only direct representatives of US industry.

Theron explained the dearth of American firms by saying the US was a world in itself. "Many American firms have not yet woken up to trade opportunities with SA," he said.

There were approximately 25 foreign firms at last year's Rand Show. Theron said it was hard to calculate exact numbers because some came under the wing of their national chambers of commerce, or government departments.

Two Moscow-based firms would be exhibiting, and also seeking to become agents for the importation of SA goods into Russia, he said.

Most of the foreign firms were there to promote exports to SA, but many were also interested in importing SA goods.

# Hotel groups size up the SA option

*B10 day 27/3/92*  
LONDON-based luxury hotel group Hilton International (HI) was "seriously interested" in extensive investment in SA, Hilton spokesman Catherine Lord said yesterday.

And Gillian Goldman, local PRO for the US Hyatt group, said yesterday the group was "very interested" in hotel sites in SA, with Johannesburg's northern suburbs being an obvious target for development.

Goldman said a Hyatt hotel in such an area would probably have to be built from the ground up, and would charge rates similar to those charged by the group worldwide — more than R1 000 a night per single room.

But a senior director of another top international chain, Intercontinental Hotels, said yesterday that the group's "definite and advanced plans" to build a R130m, 350-room five-star hotel in Sandton had been scuppered by the "archaic" practices of SA financial institutions.

Senior development vice-president Hans Worms said yesterday the group could not come to a satisfactory agreement with SA pension funds on the financing of the project.

"SA institutions want a straightforward lease, which is not how we run our operations anywhere else."

Intercontinental's intention to

DARIUS SANAI

build a hotel on Cape Town's new Waterfront development project was given up after "complicated local politics", Worms said.

Lord said Hilton International was reviewing a number of possibilities for extending its 153-hotel chain to SA, including constructing new hotels, she said.

Senior management from the Hyatt group are due to return next month after their December visit.

Several other hotel groups are looking into buying up and constructing hotels and resorts in SA.

Spokesmen for several hotel groups said privately that the service and management standards offered by their hotels would be in a different league — but so would their prices.

Sheraton Hotels marketing vice-president (Africa) Mike Prager said state and local sanctions inhibited the US-based group from developing in SA at the moment.

He said the protectionism engendered in SA by sanctions made entry into any section of the SA market difficult, and the monopolistic position held by "our one potential competitor" (Southern Sun) caused added complications.

"But there's room in the market for more than one group," he said.

## Major tourism consultancy for SA

*B10 day 27/3/92*  
CAPE TOWN — Greene Belfield-Smith (GBS), the world's largest tourism and leisure consultancy, has set up in SA as the specialist tourism and leisure division of Deloitte Pim Goldby Management Consultants.

GBS, owned by accounting and consulting firm Deloitte Ross Tohmatsu, has an international network of 530 offices in 105 countries with 65 000 partners and staff.

Its clients include Boeing, Cunard, Hyatt, Thomson Travel and the London Tourist Board. The SA office, with headquarters in Cape Town and offices in Johannesburg and Durban, is GBS's launch into Africa.

GBS senior partner Dries de Vaal said yesterday the opening of an SA office represented an international vote of confidence in SA's tourism potential.

LINDA ENSOR

He said the SA division hoped to pick up all opportunities for developing tourism by consulting companies and local, regional and national government, adding that it would actively lobby the SA government for a contract to draw up a tourism marketing strategy.

"Substantial foreign interest in the form of development aid and private investment should be available to develop southern Africa's tourism and leisure industry assets provided SA is prepared to commit itself to a free economic order and investor security — and providing SA can demonstrate it has an implementable and coherent tourism development strategy," De Vaal said.

GBS SA director Pierre Tredoux said there was widespread speculation that major sports events would be moved to SA and the 2004 Olympics was not an unrealistic possibility.

De Vaal said SA at present only received about 500 000 foreign tourists, excluding those from neighbouring countries, a small proportion of the world's total which could easily be increased to the 2-million hosted by Australia. Only a few of these tourists visited Cape Town.

"SA has a tremendous product and it would not be difficult to increase the numbers provided it is marketed properly," De Vaal said.

He pointed to deficiencies in infrastructure, namely airports which were not up to international standards, insufficient hotel rooms, insufficient luxury coaches and the lack of a convention centre.

plc

# Autocat plant exploits Phase VI incentives

JOHNSON Matthey's decision to invest more than R40m in its new Germiston auto exhaust catalyst manufacturing plant represented a significant commitment by a British company to industrial development in SA, British ambassador Sir Anthony Reeve said yesterday.

After he had officially opened the plant, Reeve said the investment would prove to be "a sensible business decision". There were good business opportunities in SA, and while there was hesitancy to invest because of uncertainty in the country's future, the "events of the last two weeks" boded well for the future.

Johnson Matthey PLC chairman

BIBcy 27/3/92

MATTHEW CURTIN

David Davies said his firm's decision was prompted by incentives aimed at encouraging the local production and export of high-technology industrial components. Specifically, it was taking advantage of the Phase VI incentives available to local motor companies that exported components.

At the Germiston plant, imported platinum group chemicals are sprayed onto imported ceramic substrates. The coated substrates are sold to local exhaust manufacturers who clad them in comparatively cheap local stainless steel. The fin-

ished product is then sold, as an SA product, to local motor manufacturers. They, in turn, export them and are credited with the full export value in terms of the Phase VI local content requirements.

Davies said he expected cars with converters would be available in SA in the next three to four years as unleaded petrol became available.

Johnson Matthey MD Peter Emmel said of the R300 to R800 cost of the units produced in Germiston, 50% was made up of the platinum metals, 25% the remaining raw materials and 25% the value added in the production process.

# Anglo Dutch aims for top shelf in spite of recession

By DON ROBERTSON

THE tough conditions in the office furniture industry have taken their toll on the market, but Anglo Dutch, newly restructured, believes it can soon become number one.

The company, which recently merged with the Offex group, expects to increase turnover to about R50-million in the financial year beginning in July and, through rationalisation, profits could increase by about 20%.

The company is also pushing ahead with its export drive into neighbouring states and the UK.

Both companies are subsidiaries of the JSE listed Matheson and Ashley group and, like the rest in the industry, have been hard hit by the slowdown in the economy. In January, competitor Grant Andrews sold off a major portion of its operations to the management group, while the ordinary shares were converted into preference shares which will be redeemed. Grant Andrews' listing was terminated on March 2.

Anglo Dutch has, however, managed to increase its slice of the market and enjoyed a record month in February. Newly appointed

managing director Victor Fish says considerable benefits have been achieved as a result of the merger, including rationalisation of products, resources and facilities which have translated into faster lead times and a better competitive position. Production systems have also been improved at the Aeroton plant near Soweto.

Exports to Zimbabwe, Mozambique and Mauritius have increased, while former Anglo Dutch managing director Allan Green is promoting the company's products in the UK and Europe. Because of exchange rate differences, Anglo Dutch products can be exported competitively to Europe.

Mr Fish says export sales in the coming financial year will make up a substantial part of total sales.

"The market is extremely tough, but we at Anglo Dutch believe we have everything in place to achieve our objectives."

# Hanson keeps Eveready SA

B1 Day 14/4/92  
61  
LONDON — Hanson Group, the £11bn Anglo-American conglomerate, yesterday confirmed Eveready SA was excluded from the £132m sale of its battery division to Ralston Purina of the US.

A spokesman said Eveready SA was a very good company, bigger in profit terms than Eveready UK. "We are very happy to keep it."

He declined to give figures, but analysts estimate Eveready SA's pre-tax profits at £20m against £15-£20m for the UK operation.

Ralston Purina, which owns the Eveready US group, is believed to have said it does not want to get involved in the SA market.

Hanson bought Eveready for £95m in 1981, reducing the net price to £54m — mainly by selling off the unprofitable European business to

JOHN CAVILL

rivals Duracell.

Eveready UK's profits climbed steadily until the mid-1980s but have since then been eroded by recession and competition in alkaline long-life batteries from Duracell.

Hanson's disposal makes Duracell and Ralston the world's two biggest battery companies.

The sale has raised expectations in London that Hanson is gearing up for a series of acquisitions, having failed to follow up last year's dawn raid which netted 2.8% of ICI for £240m.

Reuter reports that the acquisition was a logical one for Ralston Purina, which already owns the Eveready brand name and businesses in the US and several other countries.

Rumours of the sale have circulat-

ed for months, with Hanson making clear its intention to shed mature businesses with limited scope.

Hanson said the agreement was subject to approval by British merger regulators and was strongly supported by Eveready management.

Eveready MD Bob Nevitt said the benefit of Ralston's advanced technology would enable the company to compete even more effectively in the UK and fully exploit its traditional export markets.

Ralston Purina vice president Patrick Mulcahy said the acquisition of Eveready filled a major gap in Ralston's international markets.

In the year to September 28 1991, Eveready had pre-tax operating profit of £18.5m on sales of £87.1m. After the news, Hanson shares stood 2p higher at £2.29.



# T&N's set to prosper after stable cleaning

STIMES (BUSS) 26/4/92

T&N Holdings is poised to do well in what is expected to be a tough year.

A year ago, management was faced with a major challenge to profitability.

It responded in fine style, earnings a share doubling to 70c and the dividend rising from 13.8 to 24c in the year to December 1991. The company's performance in the previous year was poor.

Group financial director Christopher Good says 1990 was particularly difficult because customers destocked and there was a serious strike. As a result management looked at its strategy from top to bottom. Everything was covered: production, labour relations, asset management, marketing and distribution and other factors which affected efficiency.

There were no sacred cows.

It was important that management was able to take a flexible and self-critical attitude. In particular, managers were able to react to lower as well as higher demand.

All too often, management and labour fight for a bigger share of the cake. It does not occur to them to get together and bake a bigger cake, but this is what happened at T&N's Ferodo division.

After a fairly lengthy strike, management insisted on improved productivity as part of the deal to increase wages. As a result, profitability was higher than ever. Ferodo also gained greater market share.

Mr Good says it is best for every country to specialise in what it can produce most cheaply.

T&N plc, the UK parent, has adopted a policy which has helped exports considerably. There are certain niche market products which T&N SA can produce more cheaply than others in the T&N international group.

The SA company will produce them and export for the entire group. Exports now make up more than 10% of turnover and are expected to increase at competitive prices.

With its recently discovered flexibility, management has learned to cope with increased imports.

Although debt is too high and interest charges are not well covered, better asset management and favourable cash flow from operations are steadily remedying the situation.

A total of 84% of the automotive division's turnover supplies the replacement market and only 22% original equipment. The average age of the national car park has increased from five to eight years and can be expected to lengthen further. This must benefit T&N.

Mr Good is cautious about prospects for 1992 because motor-vehicle sales are well down and trading conditions are expected to remain difficult.

However, customer destocking, which has continued longer than expected, appears to be more or less over.

Loss areas are being tackled and are expected to benefit from changes implemented in 1991.

THE secret to Scharrig's success in tough times lies in the efficient use of plant in profitable niche markets.

Scharrig increased earnings a share by 85% to 70.8c and the dividend by 138% to 25c in the year to December 1991.

Few listed companies can claim such a record in these times.

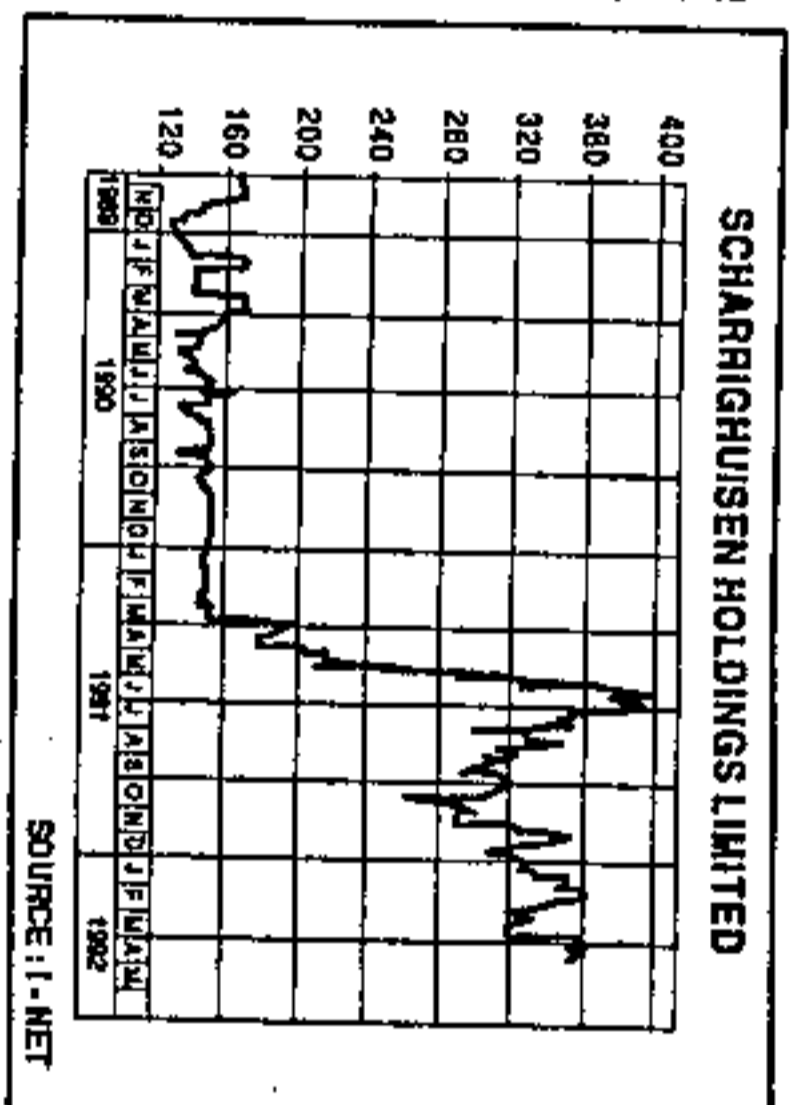
Joint managing director Laurie Fisher says the company's main activity is in open-cast coal contracting and rehabilitation of collieries for Gencor, Rand Mines and Sasol among others.

Because Scharrig operates for third parties, it avoids the risk of trading for its own account. Asset management is simpler. It consists of the judicious buying of plant for expansion without running up too much debt. This is an important advantage, particularly in a recession.

The lifting of sanctions has reopened France and Denmark to SA collieries, so that even if domestic demand is static, exports should grow. SA coal exports are concentrated on Europe, where ageing collieries are becoming more expensive to run and are thus re-evaluating their assets.

The essential ingredients of successful investment are sound research and advice. With the economy perhaps approaching an upturn at the same time as most blue chips are in high ground, this is now particularly true.

It should be stressed that Mr May is taking a longer-term view than many market commentators, including charlists, who are cautious about the immediate future.



# The astute way to 30% returns

STIMES (BUSS) 26/4/92

THIS year I have concentrated on shares which commented on shares which commentators have tended to overlook and which appear to hold hidden value.

In my reviews of T&N and Scharriguisen I continue this policy.

However, because many brokers have expressed doubts about the market at least in the short term, I canvassed some opinions.

Tim May, joint editor of the new City News, is one whose views I respect.

Mr May says the market comprises four categories: blue-chip industrials, the rest

of the industrial market, gold shares and other mining.

He knows of hardly anybody who has made profits on gold shares and sees no reason to hold investments where the price of the product is uncertain.

Mr May believes investors can achieve returns of 30% from companies whose profits are not too difficult to forecast.

So why hold golds and miss these opportunities?

Even if the gold price rises, the cost-cutting process on the mines has more or less done its work. From now on costs

Industrial market where excellent value can be found because institutions can deal only in highly marketable shares. As the private investors are realising that they can turn this to advantage and achieve returns of about double the market average.

Mr May says lower interest rates are needed urgently because too many people are being driven out of jobs or into bankruptcy. When interest rates eventually fall, the economy should improve and profits and dividends rise.

The time is right to seek value in the market and be

ahead of events. Investors who are not in the market should be returning to being fully invested.

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# Fast food is the spur

STIMES (BUSS) 26/4/92

SPUR Steak Restaurants has an enviable profit record.

Earnings rose by 43% and the dividend 31% in the six months to August 1991.

It appears that customers

who seek the convenience of eating out are trading down instead of having a meal at home.

Spur's core activity is franchising of sit-down, fast-food restaurants. It earns its profits from royalties paid by franchisees. The source of income is important, particularly at a time of high interest rates.

Spur does not bear the risk of carrying large stocks, financed by overdrafts. The opening of franchises should be limited only by the ability of franchisees, essentially small operators, to find the capital to open a restaurant.

This means that Spur can maintain a strong balance sheet. In addition, dividend cover can be much lower than for a company trading for its own account.

In the past year or two, there have been unfortunate examples of retail chains which have expanded too fast and come to grief as a result. The haste of Spur's operations avoids this.

In February 1991, there were more than 100 retail outlets, of which most were steakhouses. Spur has diversified into franchised pizza houses and this experiment appears to have been successful.

Assuming slower growth in the second half-year to February 1992, Spur could earn 30c and pay 20c share. The low dividend cover means that Spur can be rated on dividend yield rather than P/E. At the current price, the shares look interesting.

# Scharrig key to success

STIMES (BUSS) 26/4/92

Because Scharrig operates for third parties, it avoids the risk of trading for its own account. Asset management is simpler. It consists of the judicious buying of plant for expansion without running up too much debt. This is an important advantage, particularly in a recession.

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The essential ingredients of successful investment are sound research and advice. With the economy perhaps approaching an upturn at the same time as most blue chips are in high ground, this is now particularly true.

It should be stressed that Mr May is taking a longer-term view than many market commentators, including charlists, who are cautious about the immediate future.

Mr Fisher says the recession gives the opportunity to buy such businesses cheaply.

Scharrig's favourable rating on the JSE often gives it the choice to pay for an acquisition either with cash or shares. This gives the advantage of flexibility.

Because Scharrig last year bought two subsidiaries of Frigate, and not Frigate itself, it is free of the controversy surrounding that company. However, it enjoys a substantial tax loss from its acquisition.

Environmental legislation in SA is being more strictly enforced, so Scharrig is enjoying more rehabilitation contracts. Last year it put out an underground fire which had caused major environmental problems from a closed-down mine near Witbank.

Scharrig's basic operating procedure is the most profitable use of plant in any area where it has the expertise. This means that it can expand into related plant-based activities.

# DIAGONAL STREET by Robin Pegler

ALTHOUGH I wrote about Engen in January, the good news since then makes it worth a second look.

The European Economic Community has lifted its oil embargo on SA and it is hoped that the UN will follow soon. This could result in Engen's being able to buy crude oil more cheaply.

In addition, the interim report for the six months to February 1992 is much better than expected. Earnings a share rose 20.6% from 111c to 134c and the dividend to 19.1% from 12c to 50c.

This is at a time when many companies are battling to improve profits and also in a year when Engen's earnings a share looked like falling after the 40-for-100 rights issue diluted the share capital.

In fact the cash raised at that time has been profitably invested until it is needed for expansion and actually contributed nearly a third of total earnings.

Financing income will fall as spending on plant gathers pace, but from next financial year Engen will have 30% greater capacity. That should more than offset investment income.

Management forecast that second-half earnings should be similar to those in the first half. So Engen could earn 28c and distribute 13c for the year to August 1992.

# Engen as a rand hedge

STIMES (BUSS) 26/4/92

The first oil from the Alha project in the North Sea is due to start production late in 1993. Looking further ahead, the Britannia gas field in the same area is targeted to begin production in 1997.

These earnings, together with increasing exports, could make Engen an interesting rand hedge in the long term.

Management forecast that second-half earnings should be similar to those in the first half. So Engen could earn 28c and distribute 13c for the year to August 1992.

## Thor may opt for imports

(6) Own Correspondent

DURBAN — Thor Chemicals was likely to import finished mercury-based chemicals following its decision to stop producing them locally, a company spokesman said yesterday.

The spokesman was reacting to queries about the consequences of the company's decision to stop producing chemicals containing mercury compounds. *Blouay 7/5/72*

Asked whether Thor's British parent company would relocate mercury operations to another country, the spokesman said: "It all depends on our customers. They may want us to import and store these products on their behalf."

Mercury-based products accounted for about 20% of chemicals produced at Cato Ridge, but the decision to stop making them would not affect the company's overall viability.

The company was unable to estimate how many of the 100 workers would lose their jobs.

"Negotiations with the union on severance and redundancy packages are continuing," he said.

# Hambros is willing to invest in conservation, says director

81 Day 13/5/92

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PETER GALLI

UK-BASED Hambros Bank's recent investment in the Conservation Corporation and the Phinda Reserve reflected its willingness to invest in projects involving conservation and local communities, the bank's director, Jonathan Klein, said in an interview.

"Prospective investors were looking for an ethical investment and the fact that the Phinda project provided employment for the local community and was directed at environmental enhancement made it both credible and appealing," he said.

However, there had been some problems with marketing the project as it was one of the first inward investments of capital into a non-listed SA development while the ANC was still touting sanctions.

The placing of the R63m in debentures had taken longer than expected for several reasons — the demand for sanctions to remain and President F W de Klerk's decision to hold

the referendum.

"Also, our association with Masterbond seriously damaged our efforts to place the debentures locally," Klein said.

Questioned about his knowledge of Masterbond's financial problems, Klein said that once the prospectus had been drawn up and distributed it became clear that Masterbond was in trouble.

"We decided not to proceed unless working capital finance to cover the Masterbond investment was put in place. About R10m was made available and was used to provide funding until the end of the marketing campaign," he said.

Despite the R63m raised, 88% of the revenues for the reserve were hard currency based and, as most visitors were based offshore, any depreciation in the rand would see these currencies appreciate.

Any investor wanted a good return

on investments, and the projected returns on this investment were compatible with development capital projects elsewhere, Klein said.

Projections for the reserve were made in July and were ahead of predictions.

"Hambros Bank has been involved in SA for some years and with the advent of the reforms initiated by President F W de Klerk we needed the right project to start reinvesting in the country," he said.

"We advised, structured and marketed worldwide this project in addition to the £1.5m we invested, which we intend to retain. There is still a lot of caution about investing in SA and we felt this was an investment for the shepherd rather than for the sheep," he said.

The Conservation Corporation recently announced that all Masterbond investors who held debentures in Phinda would be given an offer to have their debentures repaid in full and with interest.

# Guinness is good for SA. ~~61~~

3/Day 14/5/72  
WORLD renowned brewer Guinness, which yesterday announced its entry into the SA market, does not intend to make the same mistake as other brewers by competing head on with SA Breweries (SAB).

Guinness Brewing Worldwide London said it had entered into a partnership with SAB to brew stout in SA through newly established subsidiary Guinness SA.

The deal, which meant that both Guinness and Heineken were now represented locally in association with SAB, would make it difficult for other international brewers to enter the SA market with any amount of ease, Guinness SA MD Alfons Walser believed.

He added that Guinness had signed an agreement with SAB in terms of which SAB would brew and distribute Guinness under licence from about October this year, while Guinness SA would be a marketing and servicing company.

Walser would not be drawn on what share of the market Guinness hoped to capture, or how big the venture would be,

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MARCIA KLEIN

but he said the group hoped it would become "a mainline brand". At present SAB brews its own brand of Castle milk stout.

Walser said Guinness had been looking at the SA beer market — which was too big a market for the major companies to ignore — for the past two years. During this time Guinness had been in limited distribution in SA through Namibia Breweries. But the partnership agreement would allow the brand to be more widely distributed.

Although Guinness believed it was in a position — both financially and in terms of its worldwide expertise — to come into SA alone, it decided on a partnership with SAB as it was the dominant player and had the excellent distribution channels which were the key to the success of the brand.

Walser said the Guinness stout would complement SAB's lagers. The premium product had been used in Africa for more than a century, and its strength lay in its long life qualities.

# Guinness makes a stout decision

By Sven Lünsche

extensive marketing and advertising campaign.

The giant UK beverage and distillery group, Guinness, yesterday announced it would brew its famous stout in South Africa.

Guinness will be brewed and distributed under licence by SA Breweries, but marketed by a newly formed subsidiary, Guinness SA.

The stout will hit the shelves of stores and pubs towards the end of this year, accompanied by an

"Guinness is a premium brand and it will be a major challenge to position it as such in the SA market," says MD of Guinness SA, Alfons Walser.

He says the group will retain the UK advertising agency that has developed its famous ads featuring actor Ruttger Hauer.

"We will obviously adopt the ads to the local market, but the essence of our message will remain,"

Mr Walser says.

"Guinness is one of the most successful international premium brands and we are confident it will be well received by local consumers," he says.

Mr Walser says SA is the biggest beer market in Africa — accounting for 24 million of the total 59 million litres consumed on the continent — and as such a natural area for the group to expand.

Over the past two years Guinness has been in limited distribution in SA

through Namibia Breweries.

Mr Walser says it would most probably take a year or two before the brand is fully established and Guinness SA runs profitably.

But he is confident that the relationship with SA Breweries, "one of the world's major breweries", will be beneficial to both groups.

"It will certainly allow us to make faster progress than if we had established our own brewery in SA," Mr Walser says.

STAR 1415792

# Guinness targets SA market share

*Blom 18/5/92*  
 BRITAIN'S Guinness Brewing World-wide Ltd would use its new base in SA to break into one of the world's largest beer markets and expand into the region, Africa director David Hampshire said.

Hampshire said that the regional market, including SA, was tough to break into, and Guinness had formed a partnership with SA Breweries rather than "taking them head on".

"We hope to capture a significant share of the large SA beer market despite the monopoly held by SAB ... and develop markets in the region further," he said.

British-based Guinness announced last week that it had formed a subsidiary, Guinness SA (Pty) Ltd, and that SAB would manufacture, distribute and sell its premium stout beer brand throughout the country. Guinness would control its marketing, Hampshire said.

Guinness, which operates in 20 African countries and is particularly strong in west Africa, researched the SA market for three years before making a move.

Guinness is one of a growing list of international companies investing in SA since President F W de Klerk began dismantling apartheid two years ago. But foreign investors have adopted a wait-and-see attitude due to economic and political uncertainty amid the country's worst recession since the Second World War.

Hampshire said SA was the 12th largest

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 beer market in the world in terms of consumption, and would grow at above average rates in the long term compared with other beer markets. SAB's core beer division last week reported a marginal increase in sales volumes in 1992, which stood at 22,7-million hectolitres in 1991.

He said Guinness's basic strategy was one of working in partnerships.

"Although we have the resources and expertise to take SAB head on, it would require a lot of money, and considerable commitment and expertise, to break into this market," he said.

He believed Guinness was one of only three international brewers which could possibly break into the southern African market on its own. Heineken, already selling in SA under licence to SAB, was one, and Carlsberg was the other, he said.

Hampshire said Guinness was investing heavily in the joint venture, but he declined to disclose financial details or to give specific growth forecasts.

He said there was little in the way of price differences between the local market's lagers and specialised beers.

"We plan to pitch the price of our beer at about 50% higher than that of local lagers, and the question is whether we can break that mould," he said. "It's going to be a difficult one to crack, but we're giving it our all."

Guinness beer would be launched at about the end of September. — Sapa-Reuter.

## Little support for BP after loss

LONDON — BP's poor performance in the first quarter has made it the whipping boy of London's stock exchange over the past two weeks, but a few analysts have started to sweeten on the company, the Wall Street Journal Europe reported on Friday.

They argue the company is well-positioned to benefit from economic recovery in the US and the UK and that pessimists have driven down its share price to near-bargain levels.

"BP is doing exactly the right things at the right time," says Kleinwort Benson Securities analyst Paul Spedding. "They're cutting costs, reducing personnel — everything they

need to do."

About the only investors believing in BP recently have been those in the US, and that was largely the result of greater optimism about the economy and the relatively high prices of competing oil-company stocks. Lehman Brothers estimates that more than 14% of BP stock is owned by US investors. Although Lehman recommends selling the British company's shares, it allows that BP has benefited from the fact that it yields 2.1 percentage points more than Exxon.

That view has not prevailed in the City. BP's share price has been falling since it announced its first quarterly loss, on May 8. — AP-DJ.

## UK group may sell 63% stake in GIC

EDWARD WEST

UK-BASED general and electrical engineering group B Elliot plans to sell its 63.09% controlling stake in Goldfields Industrial Corporation (GIC).

Coinciding with the announcement of GIC's financial results for the year to March 1992, the company cautioned shareholders that negotiations which could affect its share price were in progress.

The announcement said B Elliot planned to dispose of its interest in GIC. Although negotiations were under way to sell the shareholding, arrangements would be completed only by July. B Elliot director Trevor Smith said the disposal was part of a restructuring of its 16 international subsidiaries.

GIC yesterday traded at 500c a share, 79c lower than its current net asset value of 579c a share. GIC director Andrew Crawley said the company traded below its net asset value because of the small number of shares in issue.

Based on the 4-million shares in issue, the market price for the 63.09% stake would be about R12m.

However, Crawley declined to comment yesterday on the price, or to whom the shareholding would be sold.

In the year to March 1992, GIC's earnings increased 10% to 99c a share from 90c a share in the previous year. Dividends for the year came to 55c a share.

● See Page 10

## New look at negotiations

THE ANC had begun a major reassessment of its approach to negotiations and had withdrawn all the constitutional compromises it offered in working group 2 in the run-up to Codesa II, senior ANC negotiators said yesterday.

They indicated a fresh approach could place greater reliance on mass action and a demand that an interim constitution be limited to preparing for an election to a constitution-making body.

And in Oslo yesterday, ANC president Nelson Mandela ruled out a return to the armed struggle should negotiations fail. An alternative would be to call for a general strike, he said.

In coming weeks the ANC plans to undertake wide-ranging consultations with its regions to chart a way forward. ANC negotiator Mohammed Valli

PATRICK BULGER

Moosa said: "We consider the failure of Codesa II an extremely serious matter. After five months of negotiations we have nothing to offer the public."

At an ANC briefing yesterday, Joe Slovo said: "We thought we had scored an important victory when government accepted an elected constitution-making body. But they want an elected body with no real power and subject to a minority veto, in essence a white veto." He said government wanted Codesa itself to have the power to draw up a new constitution.

"The device to effect this purpose is the concept of an interim constitution," Slovo said, adding government wanted Codesa to

□ To Page 2

## Barbrook gold mine for sale by tender

BARBROOK gold mine, delisted on the JSE and placed under liquidation in January, has been put up for sale by tender.

Joint provisional liquidators Coopers Theron du Toit Trust (CTTT) and Metrux said the final date for acceptance of offers was May 29. CTTT director Clive Lansdown said no firm offers had been received to date.

Fergusson Brothers gold analyst Trevor Pearson said the plant at Barbrook was "overdesigned" and would on the face of it be worth only scrap value, but the mineral rights would be worth something: a realis-

JONO WATERS

tic bid would be between R5m and R10m. Barbrook was commissioned by Rand Mines in June 1989 at a cost of R126m with proven ore reserves of 250 000 tons at an average in situ value of 6,8g/ton.

The mine started production in the first quarter of 1990 and operated until the end of the year, when it was placed on a care-and-maintenance basis.

Barbrook's shares were suspended on the JSE in November 1990. Borrowing at December 1990 totalled R60,4m.

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# Labour bodies show concern

By JOSHUA RABOROKO

TWO labour federations have expressed concern at the desire by British and multinational companies operating in South Africa to drop the European Community code of conduct governing employment conditions.

Although the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu) said the code did not protect black workers against exploitation, they called for a new approach to safeguarding the interests of their members instead.

Cosatu called for a new code to address the socio-economic status of workers, help create jobs and restructure the economy. Nactu, on the other hand, said the code was useless and urged workers to negotiate codes of conduct with employers without interference from parent companies.

The two federations were reacting to reports that European foreign ministers meeting in Brussels this week will discuss the argument of top companies that the code had "outlived" its usefulness and is difficult to apply because of reform in South Africa.

Cosatu spokesman Mr Neil Coleman said: "Those issues must be negotiated by trade union federations and multinational companies wishing to invest in South Africa."

*Sowetan 26/5/92*

# Buoyant sales help Shell to offset recessionary conditions

CAPE TOWN — Shell SA's petrol sales, kept buoyant by continuing urbanisation, helped offset the effects of drought and the recession on its chemical division last year.

Shell's oil, coal and metals operations performed well, but the chemicals division suffered from lower than expected volume sales, the 1991 business report said yesterday.

Total group turnover increased 3% to about R5,5bn, but turnover from the group's oil division increased 9%. Cost control kept the rise in operating expenses at 5%. The report said Shell focused on the core oil, minerals and chemicals businesses.

A number of under-performing assets were sold last year.

Inland fuel sales increased 1,3% in spite of the recession. Shell claimed its retail growth rate exceeded the industry's average performer and that it was the top seller of petrol.

It said the real impact of the recession was felt in consumer markets. The agricultural market continued to be affected by drought and other factors. Other market sectors such as construction, mining and manufacture also showed declines.

Shell has embarked on a R450m

LINDA ENSOR

expansion of its Sapref refinery to increase capacity by 30%.

The report said the recession's impact on the chemicals sector was particularly severe.

Because of the effects of drought and recession on the agro-chemicals industry, Shell chemicals had reorganised its agriculture business portfolio for sustained profitability.

The minerals division produces and markets zinc and lead concentrates at the Pering mine in the northern Cape, and exports steam coal produced at the Rietspruit mine in the Eastern Transvaal, a joint venture with Rand Mines. Zinc and lead concentrate production volumes fell last year, while coal production, hampered by adverse weather and mining conditions, remained almost static at 5,1-million tons.

The report said Shell had approved a project to expand underground production at Rietspruit. This would begin in the last quarter of this year. The feasibility of a joint venture with Rhombus Exploration to develop a heavy minerals project in Natal was still being investigated.

TELEMETRIX

61 ~~61~~ ~~61~~ FM 29/5/92

# A broad-based international hedge

**Activities:** The UK group has subsidiaries in the US and Europe and designs, makes and distributes a wide range of electronic systems, products and components.

**Controls:** W P Venter family trusts (42%), Altron (7%).

**Chairman:** A S Walsh; **CE:** T M Curtis.

**Capital structure:** 86m ords. Market capitalisation: R267m.

**Share market:** Price: 310c. Yields: 1.0% on dividend; 3.5% on earnings; p:e ratio, 28.6; cover, 3.5. 12-month high, 325c; low, 165c. Trading volume last quarter, 1.1m shares.

Year to Dec 31	'90	'91
ST debt (£m)	2.8	2.0
LT debt (£m)	7.2	6.3
Debt:equity ratio	0.56	0.27
Shareholders' interest	0.40	0.45
Int & leasing cover	7.8	6.5
Return on capital (%)	11.5	13.5
Turnover (£m)	72.5	83.7
Pre-int profit (£m)	4.2	5.3
Pre-int margin (%)	5.8	6.3
Earnings (p)	2.0	2.1
Dividends (p)	0.6	0.6
Net worth (p)	14	16

The listing in November of Telemetrix, formerly the offshore subsidiary of the Altron electronics group, gives investors an opportunity to participate directly in the fast-moving international electronics market.

The UK group, which is listed in London, has subsidiaries in the US, Germany and Norway and also runs manufacturing plants in Hong Kong, the Philippines and mainland China. Since 1988, when Altron took control of what was then an ailing computer equipment manufacturer, Telemetrix has returned to profitability and grown considerably. Interests are broad in terms of both technology and geographic location — the US is the largest market, followed by the UK and then continental Europe.

While operational reorganisation continued last year, it was among shareholders and directors that the biggest changes took place.

A renounceable share offer at the time of the Johannesburg listing resulted in Altron reducing its stake from 67% to 7% in return for R70m. Altron's pyramid, Ventron, passed up the offer. As a result the family trusts of Altron founder Bill Venter now hold

the biggest stake in Telemetrix (42%), followed by Altron (7%) and Old Mutual (6%).

Arthur Walsh, a long-time GEC executive and recently MD at Northern Telecom Europe, took over as chairman while former Unitech director Tim Curtis was appointed CE. Former chairman Cyril Newnham resigned while previous CE Roy Cotterill remains on the board. Walsh's appointment is regarded by analysts as something of a coup and the changes to management are seen as part of the transition from concentrating on recovery to establishing itself as a substantial niche player in the global electronics market.

While the international electronics business has a reputation for high growth, it is — in line with the worldwide economy — dogged by recession. To achieve success in this volatile sector companies need to be alert to the potential of new technologies and sufficiently nimble to exploit these opportunities and keep abreast of further changes.

It was US-listed datacommunications company GTI, in which Telemetrix holds 65%, which provided the bulk of earnings growth last year. Fuelled by the success of its Valor networking firm GTI pushed up operating profit 79% to US\$6.7m from turnover that climbed 44% to \$77.9m. EPS rose 55%.

Rapid growth in the local-area networking industry has created strong international demand for Valor's products and the firm has expanded manufacturing operations in the Pacific Rim, where it now employs 4 000 people. Valor is expected to be an important contributor to earnings at GTI and consequently Telemetrix this year.

UK subsidiary Trend Communications, which supplies communications and analytical equipment, did less well and reported a second consecutive operating loss — £1m (1990: £600 000) — with turnover dropping £4m to £22m. Norway's Rasterex is said to have maintained market share but no details are given of its financial performance.

Semiconductor manufacturer Zetex also had a difficult year, operating profit slipping £300 000 to £1.1m from turnover slightly down at £12.1m.

Despite disappointing performances in Europe due mainly to recession, the strong contribution from GTI in the US did much to polish consolidated results. Compared with restated figures for 1990, operating profit climbed nearly a quarter to £5.3m on turnover that rose more than 15% to £83.7m.

A climb in interest charges (largely as a result of the funding of the acquisition of Valor in 1990), larger minority interests and an increased issued equity pegged EPS growth at 5% to 2.1p. The dividend was again 0.6p or an equivalent share offer.

Strong cash flow and lower working cap-

ital did much to strengthen the balance sheet. Net borrowings fell by 40%-plus to £4.8m, with gearing down from 56% to 27%.

Though the world recession continues to depress markets, management is confident that the group, having been restructured to improve its focus, is well positioned for further organic and acquisitive growth. Earnings this year should continue to benefit from high demand for networking equipment from the GTI stable in the US as well as the extensive reorganisation of UK operations.

Telemetrix's potential for high growth and rand hedge qualities have ensured strong support for the share on the JSE. The pre-listing offer was 99.7% subscribed and the counter has climbed from an opening price of 165c to around 310c. While the share has much going for it, an earnings yield of 3% looks expensive.

Simon Cashmore

## NAMFISH/NAMSEA <sup>FM</sup> 29/5/92 Missing the boat?

**Namsea** ~~29/5/92~~  
**Activities:** Catching and processing fish.  
**Controls:** Arun Holdings (26.4%) and Natfish (16%).

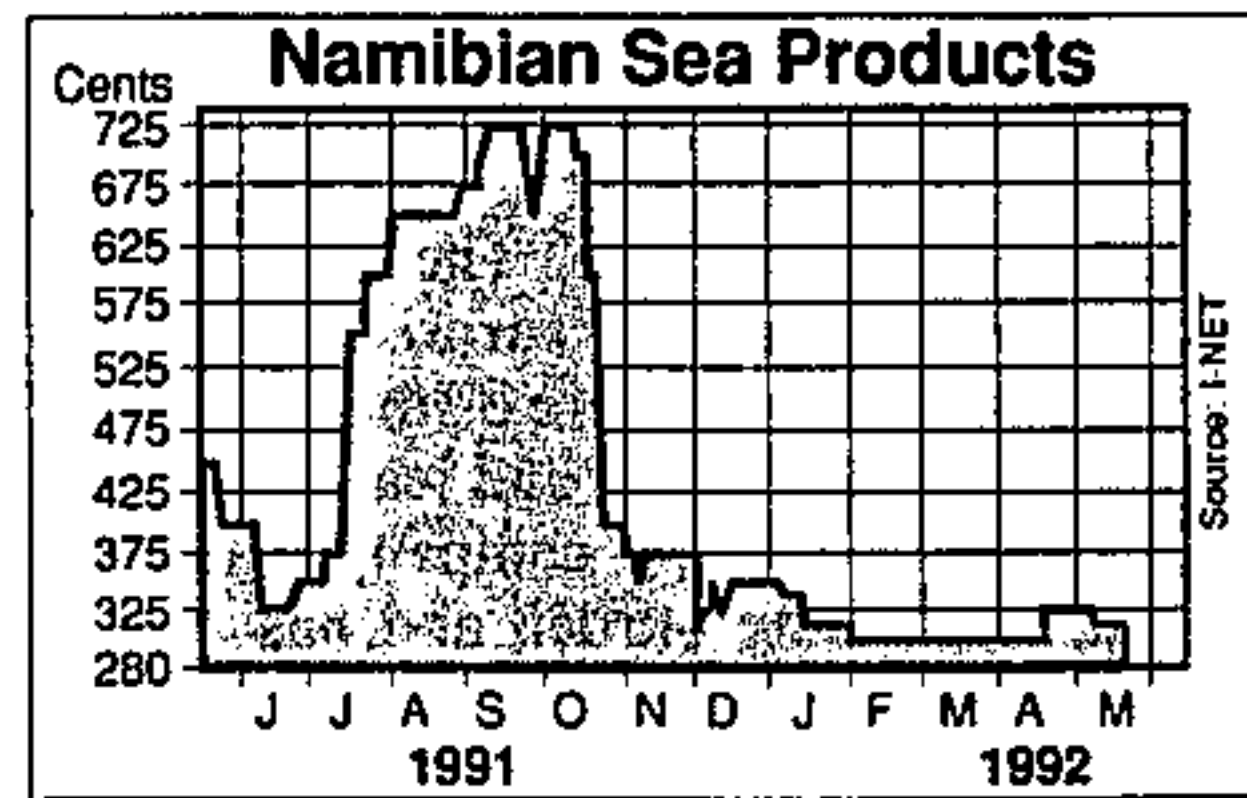
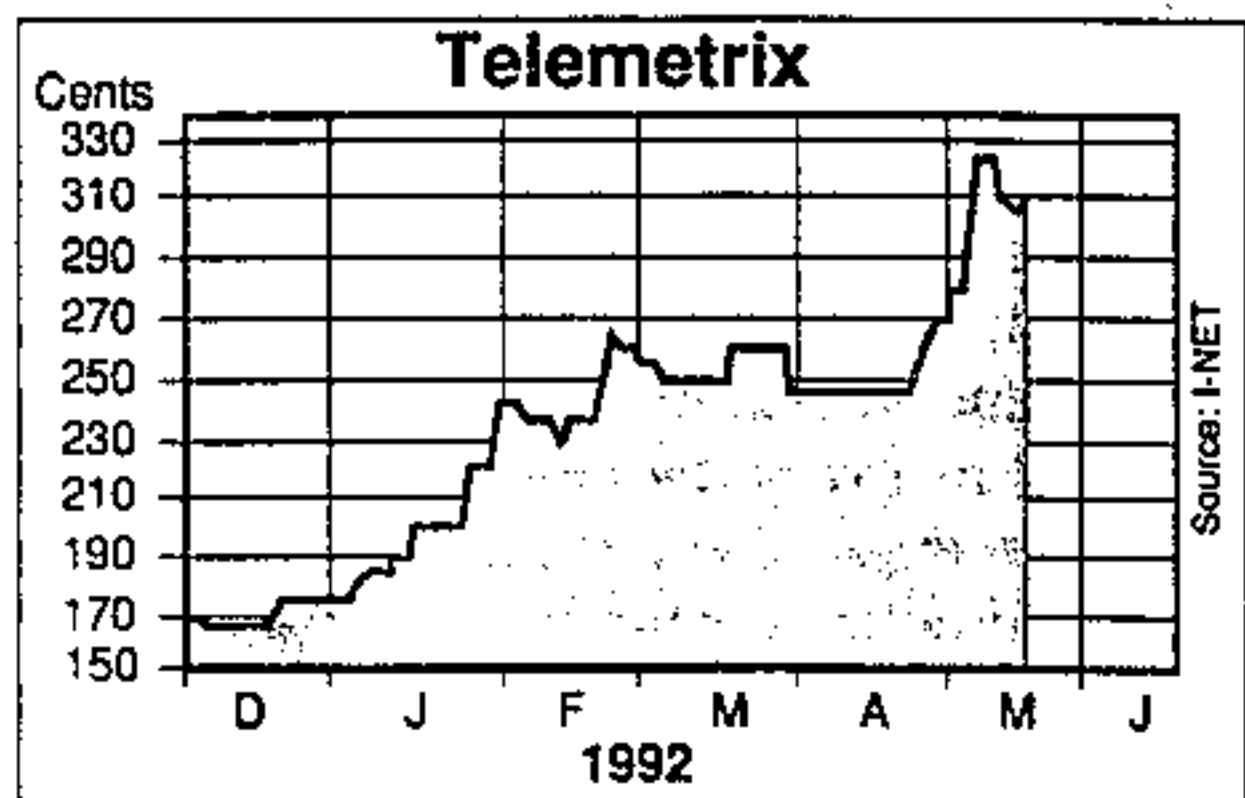
**Chairman:** L A Eldoy.  
**Capital structure:** 10.9m ords. Market capitalisation: R33.7m.

**Share market:** Price: 310c. Yields: 3.2% on dividend; 14.9% on earnings; p:e ratio, 6.7; cover, 4.6. 12-month high, 125c; low, 300c. Trading volume last quarter, 124 000 shares.

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	3.4	0.9	—	—
LT debt (Rm)	2.3	—	0.3	—
Shareholders' interest	0.55	0.68	0.79	0.77
Return on cap (%)	50	49	34	4.5
Turnover (Rm)	13.8	8.1	17.1	39.7
Pre-int profit (Rm)	13.6	8.9	4.2	3.4
Pre-int margin (%)	96	154	21	8.6
Earnings (c)	230	164	67	46
Dividends (c)	200	155*	—	10
Net worth (c)	333	267	205	537

† 15-month trading period.  
\* Excludes special dividend 55c (1988: 20c).

The market seldom misses the boat but on this occasion it may have. If fishing in Namibian waters improves even slightly Namfish



# Shell set to invest more

31/5/92  
SI Times (Cape Metro)  
By FRED ROFFEY

CAPE TOWN-based Shell SA is poised to invest more money in South Africa, its public affairs general manager, Humphrey Khoza, said this week at a function to mark the release of the company's annual business report.

(67)  
"We are looking forward to being part of the new South Africa in which we are prepared to invest significant sums of money."

He said Shell was already investing R450 million in the upgrading of the Sapref refinery jointly owned by BP.

31/5/92  
The new Shell investment could be double that figure.

Mr Khoza said Shell had contributed more than R50 million to the community in the past five years alone.

This social upliftment programme would continue.

There would also be emphasis on the training, development and promotion of black workers.

## Castrol poised to venture into Africa

KARIN FRANKEN

CASTROL SA subsidiary Castrol Africa was to commence trading with English-speaking west African and east African countries without waiting for Preferential Trade Agreement (PTA) approval, a spokesman for the company said yesterday.

Castrol Africa manager Rob Cornish said that despite the lifting of the embargo against Castrol SA in June last year, Castrol was still waiting for acceptance as a full trading partner in terms of the PTA.

"Regardless of the PTA, we will look at areas where the PTA exercises less power," he said. *BlOany 2/6/92*

Renewed trade and export opportunities existed for Castrol SA after it established a new division, Castrol Africa, to harvest sub-Saharan market potential, Cornish said.

Castrol Africa's objectives were to move the industry from Third World technology to cost-effective, modern technology and co-ordinate the marketing and selling of the company's products. It intended trading in markets other than the traditional ones.

Cornish estimated the company would experience 10% to 15% growth in a market he believed to have significant growth potential.

## UK keen to capitalise on status in SA

3/Day 3/6/92

(61) (6) (76)

SHARON WOOD

THE seventh and largest UK-SA Business Association trade mission is visiting SA during the next two weeks to expand trade and investment links between the two countries.

Twenty-five companies were represented in the mission and ranged across the spectrum of commercial and industrial sectors, trade mission leader Clive McCombie said at a reception in Johannesburg on Monday.

"Nineteen of the companies are new to SA and are looking for opportunities to set up direct trading links, agencies, associations and possibly investment," he said.

"The 8% rise in UK trade with SA in the

first four months of this year is encouraging, but the 13% fall in SA trade with the UK is less encouraging and is something that needs to be looked at."

McCombie said the UK needed to "capitalise on its position in SA as a favoured nation".

McCombie stressed that UK companies were interested in partnerships with SA and not aggressive takeovers.

The association was formed in April this year when the British Industry Committee on SA and the UK-SA Trade Association were merged.

# Shell shelled out

By JOSHUA RABOROKO

SOCIETY as a whole, not just the Government, granted business its licence to operate, the public affairs manager for Shell South Africa, Mr Humphrey Khoza, said this week. *Sowetan 4/6/92*

Khoza said the relationship between companies and society was not a static or passive one.

He said: "Shell SA's belief that it is accountable to society dictates a strong level of community involvement. Shell gave R50 million to the community over the past year."

# Union now confident in BTR case

By FERRAL HAFFAJEE

THE long march of almost 1 000 British Tyre and Rubber (BTR)-Sarmcol workers, dismissed from the British multinational in 1985, is not over. But it may now be a lot easier.

The Appellate Division last week ruled that the case should be retried in the industrial court. This week, the company reacted angrily, accusing the court of not "ruling on the merits of the case". *W/News*

But lawyers and the National Union of Metalworkers of South Africa (Numsa) — whose members were dismissed — welcomed the decision.

The political climate and more enlightened labour law made them confident of a decision in favour of reinstatement. *S/15-11/16/92.*

"I would rather be fighting the case in 1992 than in 1985," John Brand, the attorney for the dismissed workers, said this week.

He said the workers now had a right of appeal in the Labour Appeal Court, legal precedent gave them a greater chance of reinstatement and current labour law provided better protection for strikers.

In 1989 the supreme court ruled that the behaviour of one of the pre-



**Long battle ... The 1985 BTR-Sarmcol strike was one of the most acrimonious ever in South Africa**

siding officers of the industrial court could have been construed as showing bias. The officer in question — also the deputy president of the industrial court at the time — attended a seminar hosted by Andrew Levy and Associates, industrial consultants to BTR-Sarmcol.

Delivering the appeal decision this week, Judge Hoexter said: "In our law, the existence of a reasonable suspicion of bias satisfies the test." He added: "If a judicial officer has

any interest in the matter before him, he is disqualified, no matter how small the interest may be."

The company this week issued a veiled threat, saying that the judgment had serious consequences for judicial officers "attending organised seminars such as the one arranged by the Centre for Socio-Legal Studies which two appeal court and other industrial court judges attended".

The company also questioned whether approval was necessary

every time a judge wanted to attend a seminar.

BTR-Sarmcol this week stuck by its guns, saying it "is confident of the merits of the case" and that it "did not commit any unfair labour practice".

Numsa representative Gavin Hartford this week welcomed the decision. "It vindicates Numsa's position," he said, adding that the union believed it "had a strong case and were a lot more hopeful for the new trial".



# South Africa interests ready to bear fruit

*Generacion (W) (in W) (Mail) 5/6-11/6/92*

THE South African dilemma facing liberal shoppers in Sainsbury's may soon come to hard-nosed brokers in the City. Anglo American Corporation, the mining group whose interests encompass most of the South African economy, is preparing to embark on a European roadshow to sell its (and hence its country's) potential attractions to investors. Few of those investors are likely to share shoppers' angst over whether it is yet acceptable to buy South African apples and oranges. Their main concern is likely to be whether the risk of a breakdown in South Africa is balanced by the potential financial return if there is not.

But the ethical investment service, Eiris, reports its subscribers

are still concerned about companies with South African interests — one of the earliest ethical criteria for investors. And despite the haste with which Britain and some other countries have abandoned

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**By Roger Cowe**

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sanctions, the stance of international agencies from the United Nations downwards is that sanctions should remain until the successful completion of negotiations between the government and the African National Congress.

Anglo American has long been a prime mover in the internal business campaign to end apartheid, but opposed sanctions, bolstering

criticism that the company's commitment to equality and democracy was barely skin-deep.

There was a time when the group's commitment to South Africa was questioned. The 1989 bid from an Anglo satellite Minorco, for Consolidated Gold Fields was seen in some quarters as an attempt to lessen the group's dependence on its home country. Anglo strenuously denied this, but in any event the bid failed.

Now there is no doubting Anglo's patriotism. "We are still basically optimistic about South Africa," a spokesperson said. And it believes now is the time to promote itself in Europe as the ideal vehicle to invest in the country.

# Hambros-led

## consortium

## looking at SA

By Garner Thomson

LONDON — A British-led consortium, headed by merchant bank Hambros, is about to embark on an investment programme in South Africa, which financial commentators believe could set the tone for others to follow.

Hambros, which has South African ties stretching back over more 50 years, has targeted the tourist trade as its point of entry.

It has raised £12 million (R60 million), which it plans to invest in environmentally friendly tourism.

About £5 million of the capital has come from Scottish and American trusts and funds and South African institutional investors have found the balance.

Much of the cash will find its way, through the Conservation Corporation, to Phinda game reserve in northern Natal, where luxury game lodges and extensive animal re-stocking are planned. MAR 28/6/92

Hambros executive Jonathan Klein, who spearheaded the fund-raising campaign, was hampered by investors' continuing reluctance to start investing in an uncertain South Africa and by the high-profile collapse of Masterbond, the property finance company which originally funded Phinda.

According to one financial source in London, the ANC appears to have given the Phinda project the go-ahead on the grounds that it will create jobs among the black community and return resources to the land.

Other observers say Hambros could be blazing a trail for a substantial upturn in investment — although a drop in tourism could effectively damage its plans.

Lower air fares are expected to boost tourism, but political uncertainties are still giving many investors and travellers cause for careful consideration.

## R59m raised to salvage Phinda

SHARON WOOD

THE UK-based Hambros Bank yesterday formally announced R59m had been raised by SA and offshore investors for the Conservation Corporation. *BID*

The announcement is the final step in salvaging the Conservation Corporation subsidiary, Phinda Game Reserve. The Corporation owed Phinda debenture holders R43m, raised by Masterbond prior to its collapse. *916192*

At a meeting on May 22, Phinda debenture holders approved the release of R43m to Masterbond curators for distribution to debenture holders.

Of the R59m raised, foreign organisations had invested 40% and local investors 60%.

Foreign investors were Scottish fund management company Martin Currie, the Getty family and Hambros Bank, while local investors were the AECI Pension Fund, Anglo American, Fedlife, Southern Life, Metropolitan Life, De Beers, Investec and Harry Oppenheimer.

The funds raised offshore had been used to buy a tranche of SA Reserve Bank debt, Hambros Bank director Jonathan Klein said.

An investment company on the Isle of Man — Conservation Corporation International — had bought the Reserve Bank debt and lent it to the Corporation.



# South Africa to check mercury risks at Thor

By David Beresford  
in Johannesburg 1992

THE uglier face of British capitalism is about to be exposed in South Africa once again.

Government officials have confirmed that a public inquiry will be held in Natal at the end of this month which could result in prosecutions against Thor Chemicals — a subsidiary of Kent-based Thor Holdings — over mercury poisoning suffered by its black staff.

Thor reclaims mercury from toxic waste brought in from the northern hemisphere. South Africa is not a signatory to international treaties banning trade in toxic waste. The company has

Guaranteed for in witness routinely denied dumping toxic waste.

Simultaneously, South Africa's longest industrial dispute involving BTR (British Tyre and Rubber), the South African subsidiary of BTR plc, is set to enter yet another bitter round, after a court victory for the union involved.

Dunlop is meanwhile lobbying the European Commission to scrap the EC code of conduct governing European companies in South Africa. The public inquiry into Thor Chemicals is being set up by occupational safety officials following the poisoning by mercury of at least

12/6 - 18/6/92  
three employees, who are lying semi-comatose in hospital with little hope of recovery.

The Ungeni River near the Thor plant at Cato Ridge — used for drinking water and bathing by local people — is alleged to be dangerously polluted with mercury.

The mercury reclamation plant at Thor — reputed to be the biggest such plant in the world — has been shut down by the government pending investigations. A recent report by an expert on occupational health, Professor Tony Davies, found that levels of

mercury in the air were consistently above the maximum allowed; there was evidence "that skin contamination, including burns, are frequent and that contamination of work clothes is frequent"; casual workers were given hazardous jobs without proper training and respirator equipment had had to be dumped after being found to be inadequate.

Thor has issued assurances that it will "immediately" implement the recommendations made by Prof Davies. Meanwhile the seven-year dispute at BTR, which began when 1,000

workers were sacked at a rubber plant in Howick, also in Natal, has entered a new phase with an Appeal Court decision in favour of the Metal and Allied Workers Union (Mawu).

A full bench of five judges confirmed an earlier judgment quashing an industrial court ruling in favour of BTR — which started the legal process — on the grounds that the court's deputy president had opened himself to charges of bias. The dispute has had substantial and bloody repercussions over the years.

## Producers defend board

GERALD REILLY

PRETORIA — Milk producers in the northern Transvaal have come to the defence of the Dairy Board in the row over levies paid by distributors.

Northern Milk Producers' Association chairman Willie Fourie said losses through milk dumping could have been far greater without the intervention of the Dairy Board.

In a weekend statement, he said it was untrue that millions of litres of milk had been thrown away. Milk had been dumped in isolated cases because of its perishability.

Milk had been dumped even before the Dairy Board was set up.

Deregulation in the industry also did not help to alleviate the problem. It was the orderly dispensation created by the board that had minimised losses.

Fourie said the industry was being damaged by the current dispute. Non-payment of levies could mean an interruption in the industry's services.

## Lift for Otis Elevators

OTIS Elevators has reported a 31% increase in earnings for the half year to end-May, the first set of results to include those of newly acquired lift company Melcorp.

At the weekend the company said earnings had increased to 24,4c (18,6c) on additional shares in issue. The interim dividend was increased by a third to 12c a share from 9c.

Turnover figures are not given, but operating profit was 61% up at R11m (R6,9m). After receiving interest in the previous year, Otis paid R476 000 in inter-

DUMA GOUBULE

est at the interim stage. This resulted in a 50% rise in pre-tax income to R10,6m from R7m. Attributable income was 58% higher at R5m.

Melcorp, the local agent for Mitsubishi lifts, was bought from a UK subsidiary of Otis' US parent United Technologies for R16,3m. A R7m rights offer helped to finance the deal.

The company said it expected to maintain the performance to the year end, despite the difficult economic conditions.

## Crisis for Truloc employees

DOZENS of employees of Truloc SA, the SA associate of London Stock Exchange-listed freight company Lep group, have been left to foot huge medical bills incurred over the two months prior to the company's liquidation last month.

Former Truloc chairman Noel Marsh said the company's 250 employees, who were retrenched last month, were never told that payments to the company's

DUMA GOUBULE

non-contributory medical fund had been discontinued at the end of February. One former employee had reported the matter to the police, he said.

Marsh, who was suspended when Lep appointed a new management team to run its SA associate two months ago, said Truloc's problems had started when Lep ran out of money last year as a result of property speculation in the US.

Lep, the largest freight company in the UK, then said it could no longer advance additional cash facilities to Truloc.

After Lep unsuccessfully tried to find a buyer for the company, Truloc was liquidated.

## TODAY'S WEATHER

PWV and eastern Highveld: mild.  
Western, southwestern Transvaal: mild to warm.  
Northwestern, northern and central Transvaal: warm to hot.  
Eastern Escarpment, Lowveld and Venda: warm to hot.  
Free State: mild.  
Cape Province north of Orange River: cool to

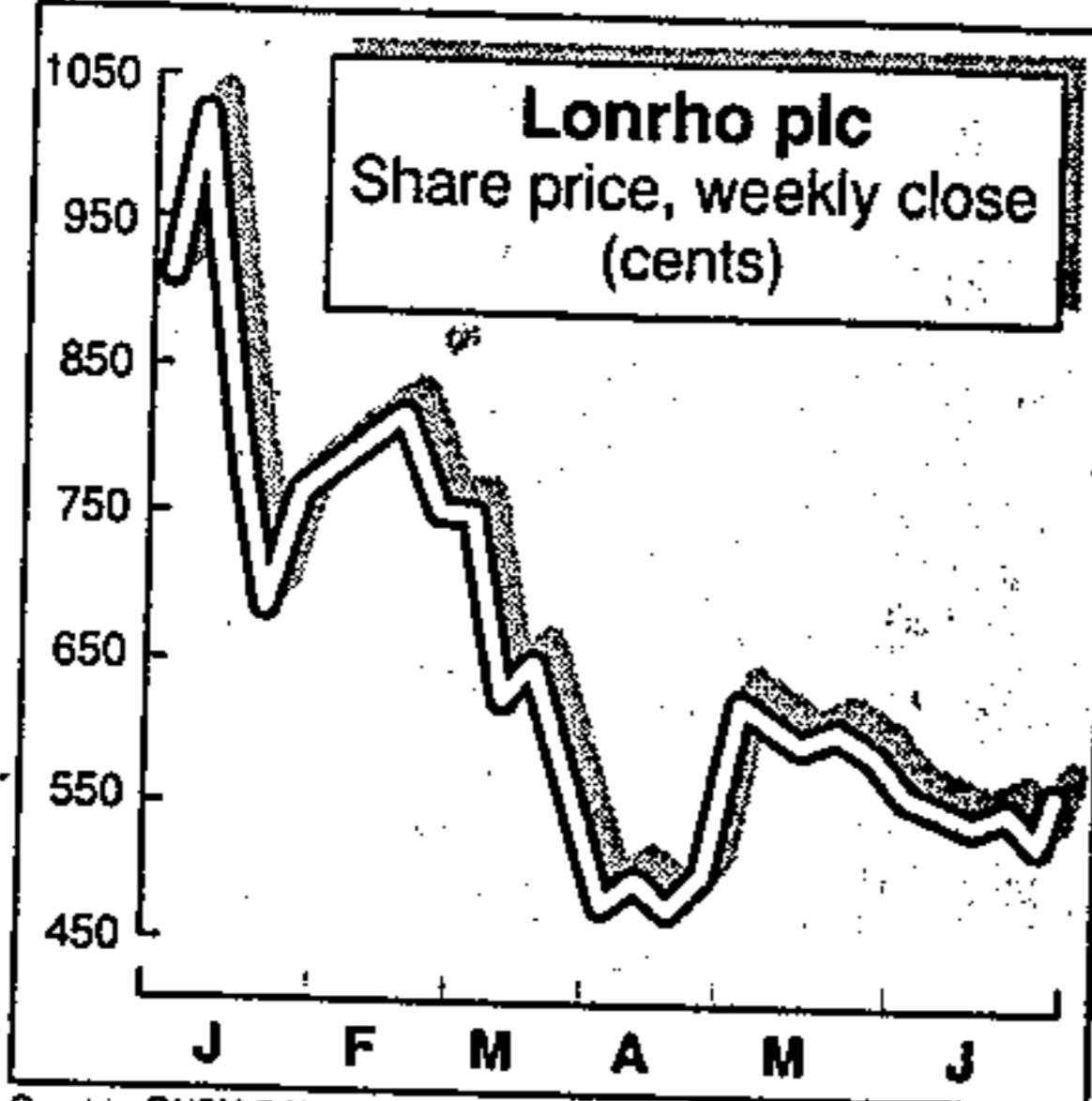
# Lonrho's SA operations contribute to 65% loss

LONDON — Pre-tax profits at beleaguered multinational conglomerate Lonrho dived by 65% to £38m in the six months to the end of March, the company said yesterday.

The outcome was £10m better than many London brokers had forecast and Lonrho's share price climbed 2p to 79p on the news. But after-tax minority interests' net profits were only £1m, leaving earnings a share down by 99% at 0.1p.

The interim dividend, however, was cut by only 1p to 2p a share. The stockmarket had feared there would be no pay out at all.

Turnover fell by 18% to just under £2bn



Graphic: RUBY-GAY MARTIN Source: I-NET

BIDAY 1/7/92

JOHN CAVILL

as sales were hit by the depth of the recession and Lonrho's SA platinum group metals operations suffered from weak prices, smelting problems and a sagging dollar.

SA profits also suffered the worst. Publishing a detailed breakdown for the first time — in response to criticism of the group's secrecy — Lonrho said SA's contribution was down by more than 90% to £3m, largely as a result of smelting difficulties at its expanded Western Platinum.

Lonrho said these were now resolved and platinum profits would recover during the second half.

Overall mining profits (including the Ashanti gold interests) slumped from £39m to £14m.

General trading earnings were down from £24m to £9m and the motor distribution division's contribution was almost halved to £6m.

CE Tiny Rowland's statement said: "We have been buffeted by the economic climate and by depressed commodity prices, but Lonrho's wide range of business has enabled the group to remain profitable and strong."

Borrowings had been reduced by nearly £200m to £903m and gearing was being cut from 70% of shareholders' funds to 50%.

Rowland said gearing would be down to 40% by the year end.

# Telemetrix a star performer on JSE

B/Daw 12/6/92

(61) (82) (134)

## DUMA GOUBULE

THE shares of UK electronics group Telemetrix had become one of the best performers on the JSE since they were listed in November.

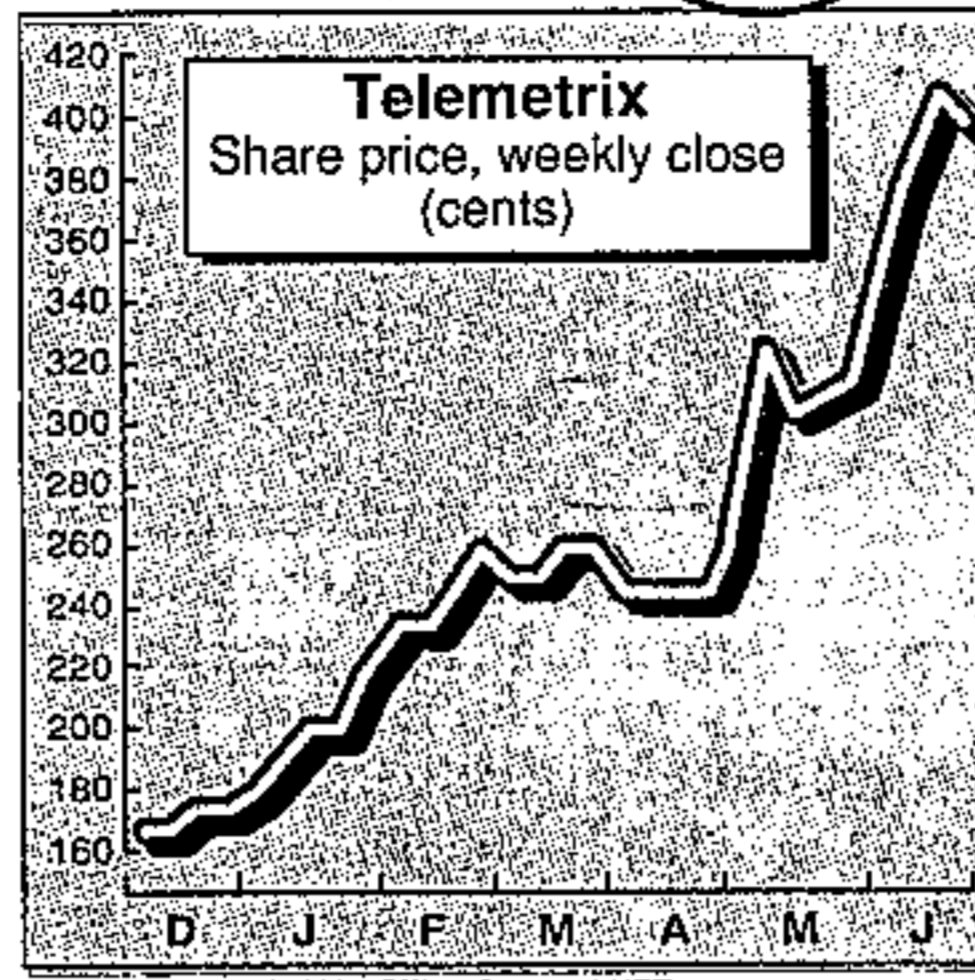
The shares of the little-known company, once Altron's offshore arm, were listed with little fanfare when Altron reduced its holding to 7,2% from 67%.

Altron and Ventron shareholders were given the opportunity to buy the shares at 140c. They opened at 165c and soared to a high of 410c this week, before easing to 400c yesterday.

The shares, on a price of 43 times historic earnings and a dividend yield of 1,4%, are the most highly rated on the JSE's electronics sector.

After the listing, SA shareholders held 16% of the company, while shareholders on the London Stock Exchange held 35%. Altron and its executive chairman Bill Venter held the remaining 49%.

The Telemetrix share price has



Graphics: RUBY-GAY MARTIN Source: I-NET

mainly been driven by the performance of listed US company GTI Corp, in which Telemetrix has a 65% stake. GTI, which is involved in the growing local area network (LAN) market, reported an 83% increase in earnings for the year to end-December. First quarter 1992 results showed a 114% increase in earnings.

Altron deputy chairman and Telemetrix director Charles Stride said the market was now recognising the value of Telemetrix and GTI's investment in the company. GTI shares traded at a low of 1,7/8c on Wall Street during 1990 and have since risen to 16,3/4c.

Telemetrix's investment in GTI was always worth more than the market value of Telemetrix itself, but UK investors never gave Telemetrix a high rating because few were satisfied with its management's performance.

That came to an end in October when Stride, who sits on the Telemetrix board with fellow Altron directors Bill Venter and Don Snedden, spearheaded a major restructuring of the company.

The investment profile was altered when Altron reduced its stake and the entire board and management were restructured. The UK operations were trimmed and more discipline and cost-control enforced.



# Mystery British buyer eyes Tek

Business Day Reporter 

A UK electronics company is reported to be in the process of buying troubled East London-based Tek Industrials (TI), SA's largest manufacturer of printed circuit boards.

Tek Corporation, TI's holding company, said it and co-owner Siemens had been involved in negotiations for the past six months. **8104-1**

The media would be informed at a later date, Tek said. **2217192**

But a source close to the company said the takeover would mean a change in focus, enabling TI to produce for the international market.

It was also agreed with the potential buyer that 90 workers would be sacked at the end of this month.

It has been disclosed that poor consumer confidence and the economic downturn have forced Tek to re-trench about 146 workers at East London subsidiaries Tek Appliances and Tek Electricals.

# 'Converter' knocks platinum

8104-1


YET another claim of a platinum-free catalytic converter for motor cars put the skids under the metal's free market price yesterday, pulling the price down almost \$10 to a London afternoon setting of \$380.90.

The decline came despite the fact that the announcement by the Japanese National Institute for Resources and Environment of a palladium-based catalyst referred only to diesel catalysis.

The news was also dismissed as of little significance to platinum by both Ayrton Metals and Johnson Matthey, Reuters reported. Platinum depends on catalysis for about 40% of total world demand.

Ayrton MD Brian Nathan said diesel catalysis were already based on palladium rather than platinum and rhodium, while a Johnson and Matthey spokesman said the announcement was "not dramatically new or a possible product".

The news was the latest in a string of such announcements over the last

MERVYN HARRIS 

few years which have adversely affected the price of the metal. There were three such announcements in 1991.

These included the development of a converter by Nissan which was of limited application while that of Isuzu was applicable only to diesel. A third involved a manganese-based converter.

The platinum market faced its biggest scare in the late 1980s when Ford announced the development of a platinum-free converter, sending the price of the metal into a free fall.

Analysts said a feature of all the announcements was that while they had pulled the market down, they had little or no effect on the use of platinum or rhodium in catalysis.

Moreover, industry sources remain confident that platinum and rhodium are essential ingredients in efforts to meet stricter clean air standards enforced in Europe and the US.

5

BID 7/17/92 (61)

# Royal Dutch/Shell Group is top firm

NEW YORK — Royal Dutch/Shell Group ranks as the world's most powerful company while Japan remains the undisputed champion when it comes to producing economic powerhouses, according to Forbes magazine.

The July 20 issue, which reaches news stands tomorrow, says Royal Dutch did best overall on sales, profits, assets and market valuation to take the number one slot for the third consecutive year in Forbes' annual International Super 50 composite ranking.

The magazine says the Anglo-Dutch oil giant ranked sixth in sales, first in profits, 37th in assets and first in market value, giving it the best composite ranking.

Royal Dutch increased its market capitalisation by more than \$5.5bn last year, surpassing Japan's Nippon Telegraph & Telephone, Forbes said.

But if compared with US companies, Forbes says Royal Dutch would fall behind General Electric Co as the most powerful corporation. Exxon Corp would rank third, with Philip Morris Cos Inc seventh and Sears Roebuck & Co 10th.

General Electric, Exxon, Philip Morris, Mobil Corp and Sears were at the top of a similar ranking for US companies, which Forbes published earlier this year.

Royal Dutch is the sole European in the top five foreign listings and one of only two among the top 10 along with Deutsche Bank AG at number nine. All others are Japanese.

The top five include Sumitomo Bank Ltd, Nippon Telegraph & Telephone, Toyota Motor Corp and Sanwa Bank Ltd.

Japanese trading company C Itoh & Co heads the Forbes International listing of the 500 biggest foreign companies based on sales. C Itoh's annual sales total \$154,56bn.

Chinese Petroleum tops the magazine's list of the largest foreign non-public companies with \$50,1bn in sales.

The magazine says Japan boasts 195, or 39%, of the companies listed on its International 500 roster. Last year's list contained 187 Japanese companies.

The 500-company listing spotlights new names from emerging economic powers including South Korea.

The magazine names Britain as the world's second-best producer of big companies outside the US, with 75 on the list. France is third with 44.

Other nations and the tally of their 500-listed companies include: Germany 37; Canada 23; Switzerland 18; the Netherlands 15; Sweden 14 and Australia 13. — Sapa-Reuter.

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*B (Day) 2/17/92*  
**UK company buys two crane firms in SA**

TRAFALGAR House, the UK-based international construction, engineering and property group and owner of the QE2, has acquired two SA operations, crane manufacturer Morris Cranes and lifting equipment servicing company Crane Aid.

Morris Cranes GM John MacDonald said in a statement yesterday the two companies were bought by Trafalgar House from the Davy Morris group, also based in the UK.

While acquisition costs were not disclosed, MacDonald said the deal would

**(61) EDWARD WEST**

create the biggest one-stop facility for crane manufacture, design, consulting, repairs and servicing in SA with a combined annual turnover of R40m.

Morris Mechanical Handling international operations director Bruce Norridge said he was confident of expanding exports into the African continent now that SA was no longer shunned as a trading partner by most African countries.

# UK firm sells stake in GIC

BRITISH engineering group B Elliott has sold its 63,09% interest in Goldfields Industrial Corporation (GIC) for R17,1m to management and FirstCorp. The British parent will also receive R3,1m by way of an extraordinary dividend of 120c a share.

Unofficially, the divestment was prompted by Elliott's own need for capital in Britain and not by SA's present political situation. The British firm had put its SA interests up for sale by tender.

GIC MD Andrew Crawley said at the weekend that a consortium led by FirstCorp and GIC management had succeeded in winning the tender, beating other tender prices.

"The management status quo will remain and there will be no fundamental restructuring of the company," he said.

However, he declined to say whether any retrenchments would follow the change of control.

8/Day 13/7/92 (61)  
PETER GALLI (23)

Elliott would dispose of its wholly-owned subsidiary Elliottona Investments, which holds 2,5-million GIC shares, "to FirstCorp or a nominee of FirstCorp for an ex-dividend amount of R16,782m".

It would also sell its direct holding of 48 100 GIC shares to FirstCorp or its nominee for an ex-dividend price of R310 000.

An extraordinary dividend of 120c a share would be paid on July 29 to shareholders registered on July 24.

A 644c ex-dividend cash offer or "an appropriate cash alternative" would be made to GIC minority shareholders.

While this was lower than the share price, which had risen markedly over the past few months and closed at 700c on Friday, the effective price was 764c when the 120c special dividend was taken into

To Page 2

GIC

8/Day 13/7/92 (61)

account, Crawley said.

FirstCorp MD David Lawrence said the company had joined GIC's management in its tender against other bidders.

"We have become the predominant player in the management buyout field and our MBO team was involved in the deal and its success," he said.

FirstCorp was assisting in structuring the deal, providing finance and taking an equity stake. However, Lawrence would

From Page 1  
not disclose the size of the bank's equity stake, saying it would be "inappropriate" at this stage.

FirstCorp vice-president André Roux said the shareholding was not finalised but GIC management would probably acquire a controlling interest.

All parties were satisfied with the deal and he believed that management would "ensure the continued success of the company".

## COMPANIES

### ICL bucks sliding industry trend

MALBAK subsidiary ICL SA has bucked the trend of declining margins in the information technology industry and reported excellent results for the half year to end June. *BIDAY 13/7/92*

The unlisted company, which is owned by Malbak and ICL (UK), increased turnover by 29% in a market where real revenue growth is hard won due to falling prices. This coupled with a reduced operating cost base enabled the company to show a significantly higher after-tax profit.

Actual turnover and profit figures were not disclosed, but ICL was one of the top five computer companies in the country, financial director Bill McFarlane said.

McFarlane attributes his company's success to its access to world class products sourced through ICL (UK) — the only profitable European computer company — and Japan's Fujitsu, which has an 80% stake in ICL (UK). Together, the two companies form the world's second largest computer company.

McFarlane said ICL provided solutions to customers within its niche markets which were retailing, local authorities, financial services and manufacturing.

Last year the company took steps to reduce overhead costs. Gross operating

#### DUMA GOUBULE

costs in the first six months this year were 1% lower than the previous year's figure. Tight working capital controls contributed significantly to improved performance.

The restructuring saw the company placing greater emphasis on solutions and services. In the new direct catalogue sales division, business had doubled over the past 12 months. *(1991)*

There was considerable success in the financial services industry with sales of a locally developed electronic point of sales terminal. The retail and local authorities divisions also performed well. *(61)*

McFarlane said business was excellent in Botswana, Lesotho, Swaziland, Namibia and Mozambique which had self-sufficient ICL companies within their territories.

The growth this year was organic, but McFarlane said ICL was actively seeking suitable acquisitions and joint ventures to expand all areas of business.

McFarlane anticipates that market conditions will remain exceptionally difficult in the second half of the year. "But we are confident that as a result of the actions we have taken, we will manage to achieve our budget for the year."

# Barlows' Bibby moves into Spain

LONDON — Barlow Rand's 79%-owned British multinational conglomerate J Bibby has taken a major leap into Europe with its victory in the battle for Finanzauto, the main Caterpillar distributor in Spain and Portugal.

Bibby announced on Friday that acceptances for its revised £87.4m cash offer — against the original rejected £75m bid — had been received from holders of 89% of Finanzauto's shares.

Finanzauto will boost Bibby's turnover by 52% to £830m. With sales of £288.5m last year, Finanzauto will become Bibby's biggest operating division, overhauling the £203m agricultural business — the least profitable area of the group's operations which include materials handling, paper and products, and scientific laboratory supplies.

JOHN CAVILL and MEREDITH JENSEN (61)

Bibby chairman Richard Mansell-Jones, in a statement from Madrid, said: "I am very pleased Bibby's offer has been so successful. We are delighted we can now get on with the task of developing Finanzauto as a leading company in Spain."

The first task of Bibby management will be to revitalise Finanzauto after a year in which its sales fell by 14% and pre-tax profits halved to £7m in the face of a construction slow-down in Spain and competition from Komatsu of Japan.

Earlier, Mansell-Jones said: "We've been looking for another activity and for ways in which we could draw on the management skills of Barlow Rand."

□ To Page 2

## Bibby

"Finanzauto's Caterpillar agency fits the bill and is a logical extension of our most successful business, Hyster, in the materials handling division."

In addition the Bibby move links in with Barlows' eastern European business — it has been granted the Caterpillar franchise for Bulgaria. Bibby is also considering expansion into Italy and Turkey, targeted for their growth potential.

Barlows MD Derek Cooper said on Friday: "For some time now, Barlows has been looking for opportunities in other countries to exploit the experience it has gained locally. Finanzauto represents just such an opportunity."

Barlows has been the sole distributor of Caterpillar products in SA since 1927. While most of the machines have been imported from the US, Barlows manufactures light machinery and a range of com-

ponents locally.

Group public affairs GM Ken Ironside said Barlows was examining the possibility of exporting SA-made components.

"We are hoping to explore the opportunity of supplying SA manufactured parts to the operation in Spain."

In addition to being the sole distributor of Caterpillar products throughout Spain and Portugal, Finanzauto holds a small property portfolio.

Ironside said the deal would enhance Barlows presence in the European industrial and agricultural communities. "The purchase of FSA can be used as a springboard for Barlow Rand to enter other markets within Europe."

Changes in management had not been decided, said Ironside, although it seemed likely Barlows personnel would assume Finanzauto executive positions soon.

□ From Page 1

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**Lonrho pays poorly**  
MULTINATIONAL Lonrho was the worst offender among 16 British companies which paid black SA staff less than the EC code of conduct's minimum of £175 a month, said a report published yesterday by the Trades Union Congress (TUC). (61)

# 11 500 jobs to go as BP losses grow

**LONDON.** — British Petroleum had its darkest day for decades as it cut its dividend for the first time since World War 1, reported a substantial first-half loss and said it was cutting 11 500 jobs.

The loss and redundancies were the result of a cost-cutting and asset sales programme, for which the company made an exceptional charge of £1 billion (R5,3 billion).

The charge transformed a second-quarter net profit of £107 million (R567 million) into an unprecedented £312 million (R4 303 million) net loss. The first-half loss was £717 million (R3 800 million) compared with an £834 million (R4 420 million) profit in the 1991 period.

The second-quarter dividend was halved to 2,1p (11,1c). BP's shares fell 10p (53c) to 196p (R10,39) yesterday.

## Last clue today to win R20 000

TODAY the last clue for The Argus/Steers R20 000 in cash Stick-a-Pic competition is on page 7. Clues from last Monday and Tuesday are also reprinted on that page so those who failed to get their copies of The Argus on those days, as a result of distribution difficulties

# Ramaphosa warns of more mass action

**The Argus Correspondent**  
**DURBAN.** — ANC secretary-general Mr Cyril Ramaphosa has warned that South Africa would face another lap of "rolling mass action" unless the government heeded the call for an interim government, constituent assembly and embarked on constructive steps to end violence.

Speaking during a visit to Empangeni, Mr Ramaphosa indicated that this week's mass action campaign, "which has successfully brought this country to a standstill", would be taken further unless demands were met.

He was reacting to President De Klerk's announcement on Wednesday that he was prepared to resume talks.

Addressing more than 70 000 ANC supporters who marched to the Union Buildings in Pretoria on Wednesday, Mr De Klerk said there was an urgent need for negotiations to be resumed.

"I am prepared to sit down tomorrow," he said.

## The naked truth?

**DIXON (Illinois).** — A prisoner is suing for what he says is his freedom under the First Amendment to worship in the nude. The lawsuit by Mr Jesse Loden asks for R3-million from the Illinois Department of Corrections and from 13 people who work at the Dixon Prison. — Sapa-AP.

However, Mr Ramaphosa threw the ball back into the government's court yesterday, saying that any new talks would depend on the government response to ANC demands.

"We will talk to Mr De Klerk only when he is ready to give us our freedom", said Mr Ramaphosa.

Recent reports indicated that the government, the ANC and the IFP might meet under the auspices of the National Peace Commission to discuss violence.

Also speaking at Empangeni yesterday, the secretary-general of Cosatu, Mr Jay Naidoo, said organised labour would continue to support the ANC demands.

Expressing Cosatu support for continuing mass action, Mr Naidoo said that being voteless, the black people had no other means to express political aspirations.

SA Communist Party general-secretary Mr Chris Hani told cheering residents at Esikhawini township that democratic elections would soon be held and they should mobilise numbers to ensure a democratic government.

Mr Hani and Mr Naidoo were accompanying Mr Ramaphosa on a fact-finding mission to investigate the killing of 11 people in Esikhawini on Sunday night.

# Health strikers take over office

**SHARON SOROUR, Labour Reporter**  
**Page 7/8/92**  
**ABOUT 60** striking members of the Health Workers' Union occupied the manager's office at the hospital central laundry in Pinelands today.

The strikers occupied the Cape Provincial Administration premises at 8am, according to union shop steward Mr Isaac Ngame. Police monitored proceedings.

Mr Ngame said they were demanding that management open the staff tearoom to allow the strikers to hold a meeting.

About 80 of the workforce of 309 have been on strike at the laundry for about seven weeks.

Mr Ngame said management locked the tearoom because they said it had been damaged by the strikers.

"This is not true. We asked the manager to show us what damage had been caused, but he refused," said Mr Ngame.

At 10am the group was still in the manager's office, singing and chanting, while police, management and union officials negotiated.

Police vehicles were on the premises but the atmosphere was calm.

Non-strikers and workers from other Cape Provincial Administration institutions carried on working. Mr Ngame said strikers would not interfere with non-strikers.

About 20 singing and chanting strikers stood outside the building. They said they would occupy the office until their demands were met.

The Health Workers' Union is demanding permanent status for all workers, a R724 minimum monthly wage and a 15,3 percent increase. The manager refused to comment.

● See page 7.

## End of road for chauffeur

**NICE.** — Police have arrested the chauffeur of a Franco-Lebanese millionaire on charges of stealing four paintings — by Matisse, Degas and Modigliani — from his employer's French Riviera home. Together valued at R100-million, they were snatched a week ago. — Sapa-Reuter.



# Tiny: the giant of Africa

SM 8/8/92

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**L**ONRHOS vast empire in Africa, ranging from tea plantations to gold mines to hotels and breweries, is held together by one man — Tiny Rowland.

Thirty years ago, there were plenty of other British entrepreneurs operating in the pink bits of Africa. But as independence advanced, they withdrew south of the Limpopo. Rowland did not — he drove on north.

He was armed with two weapons: charm and ruthlessness. He charmed the British upper class in Africa to make connections and give him respectability, and he charmed Africa's new leaders.

**H**E proved astute at picking Africans to front his local subsidiaries and fix the local politics. He also cultivated African leaders with gifts and personal assistance. This gained him their trust and friendship and their private phone numbers. Highly skilled expatriate technicians and managers made the business work — although they too had to be on the

right side of the politicians. "Even if your man out there is doing a first-class job and he falls foul of the government, then he must go," Rowland is reported to have said.

Lonrho management consists of an occasional flying visit from Tiny. Each subsidiary is left to get on with the job, its manager charged only with making it profitable. Says Richard Hall, a former employee and publisher of Africa Analysis: "Rowland just loves buying things, turning them over in his hands, making them work. There is no real structure, he keeps it all in his head."

So Lonrho distributes cars in nine African countries, grows tea in Malawi and Tanzania, grows wattle in Kenya and Zimbabwe, brews beer in Kenya, Malawi and Zambia, mines gold in Ghana, South Africa and Zimbabwe, farms in Mozambique, Kenya and Zambia and owns the oil pipeline which runs to Zimbabwe through Mozambique. Many of the plantations are like states within states. In the war zones of Mozambique he employed a private army to protect them.

Lonrho is one of the most extraordinary corporate creations in modern British business. It was incorporated in England in 1909 as the London and Rhodesian

Mining and Land Company, but until 1961 it was sleepy, dull and going nowhere. Then Rowland came on the scene.

He was born in India in 1917, the son of a German merchant and a mother of Dutch stock. The family returned to Germany, but Roland Fuhrop, as he then was, was sent to public school in England in 1934. At the outbreak of World War 2 he changed his name — simply inserting the first letter of his middle name, Walker, into the middle of his Christian name, to become Rowland.

His business career began to develop when he left for Rhodesia in 1947. There he bought two farms, but he was not particularly successful as a farmer, and after 1953 his interest broadened into other business activities.

**I**N THE late '50s he acted for the Rio Tinto mining group, introducing projects and acting as a director of some of Rio Tinto's companies. This brought him to the attention of Lonrho, which needed someone to stimulate the company. In 1961 Rowland, now owner of 1.5 million Lonrho shares, became joint managing director. The company grew



**IN THE latest round of peace talks between the Mozambican government and the Renamo rebel movement in Rome this week, the name of one of the participants stood out like a white light from the rest of those involved — British industrialist Tiny Rowland (above). Friend of numerous presidents and rumoured president-maker, his name has become almost synonymous with Africa. RICHARD DOWDEN and JOHN MOORE of The Independent report.**

rapidly, as deal after deal followed, mainly in Africa. Rowland provided the ideas and was left to implement them. One of Rowland's

great skills has been his ability to ride the political roller-coaster. Although Lonrho was involved in Rhodesian sanctions-busting, his

high-profile attempts to secure a settlement were trusted by African nationalists.

During the change-over to Zimbabwe, Rowland backed Joshua Nkomo. But after Robert Mugabe came to power, he made strategic appointments and Lonrho survived as a leading operator.

**R**OWLAND also managed to avoid the wrath of the anti-apartheid lobby even though he was quietly investing in South Africa. In the Lonrho annual reports, Western Platinum was described as "in Africa". It is in South Africa, and the refining plant is in Bophuthatswana. Did African leaders who punished other companies that operated in South Africa know of these links? Perhaps they chose not to.

Although Rowland has never been a political player in South Africa as he was in Zimbabwe, he has made significant gestures to the African National Congress. In 1989 he lent his private aircraft to fly Oliver Tambo, then ANC president, to London when he suffered a stroke.

Rowland's love of high politics in Africa has led him to back some odd rebels. He picks up the bills for John Garang,

leader of the insurgents in southern Sudan, where Lonrho once ran vast sugar estates. He also paid for Yoweri Museveni's travel as he fought for Uganda. In Angola, Lonrho operated in Luanda while backing Unita.

Sometimes Rowland has got it wrong. In Zaire, for instance, he upset Mobutu Sese Seko by proposing a rail link to the south — raising the possibility of independence for the old Katanga province. Mobutu seized his assets.

Although Lonrho gives the lie to the belief that Africa is a commercial wasteland, its problems are mounting. At one time Rowland was on first-name terms with a large number of African leaders. Now he can count only the ageing Hastings Banda of Malawi as a real friend.

For some years the mines and, in particular, the platinum mine in South Africa, have generated the bulk of Lonrho's profits. But the platinum price has fallen dramatically. Gold, tea, coffee and sugar have also suffered price collapses.

Rowland, at 74, is now dismantling significant parts of Lonrho in an effort to raise cash to reduce group borrowings. The move follows a collapse in profits by the equivalent of about R390 million in the last

financial year. But selling up and moving into more profitable ventures is not possible. Who would buy a tea estate in Mozambique or a garage in Zambia now? Many of the African assets are unsaleable, not because they are not valuable, but because few other companies have the courage or skill to take on ventures in the heart of Africa. Nor do they have a chief executive with a passion for Africa and the ability to make it work.

**T**HERE is talk of succession. Whatever talent there is at the senior level is showing signs of restlessness. Whoever does attempt to oust him, though, will face an awesome challenge. With profits in his 30-year reign having risen from about R1.2 million to more than R12 billion, Rowland still has a vast army of loyal shareholders likely to rush to his defence.

And then there is the man himself. As Rowland has said, "anybody who wants to kill that company has got to have a submarine-gun, mortars, guns, all sorts of ammunition, because I am going to protect it to the bitter end."

# BP axes 50 <sup>(6)</sup> CF 8/8/92 senior positions

Business Editor

BP (SA) has retrenched 50 people, mainly at supervisory or managerial level. But a spokesman said yesterday that this was due to streamlining the organisation to make it more efficient and not to the recession.

"The company is constantly looking at ways of maximising its effectiveness.

"The focus has been on productivity and customer responsiveness. This has led to some staff reductions.

"Those affected — 50 people — comprise 2,6% of a total staff complement of 1 900.

"Many have accepted an offer of early retirement on generous terms. Many others have been absorbed elsewhere in the company."

# Moratorium debt gives foreign firms financial channel into SA

By Neil Behrmann

61

STAR 11/8/92

LONDON — Companies wanting to finance subsidiaries or make acquisitions in South Africa can make use of the country's moratorium debt at the most attractive discounts in 12 months.

Known as Public Investment Commissioners' debt (PIC), the market price has fallen to 85,5 US cents to the dollar against 94 US cents at the end of last year because of the strikes and general uncertainties about SA.

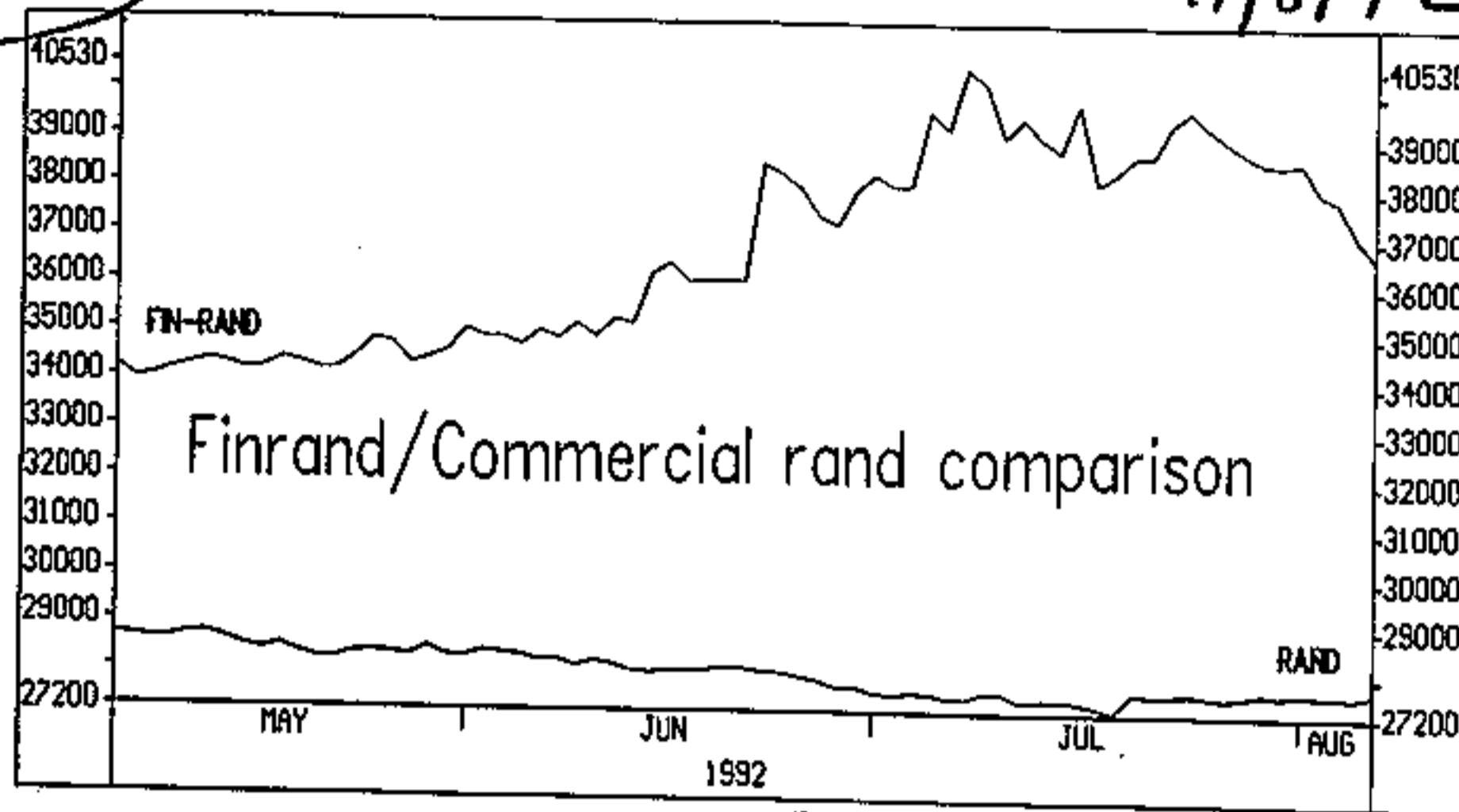
The discount to the dollar is thus 15,5 percent.

PIC trading levels are important because foreign corporations can purchase the debt to invest directly in South Africa.

By buying the debt at a discount, they can purchase rands and either finance SA subsidiaries or make other direct investments at cheaper rates.

PIC is thus a far better indicator of direct investment intentions than the volatile financial rand which swings wildly on changes in market sentiment and foreign purchases and sales of securities.

PIC has fallen on the market, partly because foreign investors have placed investment decisions "on hold", say bankers. It is also influenced by the financial rand.



The volatility of the financial rand is compared with a relatively steady commercial rand (against the US dollar).

The financial rand has strengthened sharply in the past few days to 3,66 to the US dollar from 4,05 a few weeks ago.

But its discount to the commercial rand is still 26 percent, a gap which reflects poor confidence.

Since the discount is far greater than that of PIC debt, PIC prices are under pressure.

Nevertheless, corporate treasurers who take the view that the South Africans will be back to the negotiating tables are well placed to buy PIC debt in a buyers market. It generally pays to buy the debt during periods of uncertainty because the PIC debt

market is illiquid.

Financial rands are at bargain levels and in normal circumstances would be the better entry point, but there are limitations.

In terms of SA exchange control legislation foreign companies and individuals can buy or sell financial rands to buy or sell securities.

Foreigners can also obtain permission to buy financial rands to acquire equity in new and unquoted SA corporations.

If permission is granted, it can also be used to acquire fixed assets such as commercial property, buildings, construction works, machinery and equipment.

PIC debt, however, is not subject to the same currency risks as the finrand, can be used for loans and has tax advantages.

Bankers estimate that about \$1,5 billion has been used for PIC debt transactions either for project finance or working capital loans to SA subsidiaries.

The advantage of those loans is that they can be converted into foreign currency with forward protection.

Standard London estimates that it has negotiated 380 PIC debt transactions since 1988. Around 50 to 60 UK, Continental European and US companies tend to make use of the instrument.

Hambros used PIC to finance a £12 million investment in Conservation Corporation, a company involved in tourist development in SA.

PIC debt trades at higher levels than the financial rand because it is mainly held by banks that were caught in the 1985 SA debt moratorium.

Bankers and international corporations take a longer-term view and are not prepared to sell the debt at fire-sale prices.

By acquiring PIC debt through the secondary market, corporations can fund their subsidiaries with discounted long-term loan finance.

FOREIGN FIRMS IN SOUTH AFRICA - BRITAIN

1993

# Rolls Royce salesmen riding a rough road

ROLLS ROYCE sales in SA dropped to four last year — sharply down from the early '80s when sales topped 20 a year.

McCarthy Motors MD Errol Richardson said Rolls Royce sales in SA had declined in line with a world trend of falling luxury vehicle sales.

In the past decade local sales had fallen to an average of four a year, mainly because of the declining economy.

Richardson also forecast stagnant sales in 1993.

BIDM 12/1/93  
EDWARD WEST

Priced at nearly R1m — of which more than half is paid in import duties — the luxury cars are imported to customer specifications.

The price might seem steep, but about 60% of all Rolls Royces built are still on the road.

Grosvenor Rolls Royce MD Dennis Weston said approximately 500 of the cars were still on SA's roads.

He said one of the newly introduced two-

door Continental R coupes had recently sold in Cape Town for just more than R2m. It was the only such vehicle to be allocated to SA by Rolls Royce in the UK.

Only 70 Continental R models were to be built for markets in the US, UK, continental Europe and the Pacific Basin.

The Rolls Royce franchise is held in the Transvaal by McCarthy Motors through Grosvenor Ford, in Durban by McCarthy MMI, and in the Cape by Brian Porter Holdings.

# Gencor deflates Lonrho talk

JONO WATERS

MARKET speculation that Gencor would buy up Lonrho's assets in SA if the group restructured was not an issue at the moment, chairman Brian Gilbertson said yesterday. *6/10/93*

In spite of Lonrho's failed rights issue, neither Lonrho nor German financier Dieter Bock, who had bought nearly half of Tiny Rowland's 14,1% Lonrho stake, had indicated they wished to sell the SA assets, he said. (Laerstate, the Dutch company owned by Bock, had subscribed for 27,6-million of the 29,1-million shares taken up in the rights issue).

"But, in all truth, we have not given much thought to the buying of Lonrho's assets in this country," Gilbertson said.

Lonrho has a 73% interest in Western Platinum and Eastern Platinum near Rus-

tenburg, with Gencor holding the balance.

Lonrho also has a 78% stake in coal and anthracite producer Duiker Exploration, which holds 36% of Eastern Gold Holdings. Duiker has a 25,8% stake in a joint venture with Anglo American and Freegold to explore Freegold's northern division.

An Anglo spokesman yesterday declined to say whether the corporation would be interested in a possible sale by Lonrho. "We don't comment on market speculation," she said. *(61)*

Lonrho also has two fully owned subsidiaries — vehicle distributors LSA Motors and aircraft distributors National Airways and Finance Corporation.

# Everything keeps growing right for Spectratech

STAR 27/1/93.

## SPECTRATECH

**Spectratech has shown remarkable growth in its five years of existence, and the key, says dynamic MD Earle Wainstein, is planning.**



**I**n spite of the country being in the grips of an economic recession, Spectratech, the electronic division of Elvey International, increased its turnover and maintained a steady growth.

Started in 1988, Spectratech showed a 120 percent growth during its first year of trading. This increased to 154 percent and reached a peak of 263 percent in 1991. The 80 percent budgeted growth for this fiscal year is on target.

In the highly competitive world of electronic components, Spectratech has maintained a reputation as one of the top distributors. It has the agency for British-based company RS Components and can offer the market more than 34 000 different electrical, electronic, mechanical, electromechanical components.

This high service distribution arm of Spectratech has become the flagship of the company. The other brands it stocks are a range of Alfac electronic symbols for printed circuits, Dazor, Stucchi, Camloc, Lorlin, Cerberus lighting components and Telcon, Neosid, Kepston Q-Fab magnetics, Magnet Developments.

Elvey International was started in 1946 by Charles Elvey and

30 years later was taken over by the Wainstein family. Spectratech is one of four companies in the Elvey International group and is headed by 31-year-old Earle Wainstein. This dynamic man is the driving force behind Spectratech's success.

Wainstein is a participating managing director who leads by example and is prepared to do any task in the company that needs to be done.

He says: "The three most important factors are: distributing top quality products; providing an excellent customer service; and selling competitively priced products — apart from the up-market RS Components range which is imported from overseas."

What style of management does Wainstein use with his small staff of 15? "I am a very positive determined person who is driven by success. I also believe in meticulous planning..."

His attitude obviously pays off as his staff turnover has been virtually nil since he started Spectratech in 1988.

Based in Johannesburg, the

**Well done ... Steve Hone (from left), export director RS Components UK, congratulates Earle Wainstein, managing director Spectratech, with Phillip Robino, regional sales manager RS Components UK, after winning a silver award for the best stand at the 1992 Electro Mining Exhibition.**

company now has offices in Durban and Cape Town and a fourth one is opening next month in Port Elizabeth.

In 1988 Spectratech was one of five distributors in this country for British company RS Components. But Wainstein gradually edged the others out of the market and today Spectratech holds the sole southern African agency.

The successful growth of the company has led to closer cooperation and support from RS Components, their international supplier.

**For further information, please telephone (011) 614-8541.**

# Lonrho hit hard by tumbling metal prices

LONDON — The falling price of precious metals had been a prime cause in making 1992 the worst year in Lonrho's 31-year history, the conglomerate's founder and CE Tiny Rowland said yesterday.

He announced grim profits, down from £205m to £80m with the recession-hit turnover tumbling £1bn to £3.9bn. Excluding income from disposals, the profit attributable to shareholders is just £9m.

Despite the disposal of their British VW-Audi distribution company VAG, and rights money raising £236m, Lonrho's debt, mostly short-term, remains high at £754m.

Earnings per share are down from 13.98p to 1.2p and Lonrho will pay a final dividend of 2p, making a total of 4p.

Turnover for southern Africa dropped from £439m to £400m with the region's profits diving from £65m to £17m. Good sugar results helped agricultural profits, down from £19m to £13m.

The worst overall results come from general trading profits plummeting from £35m to £14m.

Emphasising that the continental drought had added to business difficulties in Africa, Rowland told shareholders: "The past year has been the most difficult in your company's history. Falling precious metal prices have been the greatest concern. The depressed world economy has hurt many of Lonrho's businesses, despite our diversification."

Rowland, who for the next three years will share his authority with new German joint CE Dieter Bock, said he retained high optimism for SA's future and Lonrho's business role in it.

There would be no disposals of core business in SA or southern Africa where Lonrho held a majority or close to it.

In advance of yesterday's sombre results, he had confirmed that they could dispose of minority stakes in Anglo American's Leeuwbosch and Eastern Gold Mines and would consider allowing Gencor to

increase its 27% stake in Lonrho's three platinum mines in SA.

Deputy chairman Paul Spicer said the company was not willing to "add or subtract anything" from speculation that they were considering involvement in an ANC-aligned newspaper venture.

"All we can say is that we have great optimism for SA's future and our relationships with all major parties there are excellent. We certainly want to contribute to progress," said Spicer.

He said despite the drought and "other problems" they had made record sugar profits and looked forward to reporting an improved overall result next year.

Lonrho spokesmen said there would be no strict demarcation of responsibility between Rowland and Bock, the biggest single shareholder with an 18.8% stake worth about £130m.

But it is widely anticipated that Bock will concentrate more on the financial side allowing Rowland more time to concentrate on investments in Africa.

Company sources said much more would be seen of Rowland in SA, in which he has a passionate interest.

Bock is reported to be more concerned about Lonrho's dented public image and wants to bring non-executive directors on to the board. He conducted a poll of opinion in the City of London before he purchased his big stake.

Lonrho remains secretive about the future of its remaining British national newspaper The Sunday Observer, which is losing heavily. The company has written off the Observer's "intangible" value of £117m.

The Evening Standard of London last night claimed that Dieter Bock had placed The Observer at the top of a pile of options for disposal. But the Observer's editor, Donald Treford, last night insisted: "We have no plans to sell The Observer."

IAN HOBBS



Star 17/12/93  
**British group gets contract  
for SA stainless steel plant**

(61)  
LONDON — Davy-International, part of the Trafalgar House engineering-to-hotels group, has won the UK's largest export order to South Africa in recent years with a £200 million (R900 million) contract to supply a complete stainless steel rolling mill.

The contract is for the expansion of the Columbus stainless steel plant at Middelburg, which will quadruple South Africa's stainless steel capacity to 500 000 tons a year from 1995, and turn it into the world's sixth

largest producer. The order is a big boost for Britain's heavy engineering sector. Most of the equipment will be bought in the UK from suppliers, including GEC and Bronx Engineering.

The order was won against strong international competition.

Fred Boshoff, chief executive of Columbus, said there had been tremendous interest in the tenders for the project, with bids from companies in the UK, France, Germany, Italy, Austria and Japan. — Financial Times.

## COMPANIES

### JSE revises formula for listing fees

13 DAY 18/2/93.  
THE JSE yesterday announced a revised basis for determining listing fees after a review indicated disparities between services used and amounts paid.

The move entails a sliding scale for the determination of initial listing fees. In effect small, low-priced issues will cost less while larger high-priced issues will cost more.

According to a circular sent to companies listed on the JSE, annual revision fees would not be increased in 1993, but the maximum and minimum fees would be raised by 5%. For the JSE this would mean

DIRK VAN EEDEN

an increase in income from this source of about 4%.

Fees for the processing of listings will rise by an average 12%.

The revised annual fees are payable on March 1, but the new fee structure for initial listings will come into effect only on June 1. The current rate of listings and documentation fees would be applied to all transactions where documents had been formally approved by the JSE by May 31.

### Battered but leaner Frame reins in losses

13 DAY 18/2/93.  
A SIGNIFICANTLY downsized and rationalised Frame Group contained its attributable loss to R8,6m for the half-year to end-December after showing a R20,9m loss in the previous year.

Increased imports of textiles and reduced consumer spending resulted in a 9% decline in turnover to R308,1m (R338,2m), chairman Mervyn King said. The group was operating at well below capacity.

Operating income of R872 000 compared with an operating loss of R7,9m in the previous year and an operating loss of R30,2m at the June year-end. King said this was the first time since June 1990 that the group had shown an operating profit.

However, this profit was offset by interest charges of R14,2m, 20% lower than the previous year's R17,7m. This resulted in a R13,3m (R33,8m) pre-tax loss.

Frame reported a loss of 41,4c a share, compared with a 110c a share loss in the previous period and 238,8c a share loss at the June year-end. No interim dividend was declared.

In the two years to end-December, staff had been reduced by 47% to 8 005, and factory premises scaled down significantly. Since December 1991, working capital levels and borrowings had been reduced.

MARCIA KLEIN

King said the results reflected "a marked improvement". If the sales volume had been the same as the previous year, the group would have operated profitably after interest, King said. But "imports and the recession took their toll on gross sales".

He said the combined effects of the structural adjustment programme and the recession "had devastated the textile industry". A panel was considering the industry's long-term strategy but the Board on Trade and Tariffs had not yet announced the time period for the interim ad valorem duty structure.

He said structural adjustment programme duty-free permits were "still rife", and it would take until March 1994 to work them out of the system.

The group's future would be influenced by the economy and "equitable barriers against disruptively priced textile imports from subsidised textile exporters".

But the rationalisation meant Frame was well placed to take advantage of "a beneficial structure in the textile industry and an upturn in the economy".

Subsidiary Consolidated Frame Textiles reported a loss of 23,9c (60c) a share.

### UK firm pulls out of Africa

13 DAY 18/2/93 (61)  
LONDON — British packaging group Low & Bonar said yesterday it had sold its remaining African businesses in SA, Zimbabwe and Zambia to a Virgin Islands-based company for £1,5m.

It said £1,1m had been paid in cash by Cavmont, based in the British Virgin Islands, and the balance was payable over the next three years.

Group finance director Norman McLeod said the six industries in question were involved in manufacturing textiles for the clothing trade and industrial plastics.

Last year the group disposed of operations in Kenya and Nigeria. McLeod said the move out of Africa was to enable the company to concentrate on its core business.

— Sapa-Reuter.

### EXECUTIVE SUITE



At ABSA Bank Corporate Division we strive to establish relationships bridged by trust. Relationships bridged by understanding. And above all, relationships that will help take you from where you are, to where you want to be.

LLOYD'S OF LONDON

**No exchange cover**

(61)  
FM  
12/3/93

Lloyd's members in SA will not be allowed to buy forward exchange cover to hedge some of the potential losses produced in London in 1990 (see P34). Lloyd's accounts are finalised three years after the trading year; so members know losses were heavy but do not yet have the full picture for 1990.

General representative for Lloyd's in SA Ronald Napier approached the Reserve Bank last year and then told members the Bank had approved forward cover in principle "provided that I was able to give them an accurate estimate of the potential loss."

Forward cover would not alter the sterling amounts of members' losses but could protect them against a further weakening of the rand/sterling rate in the three-year interval.

Napier worked with members' agents to provide estimates for all Lloyd's Names who wanted the cover. But the Bank has now declined permission for cover because estimates presented to it were not firm and ascertained. That indicates a lack of perception of how London markets work, for it would not be possible to supply the required "accurate estimate" — just a highly informed approximation.

Napier says he is extremely disappointed, adding that another reason for the Bank's refusal was that granting permission would give rise to an unacceptable precedent.

In a note to Lloyd's SA members, who have unlimited liability for their share of losses incurred in their syndicates, Napier says: "My last hope, as a Name who will have to pay losses, is that the rand/sterling exchange rate should remain at R4,40/£." ■

LONRHO

~~61~~ (61) FM 12/3/93

# In need of discipline

**Activities:** UK-based multinational with mining, agricultural, commercial and industrial interests and 60 countries.

**Control:** D Bock with 19% is the largest shareholder.

**Chairman:** M J R Leclizio; Joint MDs: R W Rowland & D Bock.

**Capital structure:** 661m ords. Market capitalisation: R3,8bn.

**Share market:** Price: 585c. Yields: 3.2% on dividend; 1.0% on earnings; p:e ratio, 105; cover, n/a. 12-month high, 800c; low, 350c. Trading volume last quarter, 14,1m shares.

Year to Sep 30	'89	'90	'91	'92
Turnover (£m) .....	5 108	5 476	4 846	3 866
Pre-int profit (£m) ...	273	272	207	179
Pre-int margin (%) ..	5.3	5.0	4.3	4.6
Earnings (p) .....	27.1	23.6	14.2	1.2
Dividends (p) .....	14.2	15.7	13.0	4.0
Net worth (p) .....	222	216	204	171

Someone out there knows a lot more than the rest of us. Why else would Lonrho, whose earnings at 1.2p a share were last this low in 1965 and which has returned sharply declining results for three successive years, be sitting on the extraordinary price:earnings ratio of 105?

Perhaps that someone is the German financier, Dieter Bock, who has just become Lonrho's joint MD and CE. Effectively, that brings to an end the unusual one-man control exercised by Tiny Rowland, an inscrutable manager possessed of a life-long love affair with Africa.

Romanticism is one thing, hard facts are another. This multinational trading conglomerate has colossal borrowings of £849m; its net interest bill for 1992 was £99m; turnover has fallen a cool £1bn from 1991; and attributable profit has fallen to £8m from the previous year's £90m. Lonrho's only saving grace came from extraordinary items, which netted £78m — nearly all from the disposal of a variety of important investments.

The dividend of 4p a share, down from 13p in 1991, is still generous relative to its earnings. Rowland cheerfully tells shareholders in his annual message that the company will be doing better next year — that will not be a moment too soon for loyal followers who

have lived for years through Rowland's triumphs and tragedies.

Lonrho does a bit of everything. It owns newspapers and hotels and prints postage stamps; it mines gold, platinum group metals and coal; it is heavily involved in motor vehicle sales and assembly and makes bed linen; it sells aeroplanes and clocks. In the circumstances, it is not surprising the group comprises 700 companies and operates in 60 countries. The wonder is that anyone can keep track of such a diffuse and amorphous congeries.

Lonrho and Rowland have not exactly been beloved of the City. Whether Rowland cares is one thing; unfortunately, it has probably harmed his company and its shareholders in the process. Research for this article led to the interesting discovery that very few major London finance houses or brokerages covers Lonrho on a regular basis. "There's not much interest in it in the UK, old boy," drawled one superior-sounding analyst. "The chaps on the Continent seem to follow it."

What Lonrho needs is more cash by way of equity and less through borrowings — recognising this, it has held a rights issue and sold substantial investments, most of it at a profit. But the debt mountain is still daunting. Suggestions that Lonrho is seeking to capitalise on its highly successful — and unlisted — Western Platinum mine by doing a deal with partner Gencor haven't been confirmed.

Lonrho needs tighter management control and less in the way of African buccaneering and spectacular vendettas about Harrods which derive as much from pique as from lost opportunities. Bock will probably bring qualities of discipline and order to the company. No doubt he will introduce well established Teutonic ways and means and, in time, it will make good money again.

That will make Lonrho predictable and safe; shareholders will applaud. Financial observers and journalists will be bored.

David Gleason

ANGLO-ALPHA

FM 12/3/93

## Emphasis on cost controls

While the economy and, particularly, the fixed investment cycle remain in recession, the only game in town for companies like Anglo-Alpha is cost-cutting and tight asset management as a means to underpin profits.

In this context, Anglo-Alpha has enjoyed above-average success. Though earnings have declined in each of the past three years, the cumulative fall in historic cost EPS has

FM 12/3/93



Anglo-Alpha's Pretorius ... expansion plans cut back

**Activities:** Produces cement and related products.

**Control:** Holderbank and AVI through Altur Investments (54.8%).

**Chairman:** P Byland; MD: J G Pretorius.

**Capital structure:** 30,1m ords. Market capitalisation: R1,038bn.

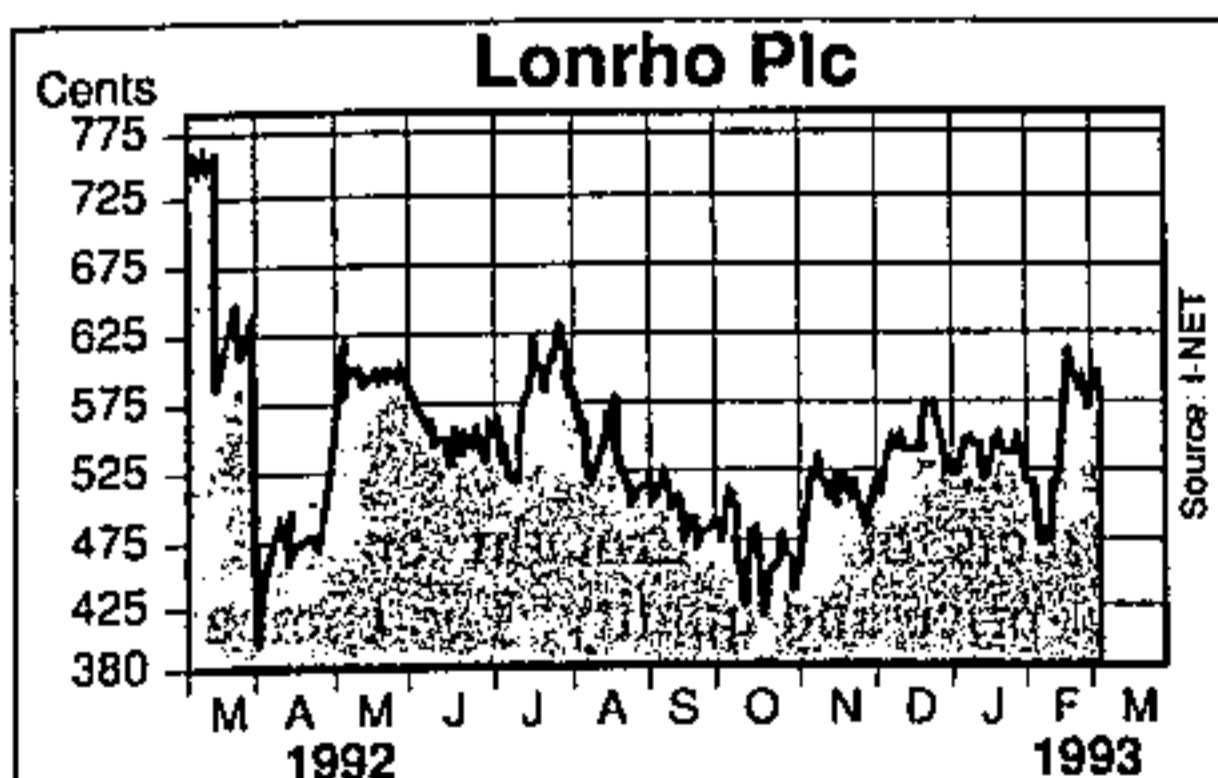
**Share market:** Price: 3450c. Yields: 4.4% on dividend; 9.6% on earnings; p:e ratio, 10.4; cover, 2.2. 12-month high, 4350c; low, 2400c. Trading volume last quarter, 412 000 shares.

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm) .....	42.6	15.2	45.6	38.3
LT debt (Rm) .....	73.0	82.2	137.2	160.2
Debt:equity ratio .....	0.19	0.14	0.23	0.19
Shareholders' interest .....	0.69	0.71	0.70	0.65
Int & leasing cover ..	10.5	13.0	7.1	5.4
Return on cap (%) ..	20.4	18.5	14.1	14.3
Turnover (Rm) .....	625	691	728	757
Pre-int profit (Rm) ...	183.1	177.3	148.7	162.2
Pre-int margin (%) ..	27.3	24.4	19.0	19.9
Earnings (c) .....	367	350	343	331
Dividends (c) .....	115	132	152	152
Net worth (c) .....	2 069	2 262	2 453	2 609

been confined to under 10% — from a peak of 367c in 1989 to last year's 331c. While the deficit is a wider 26% on current cost earnings, even this is acceptable given the 16% decline in sales volumes experienced over the past two years alone.

Last year's fall was due entirely to factors which, for present purposes, can best be described as "non-trading". These can be summarised as:

□ Interest charges — 1992 interest charges rose R9m from R21m to R30m. The after-tax cost reduced the bottom line by almost R4.7m and the effect was to reduce EPS by about 16c. This was a carry-over from 1991, when total year-end borrowings rose from R97.4m to R182.8m and though interest charges that year increased by 54%, the R21m total for 1991 was still only 11.5% of year-end debt. So the 1992 increase to R30m





The amendment will oblige public companies to deduct Paye from payments to the service company, at the company tax rate of 48%, unless the service company can obtain from Revenue exemption from the labour broker requirements.

All public company directors will have to accept payment from the public companies.

The implications are that they will now have Paye deducted at source, instead of paying tax in arrears, and those who have used tax shelters will not be able to shop around for appropriate schemes towards the end of the tax year.

Though most shelters have been knocked down by amendments to the Act and Income

Tax Special Court judgments, advisers can come up with new ones.

Another problem frequently overlooked is the Vat-liability of fees paid to the private service company by the public company. A few group service companies are probably in default — with grave consequences in penalties looming. ■

## LLOYD'S OF LONDON

## FEATURE

# The incredible shrinking market

FM 12/3/93

(61)

Lloyd's latest year of account — 1990 — is likely to be worse than expected. Estimates a year ago predicting losses for 1990 might reach £1bn were described by the giant insurance market as alarmist. Now it seems losses will be at least £1.6bn and could equal 1989's record loss of £2.06bn.

Little wonder CE Peter Middleton has sliced nearly £30m of a £145m annual budget in the past six months, cut 300 of 2 200 jobs and promised the loss of 300 more. Advised by a "market board" of leading underwriters and brokers, as well as outside businessmen, Middleton is preparing the first business plan in Lloyd's 306-year history.

Under consideration are several radical reforms, including far-reaching changes to the agency system, which links the Names — the individuals who provide the market's capital — with the underwriters who use it.

Members' agencies — which handle the affairs of Names and allocate them to syndicates — could be stripped of many administrative and financial functions. This could force many smaller and less-productive ones out of business and add to the rationalisation which has seen the disappearance of about 170 of the 401 syndicates active in 1990.

Optimism among underwriters and agents, fuelled by increases in insurance rates and the promise of a return to profita-

bility in 1993, has been dented as the scale of the problems becomes apparent.

There are two main reasons for the 1990 losses:

□ Reports from a number of syndicates suggest that the worst of the claims from so-called spiral reinsurance, in which syndicates and companies reinsure each other's catastrophe losses, have not yet materialised. This has deepened the gloom of many at the market, especially those working Names whose syndicates were left relatively unscathed last year but who now face heavy personal losses; and

□ There are few signs of a reduction in the level of claims from asbestos and pollution in the US, where potential liabilities on old policies sometimes written more than 30 years ago could undermine the market. Syndicates have reserved more than £2bn against such losses.

Syndicate Underwriting Management, which handles the claims against more than 80 syndicates that have gone out of business, was last year notified of a 30% increase in possible claims arising from US pollution cases.

While the trend of judgments in US court cases over who should pay the cost of environmental clean-ups ordered by the federal government has not been clear cut, underwriters nevertheless feel vulnerable. "Some

professionals think that pollution is the end of the world as we know it," says one leading underwriter.

Other factors have played a part in eroding the market's confidence. Lloyd's is bracing for another round of bad publicity over litigation between Names and their agents. Several thousand of the more than 30 000 Names who have underwritten at Lloyd's in the past five years are involved in some form of legal action. Two of the largest cases — those involving the Feltrim and Gooda Walker syndicates — are yet to come to court over the next two years. Efforts to reach a global settlement of all outstanding cases are under way but so far no proposals have emerged.

The decline of the market's capital base is also prompting concern.

The scale of recent losses has forced many Names out of the market and caused others to reduce the commitments. This year, capacity (the amount available to back insurance premiums) is expected to shrink by about £1.5bn (see chart). Another fall is forecast next year, with some observers expecting capacity to drop to less than £7bn.

The uncertainty stemming from the market's exposure to asbestosis and pollution claims is a significant block to new entrants. This legacy from the past is becoming the biggest most important constraint, while efforts to resolve it highlight the potential clash between present and future investors.

A growing number of market professionals wants to "fence off" old liabilities by leaving syndicate accounts for 1990 open. This would mean that responsibility for losses arising in 1990 would have to be met by only those Names who were members of Lloyd's in that year. New Names would be exempt. Last year, Lloyd's made it easier for agents to leave syndicates' accounts open and, as a result, the number of syndicates with open years doubled to more than 100. However, the market appears to have ruled out the idea of forcing syndicates to keep 1990 open.

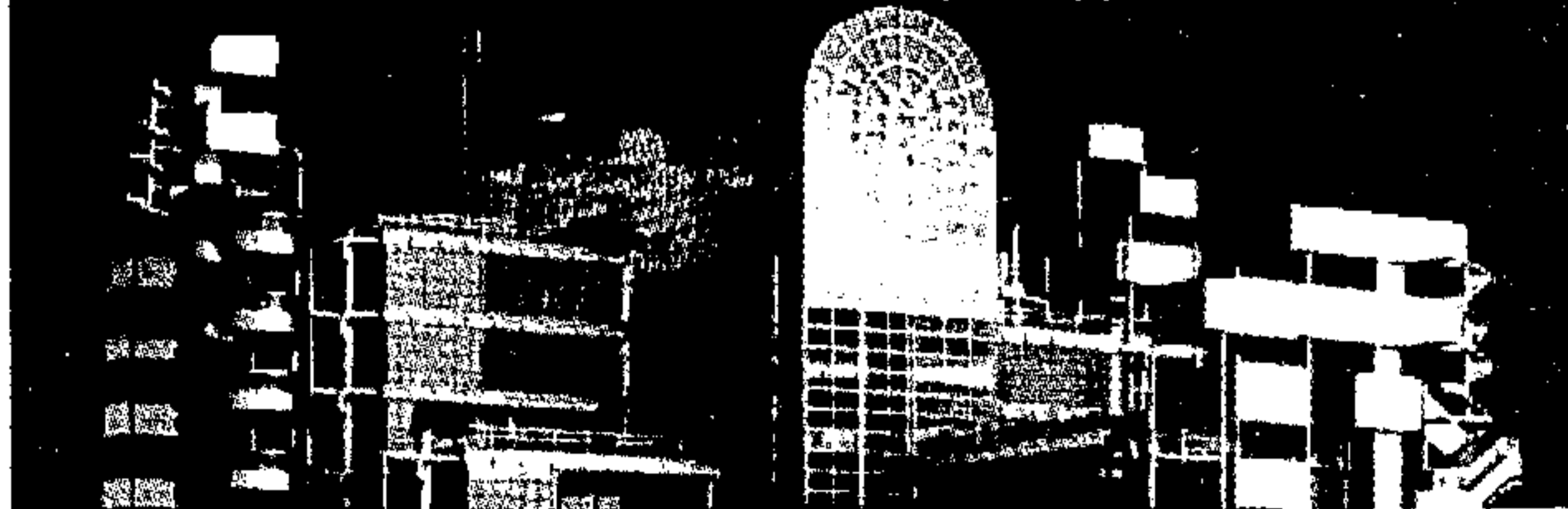
This is unlikely to stop the practice despite its "harsh" effect "on Names who have stuck with us through thick and thin," says one agent. But it is a sacrifice they may be called upon to pay if Lloyd's is to surmount its crisis.

## Lloyd's: the problems mount

	1987	1988	1989	1990	1991	1992	1993*
Capacity £bn	10.3	11.0	10.9	11.0	11.4	10.0	8.7
Members	30 936	32 433	31 329	28 770	26 539	22 162	19 800
Syndicates	365	376	401	401	354	279	228
Profit (loss) £m	510	(510)	(2 063)	(1 600)	—	—	—
Corporation employees	2 247	2 278	2 157	2 147	2 136	2 262	1 600*

\* Estimate based on latest reductions of 600 to be completed by year end

Source: Lloyd's



# DIAGONAL STREET

ANDREW BAILEY's intention is to get South Africans talking about Lloyd's around the dinner table. "But not about how much they've lost — the market is improving."

Bailey represents London company Octavian, one of Lloyd's 80-odd managing and member agents. His visit to SA to attract new Names to Lloyd's has a strong drawcard: being a Name is one legal, South African Reserve Bank-endorsed way of building assets outside the country.

How could you resist being a Lloyd's name? If your net assets are lower than £250 000 and you can't raise a bank guarantee for £75 000, read no more.

"In the past," says Bailey, "the Reserve Bank has allowed South African Names to leave a percentage of their profits overseas. Obviously, this has been an advantage during the past three years because of the first run of losses in more than 20 years."

Octavian was formed eight years ago in a buyout when management took 80%. Reinsurer Skandia has 10%, an important shareholder because it facilitates expansion by acquisition. Octavian now has 750 Names, manages £300-million and represents 40 of the 500 South African Names.

It attaches priority to research and client communication, despatching summarised information and bulletins as well as the wads of statutory matter.

Lloyd's is two things: as a body corporate it is not the risk-taker but provides the regulatory framework and mechanism for underwriters (risk-takers) and agents; secondly, it is a society of all the Names.

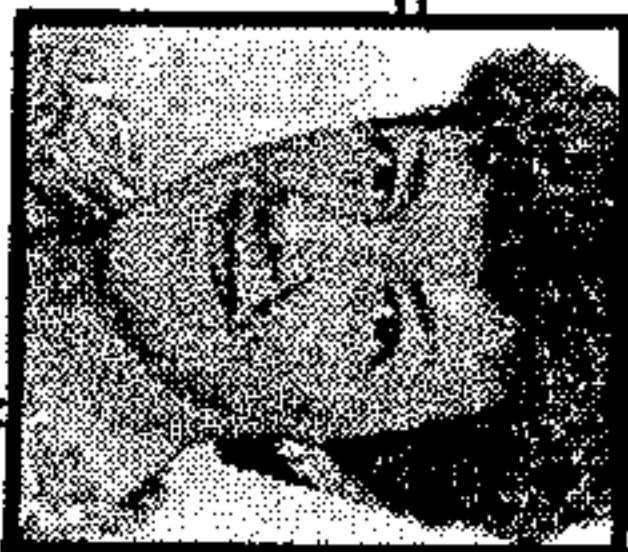
As a members' agent, Octavian manages its clients' affairs and advises them on which syndicates to support. Lloyd's controls the amount of premium syndicates can receive each year, based on the level of support from Names.

Nearly half the 1989 total of 401 syndicates have disappeared due to poor performance, resignation of Names and the need for economies of scale.

## So what's in a Name?

STimes (Guss)

14/3/93



By Julie Walker

The advantage of being a Name is that your money works twice for you. The drawback is that it can also work against you. When a Name enrolls and lodges a bank guarantee of 30% of his or her premium limit, a 5% return gears up to a 16.7% return on capital employed. But the potential for unlimited liability — "the last collar-stud of a gentleman or earring for a woman" — remains.

Lloyd's results take three years to be declared because of the need to study how claims develop.

"The results this June for the 1990 trading year will be very disappointing," warns Bailey. "There will be an estimated £2-billion loss out of the market capacity of £10-billion, giving an average 20% loss."

"But the business written in 1992 will be profitable and this year's has the best potential for profit for at least a generation."

Since the late 80s Lloyd's has repositioned itself as a reinsurer of worldwide catastrophes. Underwriters have drastically reduced the amount of cover they will offer and charge premiums typically five times higher than 1989's figures.

"In 1989, Hurricane Hugo caused \$4-billion of damage and hammered Lloyd's, but the 1992 Hurricane Andrew, which did between \$14-billion and \$18-billion of damage, didn't affect Lloyd's nearly as much."

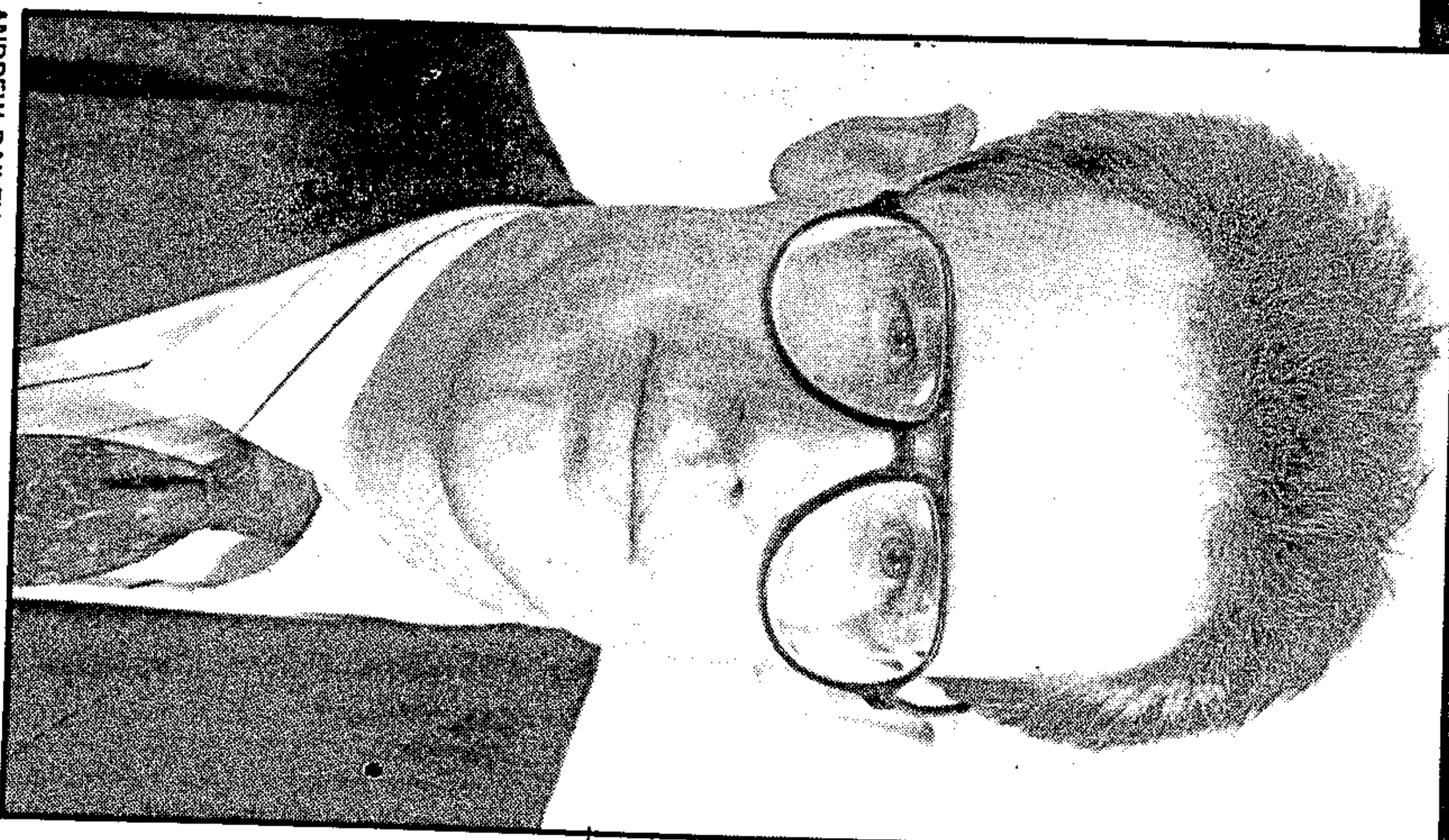
One of the two American insurers each carrying a quarter of the cost of Andrew had decided it was big enough to handle the possibility of a hurricane without laying off risk. Its holding company, Sears, is believed to have taken about a \$1-billion knock this year towards those costs.

"More than 300 American insurers have collapsed during the last three years, with great loss to their policyholders. Yet Lloyd's is still there paying claims after more than 300 years of business."

Bailey concedes that Lloyd's has not been without its problems, too. New chief executive Peter Middleton is drawing up business plans.

Bailey says only a few of the South African Names have left Lloyd's (only a couple of dozen have taken a bath). His aim is to reassure existing Names and heighten awareness.

Being a South African Name provides a hedge against a falling currency — providing that the rest of the world is not falling apart. Sterling losses can wipe out the wealthiest randlord.



ANDREW BAILEY... in SA to reassure and heighten awareness

LONDON FINANCE <sup>FM</sup> 19/3/93.  
**Complete rand hedge**

**Activities:** Investment finance company with interests in UK and SA. (61)

**Control:** Marshall family.

**Chairman:** D C Marshall.

**Capital structure:** 24,9m ords. Market capitalisation: R17,7m.

**Share market:** Price: 71c. Yields: 2,6% on dividend; 4,4% on earnings; p:e ratio, 22,8; cover, 1,7. 12-month high, 72c; low, 50c.

Trading volume last quarter, 40'800 shares.

Year to Dec 31	'89	'90	'91	'92
Taxed profit (£000)	580	(55)	332	166
Earnings (p)	2,32	(0,22)	1,33	0,67
Dividends (p)	1,3	0,75	0,75	0,40
Net worth (p)	78	33	21	20

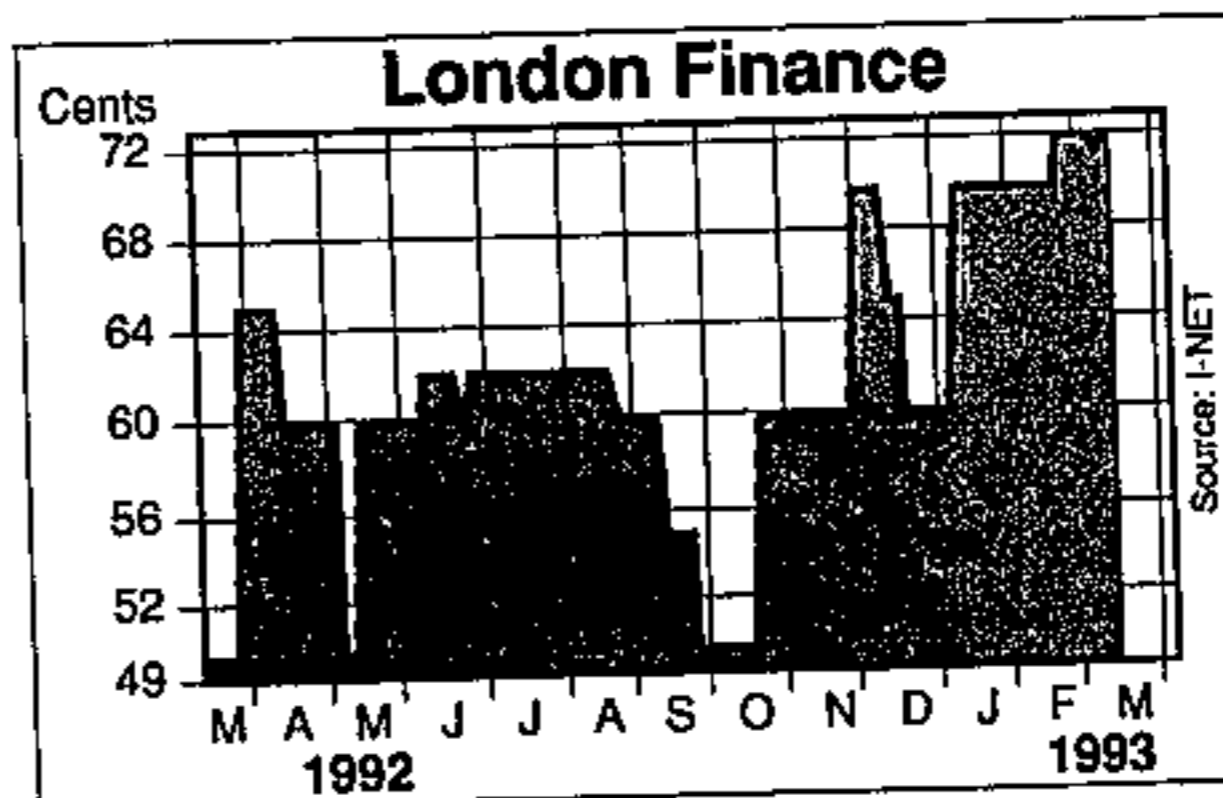
**Shareholders in** this company have seen their wealth decline by three-quarters in three years. Much of that haemorrhaging was wrapped up in the company's holding in Barplats — not exactly a successful investment but one which has been terminated.

Lonfin's operations are centred now, following the sale of the company's interests in SA, on Europe, including the UK. Its invest-

ments are concentrated in an investment holding company (Western Selection), building and construction products (Creston), corrugated board and packaging (NMC Group) and in a company developing golf and leisure projects in Germany and France.

In short, Lonfin is now a complete rand hedge. However, the quality of its investments abroad remains undefined: the annual report gives few details and the information provided generally is insufficient on which to base an objective investment decision. Perhaps this is what the directors intend, though it's a strange way of encouraging SA stockholders.

The dividend of 0,4p a share is almost 50% down on last year's distribution. That is unremarkable in the light of an uninspiring profit performance. The question which needs to be answered persuasively by the chairman and major shareholder, David Marshall, is whether the dismal performance of recent years is behind the company.



Marshall says Lonfin's capital has been placed to take advantage of the expected recovery in Europe. After the run of the past three years, shareholders will hope his confidence proves well grounded. *David Gleason*

# Telemetrix Star 11/3/93 trebles eps

By Stephen Cranston

~~REF~~

61

Earnings per share from Telemetrix, the British electronics group controlled by Altron chairman Bill Venter, almost trebled from 8c to 23c in the year to December.

This was caused by a doubling in attributable profits from the group's American subsidiary GTI and significantly improved results from the rest of the group.

The directors have recommended a 3,7c dividend for the year, up from 2,8c last year.

Group turnover increased by 17 percent to R455 million and profit before tax more than doubled to R45,5 million from R19 million the previous year, after a net exceptional charge of R4,2 million.

Costs of R20 million related to the closure of loss-making businesses reported at the interim stage and the disposal of surplus properties less a gain of R15,8 million arising from the sale of 329 000 shares in GTI.

Chairman Arthur Walsh says that after restructuring the group is now more clearly focused on its core business, supplying electronic components and test equipment.

He predicts that all group businesses will maintain strong positions in the current year.



# BA expects scheme to increase revenue

BRITISH Airways expects its new mileage reward scheme for SA international business travellers to increase revenue by 7%.

The scheme, which will be launched today, will enable frequent travellers to accumulate travel miles and exchange them for free flights to any BA destination around the world. Marketing manager Sandi Lee said

RAY HARTLEY

yesterday research had shown that loyalty programmes were high on the list of reasons for regular passengers' selection of an airline.

Members of the airline's executive club had been offered a launch bonus of 3 000 free miles.

5/10/93 2/4/93

(b1)

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# Most UK firms in SA meet EC payment code

By Garner Thomson  
Star Bureay



LONDON — Nearly 99 percent of black people employed by British companies in South Africa are now being paid above the European Community code of conduct's recommended minimum level, according to the UK Department of Trade and Industry.

In contrast to previous years, only two companies have not provided the full report required by the European directive.

The department released its seventh annual analysis and

summary of the revised code adopted in November 1985. It shows a further decline in the number of black employees being paid below the recommended minimum.

The level of British companies' involvement with trade unions representing black interests was also maintained, with most companies reporting formal links.

"Many companies have taken steps to alleviate the particular hardships experienced by their migrant workers," the report continues.

"As in previous years, all companies provided on-the-job

training and many provided additional training facilities. Companies continued to report impressive levels of involvement in projects benefiting not only their employees and their families, but also the wider communities from which their workforces were drawn.

"Companies also continued to encourage the growth of black business."

The period covered by the report has seen the deepening of the recession in South Africa, with unemployment steadily increasing, while progress on the political front has been slower than expected, according to a

statement from the DTI. "However, positive steps have been taken toward the achievement of a new democratic constitution and we hope that this will be taken forward when multi-party talks resume early next month."

The British government has reminded the two companies not reporting of the existence of the code and the importance attached to it.

It also urged the remaining 98 subsidiaries in South Africa to continue providing reports and urged them to maintain their performance and comply fully with the code.

# British companies raise pay of black SA workers

ARG 2/4/93

## The Argus Foreign Service

LONDON. — Nearly 99 percent of black people employed by British companies in South Africa earn more than the European Community's recommended minimum, according to the Department of Trade and Industry here.

And, in contrast to previous years, only two companies have not returned the full report required by a European directive.

The Department's seventh annual Analysis and Summary of a revised code of conduct adopted in November 1985

shows a further fall in the number of black employees being paid below the recommended minimum.

The level of British companies' involvement with trade unions representing black interests was also maintained, with most companies reporting formal links.

"Many companies have taken steps to alleviate the particular hardships experienced by their migrant workers," the report said.

"As in previous years, all companies provided on-the-job training and many provided additional training facilities.

"Companies continued to report impressive levels of involvement in projects benefiting not only their employees and their families but also the wider communities from which their workforces were drawn.

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It also urged the remaining 98 subsidiaries in South Africa to continue providing reports, maintain their performance and comply fully with the code.

Cost of being **Prison for Britain**

## CAPE BUSINESS

# A Cape business rises from the ashes to industry leader

*Sunday Times (Cape Metro) 11/4/93*

BY JEREMY WOODS

OUT of the ashes of a hard-fought takeover battle in the UK for its parent company, MCG Industries, the Cape-based manufacturer of a wide range of brightly-coloured bottle tops and closures has survived to become a strong independent leader in its field.

And that's official. "Our parent company, the UK Metal Closures group was recently taken over in a hostile bid by a UK conglomerate called Wassall," said Ian Lawson, the recently-appointed managing director of MCG Industries.

"This prompted many of our customers to think Wassall would not be interested in the South African end of Metal Closures, and caused a flurry of interest from people who wanted to take over the local business," he said.

But the longer Wassall, run by Chris Mills, former personal assistant to British takeover king James Hanson, looked at the figures of their newly-acquired UK company, the more they realised that a substantial part of the profits emanated from the South African side of the business.

"There was a period of uncertainty, but the Wassall management have had a good look at the business over here, and we have their full backing and financial commitment to stay independent and expand our business," says Mr Lawson.

## Vast range

MCG Industries produces many of the bottle tops currently in use, a range of lids and tubes for the pharmaceutical industry, and a

range of plastic trays and crates for use in the food and agricultural industries.

In fact, it is hard to buy beer, or have a bath without being surrounded by a colourful galaxy of lids, labels and screw-tops that represent the vast range of MSG Industries' products.

But, perhaps, the "piece de resistance" is its high-tech baby — the new white plastic top for cola bottles.

MCG pumps them out at the rate of millions a day from its Montague Gardens state-of-the-art plastics closures plant.

To most people, the cola bottle-top is no more than a plastic top to a cola bottle.

But if you say that plastic top must never leak, must not pollute

the product, must never fly off under pressure, and has to be "tamper evident" if the top is opened, then you are asking a lot.

"Our new top has to have all these qualities," says Ian Lawson.

"Can you imagine a truck load of cola travelling somewhere north of Uppington, and bottles suddenly start leaking or tops fly off? Mishaps like that are just not allowed to happen," he says.

To this end, the new bottle top, or closure as it is called in the trade, is made under license from America and has strict quality control at various stages of manufacture.

With a turnover of some R200-million, the new top represents about 25 per cent of

MCG Industries' profits, with another 25 per cent coming from a wide variety of tops and lids for the food and drink industries.

## Profits

In addition, the company produces more than 50 percent of the aluminium and plastic tubes used by the pharmaceutical industry, which with a range of industrial crates and trays used by the food industry, make up the rest of the group's profits.

With a dominant position in the South African closure market, where will MCG go from here?

"We have made several internal changes to slim down the company's top-heavy management structure and we continue to look at ways of

making the plants more efficient," said Mr Lawson.

"But we are looking at several ways to expand with various products, and are constantly looking at potential acquisitions," he said.

"There are many companies to be bought out there at the moment because of the general state of the economy, and one has to guard against buying obsolete technology."

"But we have a good business to build on with no borrowings, and the heavy cash clout of a strong overseas parent company. Expansion is the name of the game."

Not a bad position to be in at the bottom of the worst economic downturn this country has ever known, when many companies are only just surviving.



OUT OF THE ASHES ... MD Ian Lawson with his "high-tech baby"

# CAPE BUSINESS

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SI Times C (Metro) 11/4/93

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OUT OF THE ASHES ... MD Ian Lawson with his "high-tech baby"



# Shell: Funeral leave

By BARRY STREEK  
Political Staff

MULTI-NATIONAL oil company Shell has given its employees paid leave to attend Monday's funeral and memorial services for the assassinated SA Communist Party leader Mr Chris Hani.

Shell's chairman, Mr John Kilroe, authorised managers yesterday to allow staff to attend the services with-

out loss of leave or the need to work in time.

Shell's managements have been sent guidelines stressing that staff who do not attend the funeral or memorial services but do not go to work would have to apply for leave or lose a day's pay.

● The Volkswagen SA workforce in Uitenhage did not come to work for the third day in succession yesterday. CT 17/4/93



## Union Mines swaps sectors

JONO WATERS

UNION Mines was changing from the tin to the manganese sector on the JSE following a transmuted listing which would enable the company to raise R1,5m.

A statement said yesterday the cash was needed for developing the Kapstevél manganese deposit in the north-eastern Cape, acquired by Union on January 25.

Davis Borkum Hare analyst Alex Wagner said yesterday Union was too small to go to the market with a rights issue. The transmuted listing was a mechanism for raising capital to bring the company's new manganese mine into production.

Union, formerly owned by Gold Fields, stopped tin production in 1986 after the mid-'80s crash in tin prices.

Operations were restarted in 1989 when Gold Fields' Vogelstruisbult Metal Holdings sold its 30% stake to Union's current owners, a consortium including Nico Lotterie and Dirk Lubbe.

Union Mines has bought the Kapstevél manganese deposit for the equivalent of 17,6-million Union shares (R7,04m). This brought the issued share capital in Union to 20-million shares.

Lotterie, with 14,2-million shares, has to raise R1,5m in the next 12 months for developing the mine. The transmuted listing statement issued yesterday said R500 000 was available for immediate use.

The operation was expected to yield about 40 000 tons of manganese this year and produce a profit after-tax and capex of R860 000. Production was expected to rise to 130 000 tons in 1994.

# Bright from

MARCIA KLEIN

**SIGNIFICANTLY** financing costs enabled series subsidiary Lidarn increase attributable 22% to R15,4m (R11 to year ended March.

The Durban-based firm has interests in matched shaving, home and garden appliances, achieved increase despite the reduced consumer spending turnover and trading.

During the year there was a decline in real price expenditure, but turnover increased R294,5m (R276,9m) on basis, allowing for the transfer of the appliances the equity accounted Appliances. Amalgamated is a joint venture.

The 6% rise in trading R41,8m (R39,3m) came from proved contribution division Interpak.

Directors said cash resources of R22,4m helped reduce borrowings as investment activities, brought down to 19%.

The substantial financing costs to R6, resulted in a 31% rise to R34,9m from R26.

Profit after tax was R20,4m from R14,4m.

After the equity R5m (R1,9m) reported Appliances, earnings to 33,9c from 27,7c.

## Telemetrix bounces back

DUMA GOUBULE

TELEMETRIX was confident its core businesses would maintain strong positions in their respective sectors, chairman Arthur Walsh said in the 1992 annual review.

Telemetrix, the UK-based electronics group listed on the JSE, bounced back from a first-half loss and nearly trebled its earnings to 23c (8c) a share for the year ended December. The dividend was raised to 3,7c (2,8c) a share.

CE Tim Curtis said management had focused on eliminating loss-making activities and improving the profit margins of the three main businesses in the past year.

GTI, the US-based local area networking products and electronics subsidiary, contributed 62% to turnover and 52% to attributable earnings.

Wholly owned Zetex, a UK-based specialist semiconductor manufacturer, contributed 16% to turnover and 28% to attributable earnings, while Trend, a manufacturer of telecommunications test equipment, contributed 15% to turnover and 13% to operating profit.

# Shell minerals arm targeted for takeover

**MATTHEW CURTIN**

GENCOR has approached Royal Dutch Shell to buy Billiton, the oil group's metals and minerals division, in what is likely to be a multimillion-dollar acquisition.

Should the deal come off, Gencor will have established itself as an internationally diversified natural resources group, owning some of the world's top gold, platinum, copper, nickel, coal, bauxite and zinc deposits.

Gencor has not made an offer for Billiton's metals processing businesses. Billiton's exploration, alumina and aluminium, marketing and trading assets stood at \$1.5bn in 1991.

The deal will eliminate any doubts that Gencor's competitiveness may have been compromised by unbundling, which will see the group shed its non-mining assets.

Gencor chairman Brian Gilbertson said yesterday a successful deal would promise Gencor "significant growth as an international mining resources group".

He would not comment on the likely purchase price.

Executive director Colin Officer said the deal could "catapult Gencor into another league".

Addressing industry representatives and analysts in Johannesburg, Gilbertson said he believed the chances Gencor would pull off the deal were "less than 50/50" because of its size, complexity and the delicacy of offshore financing arrangements.

He stressed that only preliminary discussions had been held so far. However, Shell had insisted an announcement be made yesterday afternoon in Johannesburg and London. Shell holds its AGM tomorrow. This might have led to an early announcement of the talks.

Officer said formal negotiations could start as soon as next week, but were likely to take several months to complete.

Gencor has proposed financing the deal by raising offshore borrowings, based on its small but important assets abroad, as well as trading some of them to Shell as part of the deal. Gencor has a stake, along with its fuels group Engen, in the large

To Page 2

## Shell

Alba oil field in the North Sea.

Gencor would also contribute assets such as Consolidated Rutile in Australia and Sao Bento in Brazil.

Gilbertson said the group would also like to involve another foreign partner which would inject equity. Officer said Gencor had identified potential partners but had yet to approach them.

Any deal was dependent on Reserve Bank approval, but Gencor would not use the finrand to finance the acquisition.

Gilbertson said Gencor would retain Bil-

From Page 1

lton's management and seek a listing for the new company once the deal was complete.

Shell is one of the few major oil companies not to have divested itself of its mining interests in recent years, unlike competitors BP and Chevron. The debilitating effect of the prolonged trough in commodities prices has knocked Billiton's earnings severely.

Latest financial results from the company, which is an unlisted subsidiary of Shell, show it turned in earnings of \$12m in 1991, slashed from \$262m in 1989.



# 'Tricky trading year' for Shell

THE opening up of SA markets to global competition at a time when the economy remained in deep recession and the international petrochemicals market was in over-supply resulted in an extremely difficult trading year, Shell (SA) said in its Business Report released in Johannesburg yesterday.

"The customer service strategy initiated during 1991 resulted in a considerably improved service to Shell

Chemicals customers and this was a significant factor in maintaining volumes for the year ~~1991~~ (61)

But substantial effort in developing trade in other parts of Southern Africa helped to offset the decline in local demand. CT 13/5/93

The oil division reported that the business climate remained dull. Shell's inland fuels market increased by 1%, mainly in the retail service station market.

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Star 13 Star

# Shell SA lifts capex to R270-m

By Sven Lünsche

Shell SA boosted capital expenditure by more than R100 million to R270 million last year.

In its business report for 1992 Shell says the bulk of the investment programme was devoted to the R450 million upgrade of the Sapref refinery, a joint venture with BP, which is scheduled for completion later this year.

Chairman John Kilroe foresees further investments, "given a stable political and economic en-

vironment in South Africa

Shell, however, describes the trading environment last year as very difficult, which led to disappointing results for the coal and metals division.

The oil division's results were satisfactory, with turnover increasing from about R4,25 billion to R4,75 billion.

Shell's total turnover showed a more modest rise to about R5,7 billion (1991: R5,35 billion), while operating costs rose from R590 million to R630 million.

# Gencor Star 13/5/93 could get stake in LME

By Neil Behrmann (61)

LONDON — The book value of assets which Gencor is negotiating to buy from Royal Dutch/Shell, is worth around \$1,3 billion (R4,1 billion), according to sources close to the oil company.

Total net book value of Shell's mining and metals company, Billiton, is \$1,8 billion, they say.

Gencor is negotiating to buy around 70 percent of these assets.

If the deal goes through, Gencor will be the only South African company to hold a direct stake in a member of the London Metals Exchange (LME).

The company, which trades under the name of Billiton-Entoven Metals, is among the top five trading firms on the LME.

It deals in copper, aluminium, zinc, lead, nickel and tin on the exchange and in other metals too.

## Bullion

Billiton is also a member of the London Bullion Market Association and trades in gold and silver for its mines and metals businesses. They mainly produce precious metals as a by-product.

A Shell spokesman said it was early days and the process of negotiations would take several months.

A Gencor source also said the group would need to examine Billiton operations in detail before making a firm price.

As a result of depressed metals markets and provisions, Billiton showed a loss of \$75 million last year, against a profit of \$12 million in 1991.

Sources within the Shell group said, however, there would be synergy between Gencor and Billiton operations.

Billiton produces nickel, lead, zinc and gold and aluminium. Its interests would be combined with Gencor's foreign operations.

## BUSINESS Heavy going

# Shell SA is also feeling the pinch

Sowetan 14/5/93

### ■ But satisfactory results were achieved:

TRADING conditions during 1992 proved to be very difficult, Shell South Africa said in its 1992 business report released this week.

"The South African economy continued to decline, the drought prevailed in farming areas and the international prices of coal and other minerals declined," Shell said.

The effects of these detrimental factors were felt within their minerals division where the coal and metals sector provided disappointing results.

"The oil division fared better in these conditions and although it proved difficult to meet agreed targets, the results were satisfactory in the light of prevailing circumstances. The volume sales and margins of the chemical division were under considerable pressure with resultant performance against targets below expectations," Shell said.

Turnover for the company increased by 4,5 percent over the previous year. Oil division showed an 11 percent increase which was offset by declines in other business areas and by the sale of certain non-traditional businesses, during the previous financial year.

### Reduce cost of production

Shell said real cost containment continued to be a strongly focused business objective. The increase in operating costs over the previous year at five percent was well below the inflation rate and reflected the considerable emphasis being placed on bottom line profitability and increasing the return on capital employed.

Capital expenditure increased by 58 percent over 1991 and was focused mainly on the oil division with, in particular, the upgrade of the Sapref refinery which was scheduled for completion this year, together with the Ultra City network development which was continuing:

In the coal sector of the minerals division capital expenditure centred on the new Rietspruit underground project which would enhance coal quality and reduce cost of production.

"Total average working capital levels have declined since the previous year following the reduction in the cash balances previously held reflecting the high capital expenditure level and lower tax provisions," Shell said.

Shell is a private company wholly owned within the Royal Dutch Shell Group of companies and does not publish an annual report with financial statistics. — Sapa.

# More bang for the bucks is BA advertising policy

Star 15/5/93

STEPHEN CRANSTON

(6)

THE latest commercial for British Airways Club World, which began flying last week, represents the latest stage in the continuing evolution of the British Airways brand, says Derek Dear, BA's GM: Marketing Communications.

Dear says the concept of brand building was a new concept in the airline business when BA was relaunched in 1981 to prepare for privatisation. In order to effect a full scale revamp BA fired its agency FCB, and hired Saatchi & Saatchi.

"We operated with the slogan 'We'll take more care of you', but unfortunately, there was very little customer care. We were very much an operations-driven business and if anything, customers rather got in the way."

BA was a nationalised airline which made huge losses and showed very little profit motive.



**BRAND BUILDING:** British Airways's Derek Dear.

BA realised that it could not change without taking its staff with it. It went through a traumatic time in which 23 000 people were retrenched in 18 months and the remaining staff all went through a course entitled "Putting People First", which they now go through every year.

To mark the changes, all BA planes were repainted and uniforms changed.

But initially, BA did not dare to promise service it could not deliver. The first Saatchi commercial was the famous Manhattan commercial, in which a flying replica of Manhattan was

brought down to land. BA flies more people across the Atlantic every year than the entire population of Manhattan, and size was, and remains one of BA's greatest strengths.

BA then started to smarten its product. Its first unique selling point was the widest seat in the air, which Dear admits wasn't actually the most comfortable seat in the air.

After two years of the "Putting People First" programme BA felt confident enough to advertise its Supercare programme.

Then five years ago the emphasis was placed on the business traveller, the main source of revenue for the airline business. It spent £8 million on the Boardroom campaign internationally, which featured the red-eye commercial, in which the archetypal yuppie works continuously on the overseas flight but arrives refreshed for the morning's meeting.

"At that time, the target market wanted an airline flight to be an extension of the working day. Occupancies in Business Class increased by 20 percent."

BA's marketing manager for South Africa, Sandi Lee, says that businessmen want comfort, choice and as little hassle as possible.

"They want to get away from set routines, to feel more in control of their own flight and to be treated as individuals rather than pin-striped stereotypes."

The latest service enhancements include a new eight channel video, refinements to the First Class cabin, which includes the new Sleeper Service on flights of less than nine hours leaving after 7 pm.

There will be a complete passenger cabin refit on Concorde and improved lounges at Heathrow, includ-

ing showers.

It will also launch arrival lounges to give premium passengers the chance to shower, shave, breakfast, press their clothes and use a telephone or fax. This should be well-received by passengers arriving from Johannesburg in the early morning.

BA's marketing thrust is supplemented by local promotions such as Randsaver holidays and the Executive Club of South Africa.

"We are always aiming to be unique. We don't have the world's largest advertising budgets so we aim to make memorable commercials and in that way get more bang for our bucks," says Lee.

# Some juicy assets may elude Gencor

Star 19/5/93

By Kenneth Gooding

LONDON — Some of the juiciest mining and metals assets which Gencor wants to buy from the Royal Dutch/Shell group might slip from its clutches because other companies have pre-emptive rights to them.

This means that Shell's mining and metals business, Billiton, must give its partners in the joint ventures an opportunity to match any terms it is willing to accept from a third party.

The assets involved are:

- The Boddington mine, Western Australia, which last year produced nearly 352 000 ounces of gold.

Billiton owns 30 percent and its partners are Reynolds Metals, the US aluminium group with 40 percent, Newcrest, the Australian mining company, 20 percent, and Kobe Aluminium of Japan, 10 percent.

- The Associated Worsley Alumina business, which mines bauxite and aluminium ore, and refines it into alumina, an intermediate product.

Worsley's annual capacity was recently expanded to 1.5 million tons of bauxite. The shareholders and their holdings are the same as those for Bod-

61  
dington.

- Alumar of Brazil, which produces about one million tons of alumina and 350 000 tons of aluminium a year.

Billiton owns 40 percent of the alumina refinery and 47 percent of the aluminium smelter. Alcoa of the US owns the rest.

- Valesul, a Brazilian aluminium producer (annual capacity 92 000 tons).

Billiton owns 41.5 percent, Cia Vale do Rio Doce of Brazil 49.5 percent and Multisilicon nine percent.

- The Collahuasi copper project in Chile, expected to start up in 1996-97.

## Low prices

A company owned by Minorco and its parent Anglo American recently paid \$190 million for a one-third stake in Collahuasi. The rest is shared equally by Falconbridge of Canada and Billiton.

While Billiton's partners in these joint ventures are suffering financially because of low metal prices, they might be reluctant to pass up the opportunity to acquire more of these assets.

Much will depend on the price Gencor is ready to offer — there are indications that these might be what other companies would consider to be on the high side.

Other interests Gencor has bid for include:

- The Cadjebut lead-zinc mine in Australia (Billiton holds 42 percent).

- The wholly owned Selbaie copper and zinc operations in Canada.

- Cerro Matoso nickel (52.3 percent) in Colombia.

- The Bogusu gold mine in Ghana (81 percent).

- The Lerokis gold mine in Indonesia (90 percent).

- The Pering lead-zinc operations in South Africa (100 percent).

Gencor obviously has great faith in the future of aluminium — it is backing a \$2 billion project in South Africa for Alusaf to build a 466 000-ton smelter, the West's biggest ever — and so, apart from the operations in Australia and Brazil, it has also bid for Billiton's other alumina operations: Paranam in Surinam (76 percent) and Aughinish in Ireland (35 percent).

Gencor also wants Billiton's global metals trading and marketing network — which would certainly help sell some of the extra aluminium from Alusaf.

South African exchange control rules prevent Gencor exporting cash to pay for the Shell assets, so it will have to borrow a great deal if its offer succeeds. — Financial Times.



MIKE VEYSIE: Advantages for both nations in a common language and culture, similar accounting and legal systems

# Old ties keep the trade fires alive

SI Times [Buss] 30/5/93  
(61) (7/8)

IT started with the landing of the 1820 Settlers in the Eastern Cape.

Today the number of SA citizens who can claim connections with the UK exceeds 1.5-million.

Those ties have been an important factor in the business and trade dealings between the two countries.

President de Klerk's speech in February 1990 opened a door to SA's return to international acceptance. The historic event caught the attention of international businessmen who recognised the potential in SA and the region around it. The possibilities have not missed the British.

## Potential

UK investment in SA is estimated at about R40-billion — roughly half of the foreign total. The UK is SA's third or fourth-largest trading partner. SA is also in the top 20 of the UK's trading partners.

The UK Department of Trade and Industry's head of the Southern African desk, Lawson Thomas, says SA has enormous potential and its economic well-being is of prime importance to the British Government.

Mr Thomas says Britain will try to strengthen business dealings with SA. He notes, however, that SA's "enormous potential" will depend largely on a political settlement being reached and the country "getting its act together".

Indeed, the euphoria which overtook South Africans after President de Klerk's 1990 speech has been somewhat dashed by recession and lack of desperately needed new foreign investment.

British Commercial Consul Michael Powles says

## A Business Times SURVEY

As South Africa commits itself to non-racial government, so interest and activity in international trade have increased. This is true particularly with regard to the UK, always one of SA's staunchest trading partners and which did not impose full sanctions against this country.

SEAN VAN ZYL reports on the state of trade between the two nations and outlines its potential.

South Africans should not overlook the progress achieved on the political front, or the increase in potential foreign investors and traders who are visiting SA.

In 1989 two UK trade missions came to SA. The number rose to eight official and two unofficial missions in 1992. Eight missions, sponsored by the British Government, are planned for this year and three have been scheduled for 1994.

Mr Powles says: "The number of applications for sponsored trade missions to SA has exceeded our allocation and been placed on a waiting list. Most of the missions have consisted of the maximum of 30 members."

## Japan

"Several well-known British companies have expressed an interest in investing in SA, but are waiting for clarity on the political situation."

Although new foreign investment is unlikely on a large scale before stability and a new political order have been established, developments on the trade front show promise.

Mr Powles says SA has always been an important market for the UK. The cultural link and common infra-

structure, particularly SA's financial system, have greatly aided trade.

Annual trade between SA and the UK in 1992 amounted to R9.3-billion, the balance of trade being slightly in Britain's favour. Last year's trade figure was lower than 1991's largely because of a 10% slip in SA exports.

British exports to SA last year rose by 5.4% on 1991 compared with an average increase of 3.9% for its other trading partners. Only Britain and Japan of SA's major trading partners increased exports last year.

Although SA exports to the UK have fallen — mostly as a result of the UK recession and the effect of the drought here on farm output — SA accounts for roughly 70% of UK imports from Southern Africa.

Mr Powles believes SA will play an increasingly important role in trade between the UK and Southern Africa.

"There is a growing realisation that SA will become a strategic base for supplying goods to Southern Africa. Although Britain and France have maintained formal contact with most African countries, traders see the value of working from a central distribution point."

John Hambidge, chief executive of the Sheffield

Chamber of Commerce & Industry, says several inquiries had been made by members to use SA as a base to market and distribute products in Southern Africa.

He says: "But that will depend on political conditions. If they are right, SA's infrastructure and economic position in the region could prove to be a major asset."

Likewise, SA businesses have been quick to realise the advantages of working through or from the UK to gain access to the EEC. The estimated value of SA investment in the UK is about R34-billion, much of which has been made since 1988.

Safto senior manager, international division, Mike Veysie, says the advantages for the UK and SA include a common language and culture and similar accounting and legal systems. Britain has access to the "tariff-free" perks from being a member of the EEC.

## Perks

Although roughly half of SA's exports are received by EEC members, many exporters fear the closing of old markets. As a result, several UK marketing and distribution companies are offering to promote SA products in Europe.

SA Department of Trade and Industry deputy director-general Gerrit Breyer stresses the importance of the UK as a trading partner. He says that in spite of sanctions, "Britain has always been friendly".

The UK's role in the SA economy is unlikely to change. The view across the political and business spectrum is that ties between the two countries are likely to strengthen once SA shows signs of social and political stability.



HOWARD PELL: The two associations played a crucial role in maintaining communication during the sanctions era

*Times*  
**Sabrita,**  
*[BUS]*  
**Uksaba**  
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**business**

THE SA Britain Trade Association (Sabrita) link with the UK South African Business Association (Uksaba) has helped greatly in the promotion of trade and investment, says Sabrita executive director Howard Pell.

Sabrita was formed in 1965 by SA businessmen with connections in the UK. Like its mirror organisation Uksaba, Sabrita's prime objective is to encourage bilateral trade and investment.

It helps members by providing business contacts, organising trade missions to and from the UK and supplying British businesses with objective commercial and other data about this country. It also works closely with the SA and UK chambers of commerce.

Sabrita has nearly 300 members which include Anglo American, Sasol, Gencor and most major banks. Membership is open to any SA company or organisation with investment or other business links in Britain.

**Fairs**

Mr Pell says the close cultural ties between SA and the UK could prove favourable for British investment in this country.

However, international media coverage of events in SA has led to misconceptions by foreign investors about circumstances.

Safto, in conjunction with the Department of Trade, distributes business publications to 25 000 companies worldwide. The association is also involved with organising SA trade missions and participation in trade fairs.

Safto senior manager, international division, Mike Veysie, says the association is looking at establishing an on-line computer data base through which 1.5-million companies will be able to access business and trade data relating to SA.

**Balanced**

Mr Pell says that particularly during sanctions, the two associations played a crucial role in maintaining communication between business in the two countries.

"During the sanctions era Sabrita's role was largely to provide a balanced view of circumstances in SA.

"Because of the political change SA is undergoing, our emphasis has shifted more to promotion of trade and investment. This will be achieved through high-level missions and participation in trade fairs in the UK."

The formation of the EEC as a single trading market has required Sabrita to broaden its activities across Europe.

"SA has an adequate First-World infrastructure and a fairly sound economic system to attract foreign investors."

But Mr Pell sees the present mass unemployment problem in SA as a major stumbling block to securing social and political stability.

In the current world recession, "limited investment resources are available and, unless SA gets its act together sharply, we could miss the boat".



BIDM 2/6/93  
**London bank  
finds itself  
a cosy niche**

SHARON WOOD

LONDON — Multinationals' growing interest in southern Africa had created a natural niche market for Standard Bank London, CE Pieter Prinsloo said yesterday.

Calls on multinationals had been "particularly successful. They are starting to look and want to do something."

The region had been neglected and the multinationals needed expertise to reinvest in the region. Standard Bank London had concentrated quite heavily on corporate banking and wanted to be the bank that knew the most about Africa and its exotic currencies, he said.

"If you go about it carefully there are a lot of opportunities (in Africa) ... and SA is still the logical place to be."

Standard London intended to be a strong regional bank. With local representation through the acquisition of ANZ Grindlays Africa, it was halfway there.

Grindlays was managed in Johannesburg but its international financing in Africa was structured through London.

The London bank was concentrating on high-yield products, which included trading in eastern European and African debt.

Prinsloo said the bank was also helping multinationals to restructure their African balance sheets.

He added trade finance would become an important area of business for the London bank.

# Chubb secures strong figures

ANDY DUFFY

SECURITY group Chubb Holdings' earnings leapt nearly a third to 165,2c for the year to March 1993 as trading profit surged and costs fell back.

Although turnover for the UK-owned company was only slightly ahead at R176,4m (R167,8m), strong operating performance lifted trading profit nearly 20% to R16,2m. *B/Dav: 11/6/93*

Stringent cash control and asset management underpinned Chubb's performance. *(S)* *(S)*

Its interest burden dropped from R3,9m to R1,7m, with debt as a percentage of shareholders' funds cut back from 47,4% to almost 10%.

Its final dividend was 25% up on last year's at 20c, with cover falling marginally to 4,86 times. *(61)*

Chubb's physical securities division reversed the dismal performance it turned in

last year, hiking its trading profit by more than 300% to R5,7m.

Electronic security — which included crime monitoring and rapid response — rose from R9,8m to R11m.

The results were marred by those of the embattled fire security division, which incurred a R500 000 loss (R2,4m).

An increase in its prices coupled with rationalisation lifted Chubb's overall trading margin from 8,2% to 9,2%.

Despite the strong showing, chairman Dirk Ackerman warned that the group was expecting little growth in its main markets during the year ahead, "which is in line with the projected business trend".

The tax charge, which included secondary tax, rose 91,3% to R5,4m, taking attributable profit to R9,1m (R6,9m).

**What price** can reasonably be placed on freedom? Apparently £236m, if you're Charter Consolidated CE Jeffrey Herbert and determined to cast off the shackles of the greater Anglo American. That's what he's agreed to pay Minorco to buy back its 36% holding. In the process, other shareholders will be given shares — one-for-one — in a new company, Charter Plc, which will replace Charter Consolidated on the Johannesburg and London exchanges.

Herbert is funding the buy-back from the £330m sale of Charter's 38% stake in Johnson Matthey. Annual results, announced al-



**Charter's Herbert ... a great day**

FINANCIAL MAIL • JULY • 2 • 1993 • 77

most simultaneously with the Minorco deal, show an 11% increase in operating profit to £31.3m; the group expects to hold net cash after paying Minorco of about £145m.

The restructuring has raised eyebrows in SA. Is committing R1,66bn (at the firrand rate) to buying back your own shares really the best way to invest a company's wealth?

Herbert has no doubt: "This is a great day for Charter," he says. "It is an investment in ourselves which will give us opportunities which may not otherwise have been there. There's always been a perception that Charter was controlled by an SA group. Cutting that connection gives us the freedom to pursue new avenues and use our paper in ways which are free of constraints."

It's an open secret that Herbert has long resented the controls exercised by Anglo's invisible hand. Diplomatically, he will say only that Minorco's board has always been "totally supportive" — which begs the question, of course, of why the buy-back has been deemed necessary.

Clearly, there's more to this than meets the unsuspecting eye. Most CEs will confirm the presence of a strong, large and supportive shareholder lends comfort and encouragement, especially when it comes to rights issues and other important money matters.

So why the almost indecent haste to use the Johnson Matthey cash to shed the parent? An observer suggests Herbert was largely ignored by his Anglo peers: "If they'd paid him some attention, it would have gone far to cementing relations."

Now, Herbert has removed Charter as the only shareholder of substance. He will report, effectively, only to non-executive chairman Sir Michael Edwardes (who has also cut his ties with Minorco and Anglo). It's a good situation for an ambitious CE.

But every successful deal needs a willing seller. So the next question has to be why Minorco found it convenient to sell. Smooth PR explanations aside, the truth is Charter has moved progressively away from natural resource-based business and increasingly into specialist UK engineering. That alone must have sat uncomfortably with Minorco, focused as it is on natural resources.

And Minorco got a good price. Word is that negotiations were tough and unsentimental; in the end, Minorco secured a mere 2% less than the previous day's close. Given its large holding and that it might have had to accept a huge discount if it peddled the stock around UK institutions, it was clearly a deal which pleased Minorco's managers.

It must have caused a passing twinge of sadness by (older) Anglo executives. Charter was formed in 1965 from the merger of Central Mining, Consolidated Mines Selection and the British SA Co, flag carrier for Cecil John Rhodes's imperial ambitions. Charter is redolent of history, an important link with a bygone era.

Not that long ago, when Charter occupied swanky London offices in Holborn Viaduct, its board lunches were legendary repasts fit for gourmets, set off with the silverware,

crockery and paintings of a more elegant age. It's rumoured Minorco has requested the return of memorabilia and the three companies, now merely shells, which provided Charter's substance. No-one will confirm this.

Meanwhile, Charter becomes unique, the only pure UK engineering company listed on the JSE. As such, it offers local investors a good rand hedge — if, that is, you believe Herbert can provide consistent returns in an obviously difficult British and EC economic environment.

David Gleason

# Clicks to sell No7

CLICKS aims to reshape the face of the cosmetic industry with the introduction of the Boots No7 range. *S Times*

UK-based Boots is one of the top health-care retailers in Europe, and No7 products are among its most successful. *4-7-92*

With a market capitalisation of more than £2-billion, Boots is in Britain's top 30 and Europe's top 100 companies. *(S)*

Clicks chief executive Trevor Honeysett says managers went to Nottingham to clinch the deal. He believes that the cosmetics business needs a "bit of excitement". *(61)*

"After all, the industry

## Business Times Reporter

has not seen a new range in many years." *(Business)*

To ensure No7 hits the market with a bang, Clicks is spending R1-million on media advertising. It will back this with promotions and other activities.

The 190 products range across the spectrum.

An extensive treatment range will be launched in the third week of July when it will be available in all of Clicks' 150 stores.

No7 is targeted at A, B and upper-C earners. It will be priced between Yardley and Revlon, says Mr Honeysett.

# BP pivots

SI Times (Bus)

## service on

18/1/93

## the Cape

By DON ROBERTSON

THE decision to move BP Africa's support services division from London to Cape Town could lead to SA becoming a major supplier of products to Africa.

The Cape Town division is now responsible for trading and supply, human resources, training, marketing, control and distribution in Kenya, Tanzania, Rwanda, Burundi, Malawi, Mozambique, Zambia and Zimbabwe with functions such as:

John Withey, manager of marketing and control of BP Africa, says: "We would like to supply these associates with products from the most economical source".

Some products, such as lubricants, have been supplied from SA in the past. With the easing of the political situation, more products could be supplied from SA.

Managing director John Greensmith says: "This is a practical move, underlining the increasing ties between the countries of BP Africa and BP Southern Africa."

The decision to move operations followed the sale of BP's interests in West Africa and the rationalisation of the Africa office in London. The support group has been trimmed from a staff of 40 to eight in Cape Town.

It will improve on its response time and efficiency in dealing with its associates. The associates operate independently and meet each quarter.

The closer ties that are likely to be forged between the various countries could result in an extension of the use of the BP Fuelcard. It allows truck operators to charge BP for fuel, lubricants, meals and minor repairs and eliminates the need for drivers to carry cash. Central bank approval for the card has been granted in Zimbabwe, Malawi and Zambia.

There will be other opportunities for BP Africa, including the purchasing power for goods and services.

## Gibraltar ~~Star~~ 27/7/93 opens office

By Thabo Leshilo

South African businessmen and financiers have been urged to take advantage of investment opportunities available in Gibraltar because of the territory's modern free port facilities.

The call was made by Colin White, director of the Gibraltar-based company Westex, at the opening in Johannesburg of the Gibraltar Information Bureau. The office is the first in Africa.

He said the British dependent territory's free port facilities were a convenient and cost-effective base for trading with the huge European Community market and further afield.

Gibraltar's New Harbours development had the infrastructure for small assembly units and its free port facilities offered tax advantages.

FOREIGN FIRMS IN S.A

- BRITISH -

FEB. '94 - JAN. '98

# Kodak's SA chief named

Own Correspondent

up the job on April 15.

LONDON. — Eastman Kodak yesterday announced it has taken the first concrete steps towards its return to SA after leaving seven years ago because of sanctions.

It is in the process of setting up distributors and has bought the shares of Kodak (SA) (Pty) Ltd, the subsidiary which ceased trading in 1987.

The general manager of Kodak (SA) will be Jay C Smith, currently general manager of Kodak Korea, who will take

Eastman Kodak, which announced its intention to go back into the SA market in the middle of last year, said Kodak (SA) "will be operated as small marketing office", primarily in the photographic field.

"The initial efforts of this office will be directed primarily at the operation and servicing of orders from the consumer and professional imaging trade and development of plans for our longer term presence."



# UK construction giant clinches SA contract <sup>CT 22/4/94</sup> (b1)

Own Correspondent

LONDON. — Bovis Construction, the UK's largest construction management company, has established an operation in SA which has just won its first contract — the construction management of a R10m cluster housing development in Sandton.

Former Group Five executive chairman Peter Clogg — who retired last September — is heading up Bovis (Southern Africa).

Bovis Construction is a wholly owned subsidiary of the giant, London Stock Exchange-listed shipping company, Peninsula & Oriental (P&O). It was involved as construction manager for the Euro Disney and Canary Wharf projects. The Bovis group also owns a major US construction management company — Lehrer McGovern — which makes it a significant international player.

Clogg said yesterday

Bovis had entered the SA market because it believed there would be a construction boom in the country over the next four to five years, which could place a strain on the local industry.

Bovis had remained out of SA during the apartheid years, partly because of the effect any involvement would have had on its international operations.

Clogg said the new company would be involved in construction management in countries south of the equator.

The project in Witkoppen Road, Sandton involved the construction of 38 cluster homes for two small developers. Clogg said there was another possible project in the pipeline involving 60 cluster homes.

By AUDREY D'ANGELO  
Business Editor

BRITAIN is still the biggest foreign investor in SA and contributes 20% of all aid to this country from the European Union (EU), Leslie Buchanan, new British consul in Cape Town, pointed out yesterday.

He told the Institute of Directors Western Cape branch, at the Cape Sun, that even before the election he had found British companies enthusiastic about the future of SA: "Over 50% of foreign investment in SA is British. Since 1992 over 30 companies have notified us of new investment here — many more have invested without notification.

"For example, over the next five years the two British companies involved in the cellular telephone battle — Cable and Wireless and Voda-

fone — expect to invest some R6,6bn — or possibly more if the rand is sick."

Buchanan said there had been an overall increase of 14% in bilateral trade in 1993 compared with the previous year "and this increase has been maintained so far this year.

"This is mirrored throughout Europe albeit at a slower pace of 8% or 9%. SA's trade with the EU in 1993 saw a year on year increase of 8,8% and Europe now represents 29% of SA's total foreign trade."

The president of Britain's Board of Trade, Michael Heseltine, would visit SA in July, accompanied by 67 senior British business people, as part of a major campaign to promote two-way trade. "Before then we will see a trip here by the House of Commons Select Committee on Trade and Industry."

But Buchanan warned that high mark-ups by SA companies were discouraging British companies looking for partners in joint ventures.

And bureaucratic red tape could prevent aid from reaching its targets.

He said British and other foreign firms were looking at SA as a centre for serving regional markets, and were considering joint ventures and agency agreements with SA firms.

"Some we know of have been put off by the high markups required by some SA business partners — especially where servicing and after sales obligations in remote areas of neighbouring countries are involved.

"But provided these problems can be overcome we believe there is great scope for SA firms in the region."

Describing how red tape could keep aid money from being used, he said that during three years he spent in Bulgaria less than 10% of EU aid voted to that country was actually spent there. It had been held up by bureaucracy in Bulgaria and in Brussels.

It was important to impress on the SA government that requests for aid and assistance should be formulated in such a way as to cut down on delays and prevent the money from being kept in a bank.

# UK top foreign investor in SA

CT 2/6/94

(b1)

(UK)



BRITISH CONSUL ...  
Leslie Buchanan

# Foreign companies back in SA

MARC HASENFUSS  
Business Staff

60

ARG 11/8/94

FOREIGN multinationals are quietly returning to South Africa with the latest figures from the Washington-based Investor Responsibility Research Centre showing that 15 American and eight non-American companies have returned since July.

The research centre said this brought the number of American companies invested in South Africa to 164 — well up from the low of 104 in 1991.

But the figure is still considerably less than the 1986 high of 286 American companies invested directly in or having employees in South Africa.

Ford is considering returning — six years after disinvesting.

Leslie Boyd, Anglo American Industrial Corporation chairman, said last night representatives of the Ford Motor Company of Dearborn were holding discussions about reinvesting in the South African Motor Corporation.

## Foreign companies trek back to SA <sup>60</sup>

27 11/8/94

JOHANNESBURG. — Latest figures from the Investor Responsibility Research Centre (IRRC), based in Washington DC and distributed by McGregors, show that 15 new US-based and eight non-US companies have entered SA since July.

This brings the number of US companies invested in SA to 164, up from a low of 104 in 1991.

Although the total direct assets of US companies is only R844m, a further 469 US companies maintain a visible presence in SA via franchises, agencies, distribution agreements and loans. Moreover, the IRRC profiles a total of 975 companies in its US directory, many of which are potentially poised to expand their operations in the new SA.

Non-US companies with a presence in SA total 1 501. A total of 127 non-US companies are reported to have severed ties with SA since 1986 as opposed to 182 US companies.

The largest foreign employer in SA is Volkswagen AG with 8032 employ-

ees followed by Unilever with 6 729 and Sara Lee with 4 700 employees.

● Meanwhile, emerging market analysts said yesterday SA could attract over \$1bn in stock market investment within a year, but foreign investors may well tread gingerly for a while.

John Niepold, portfolio manager of the Africa Emerging Markets Fund at American firm Emerging Markets Management, said the SA market was "not particularly cheap".

His comments were echoed by Francois Wohrer, a World Bank investment officer.

They were speaking from Washington in a US Information Service satellite broadcast.

Niepold said a number of issues had to be examined, adding labour rates were high in SA and there was a question whether local companies would be very competitive internationally.

# Foreigners return

228 (60) NM(BM) 12-18/8/94

Jacques Magliolo

**L**ISTEN closely to rumour mongers at the Johannesburg Stock Exchange and you will hear joyous cries of "The multi-nationals are coming back."

If statistics provided by the Washington-based Investor Responsibility Research Centre are anything to go by, foreign investment is definitely bound for our shores.

Distributed in South Africa by McGregors, the research shows that since the official lifting of federal sanctions in July 1991, 60 US companies have returned. This brings the number of US firms invested here to 164.

In addition, the Centre indicates that 15 new US and eight other foreign companies have re-entered South Africa since July this year. These include Novell, Apple Computer, Lotus and Quickpath Systems.

CPC International, Honeywell, IBM and Sara Lee have announced the reacquisition of some or all of the equity in former South African subsidiaries. Other companies which were previously invested in South Africa and are to return include Cummins Engine Co, Dow Jones, Measurex Corp and Procter & Gamble.

The question being asked by analysts is whether these companies will set up factories and retail outlets or just open up offices to sell products manufactured in their countries.

For instance, Apple Computer has a joint venture with HNR Computers, whereby that company will use its national infrastructure to market and sell Apple products. Only when the company has paid for the product in advance, does Apple ship the equipment to South Africa.

McGregors' figures confirm that total direct assets do not amount to much, but it stresses that a vast number of companies do have a presence in South Africa.

Says McGregors: "Although the total direct assets of US companies are only R844-million, a further 469 US companies maintain a visible presence in South Africa through franchises, agencies, distribution agreements and loans."

A number of analysts are more optimistic. One indicates that Procter & Gamble has "never simply opened up an office in another country. It brings its own staff, marketing agents and other experts and usually rips through its competitors." He adds that, in this case, Unilever would finally have a worthwhile competitor.

# Scots home in on SA

Business Editor

SCOTTISH manufacturers who lost market share in SA in the 1980's, when the call for sanctions made trade difficult, were back in Cape Town last week renewing old contacts.

They were part of a trade mission from 19 companies representing interests ranging from engineering and low-cost prefabricated houses to kippered herrings and, of course, whisky.

Some members were in SA for the first time, exploring it as a new market. But at least one, Dewar Horne, MD of the Horne Engineering Co — whose company has exported thermostatic valves to SA for the past 40 years — was visiting established customers.

Mission manager Iain McTaggart, trade promotion executive with the Scottish Council for Development and Industry, said the visit would result in two-way trade.

Although it was mainly exploratory, some mission members had already made sales. Most were planning to return to SA to follow up opportunities.

And they had called on Wesgro, which is now the development organisation for the Western Cape in addition to its original purpose of attracting investment to the area.

SA is Scotland's 10th largest international market for whisky. It is included — in 22nd place — among the top 40 markets for Scottish manufactured exports. These include office machinery, chemicals, electronics, food and drink and transport equipment.

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# Barclays Bank heads back to SA

LONDON — Barclays Bank, with assets of £162bn, is returning to SA nine years after selling its stake in Barnat, which became First National Bank. (b) (X) (S)

It said yesterday the Reserve Bank had granted it authority to set up a banking operation. It expected to open an office in Johannesburg next month.

Barclays Bank of SA Ltd, with starting capital of R50m, would be a wholly owned subsidiary and would not be involved in retail banking. It would focus on cross-border trade finance, corporate banking and serving multinational clients with interests in SA. B010/3195

Barclays said it would also be looking at opportunities for investment banking arm Barclays de Zoete Wedd, which dealt in SA equities and debt in London.

The operation would be headed by Phil-

JOHN CAVILL

lip Howell, who was chief of Barclays' Southeast Asian interests in Singapore.

Barclays would start up with a staff of 15 but expected to increase its payroll as business expanded.

Chris Havilland, who oversees Barclays' African and Caribbean interests, said the move was a logical extension of the bank's existing operations. "We are in Botswana, Swaziland, Zaire, Kenya, Uganda and Ghana. Trade between SA and those countries is increasing. In addition, many of our British corporate clients do business with SA and this will place us in a position to finance exports from the country. We will be serving our existing client base and hope to expand our wholesale banking operations in SA."

# UK car maker plans SA plant

Business Day Reporter

OFFERS of joint ventures with SA partners this week include one from Australia for the production of light aircraft, and a proposal from the UK for the establishment of a motor plant.

The offers are made through the Trade Department's Industrial Development and Investment Centre. They are:

**AUSTRALIA:** An Australian company is offering its technology for the production of light aircraft which can be used for training and recreational flying.

The training of staff, quality control systems and initial production supervision will be provided. *BD 10/4/95*

**BRITAIN:** A company wishes to transfer its technology for the setting up of a turn-key operation in SA to manufacture "unique, low-cost, completely knocked down motor vehicles".

The company is confident that a 100% local content of materials used for the production of this vehicle is possible. It says the plant could be set up and oper-

## JOINT VENTURES

ational within six months.

**GERMANY:** A German company wishes to enter into a joint venture for the production of dust extraction tables or special furniture machinery. The SA partner should preferably be involved in furniture or furniture equipment production.

**UNITED STATES:** A US-based company is seeking a joint venture partner to set up wind and solar energy power plants.

Different options on the installation, finance, training, and other matters of concern to the SA partner can be negotiated, the company says.

Further information on the inquiries can be obtained from Pheko Weeto (012) 310-9800 or Helen Dawson (012) 310-9789 at the Industrial Development and Investment Centre. The fax number is (012) 322-4523.



# General Electric returns to SA

(61) CT (RR) 2114/95  
BY CLAIRE GEBHARDT

ECONOMICS EDITOR

General Electric International (GE) announced its return to South Africa yesterday after an absence of nine years.

GE is fifth on the Fortune 500 list and is one of the world's largest public companies, with revenues of \$60 billion.

The multibillion-dollar diversified technology, manufacturing and services organisation said it had taken its decision purely on business grounds.

GE also announced the signing of a licensing agreement between GE Transportation Systems and Dorbyl to manufacture locomotives and provide maintenance in Southern Africa.

The arrangement will enhance Dorbyl's role as a GE distributor by permitting locomotive manufacturing and full service-contract development in 10 southern African countries.

The newly appointed president of GE South Africa, Michael Hendry, said new diesel-electric locomotives would be built and the

GE fleet in Africa would be rebuilt to install new technology.

The work would be performed at Dorbyl's facilities in Boksburg.

GE Transportation Systems is one of the world's largest producers of locomotives, with units in more than 75 countries.

Dorbyl Transport Products designs and builds freight wagons, bogies and locomotives.

GE said it had been looking at the South African market for the past six months to assess its potential and to ensure investment would be the correct decision.



## Brits scramble for slice of the investment action

**BRITISH** institutional investors and merchant bankers are scrambling for a slice of the action.

Prudential Portfolio Managers, one of the world's biggest investors, has set up its first office in South Africa to build on existing shareholdings worth £230 million (R1 219 million).

Last week Barings, one of London's oldest merchant banks, said it also intended to establish itself in South Africa.

And immediately after the election, Michael Marks, chief executive of the brokers Smith New Court, is visiting the country to meet Nelson Mandela, President De Klerk and Chief Mangosuthu Buthelezi.

"I am also going to see the big mining houses and insurance companies," said Mr Marks, "to find out what they expect from a foreign securities house. The African National Congress have dropped their radical stance on nationalisation, but they want more industry owned by blacks, and that is quite right."

Several of London's top merchant banks and securities houses see restructuring as an opportunity for them to earn advisory fees.

The election is seen by many international fund managers as a watershed, signalling a degree of political stability that will make it essential to deploy part of their portfolios here.

Representatives of Morgan Stanley are in South Africa decid-

■ Investment in South Africa is attracting increasing interest. Last week the Independent on Sunday underlined this by focusing on South Africa in its main business section report. **WILLIAM KAY** reports.

ing whether to put the country's stock market into the influential Emerging Markets Index, which many fund managers use as a guide for their own investment strategies.

Michael Spriggs, head of South African research at London's SG Warburg Securities, said: "If South Africa is classified as an emerging market, £3 billion (R15,9 billion) would give it a neutral weighting in institutional portfolios." A neutral weighting would mean Johannesburg was placed on a par emerging markets such as Singapore or Hong Kong. **ART 30/4/94**

But these estimates may be conservative. The Robert Fleming merchant bank has had a Johannesburg office for many years. From there, Adam Fleming argued, "South Africa would add another £70 billion (R245 billion) to the value of emerging markets currently worth £280 billion (R980 billion).

About a tenth of that is held by investors in developed countries, so if they wanted to bring South

Africa up to the same level they would have to invest £7 billion (R37,1 billion)."

Ironically, little of the foreign money expected to flood into the stock market is likely to find its way into South African companies — except indirectly, through the profits it will give to local investors who sell their shares to meet the demand.

Michael Coulson, South African analyst for the French-owned Credit Lyonnais Laing, said: "Many of their companies are already lean, mean and well cashed-up, after the last three or four years of no growth. They do not need to raise additional money." **(61)**

Sir Chips Keswick, chairman of Hambros bank and a director of South African diamond giant De Beers, said exchange controls were holding the country back. "If they felt they could dismantle that, it would open the whole country up. There is plenty of scope for increasing debt, and they have all the commodities, minerals, power and legal infrastructure to become a highly developed economy very quickly."

But Hugh Freedberg, the South African-born chief executive of Hill Samuel, part of TSB Group, warned: "The new government will have to meet very high expectations among blacks. They will expect to see an uplift in their standard of living in the next year. It's going to be very difficult."

**Singer returns to SA:** The sewing machine manufacturer Singer has returned to South Africa after disinvesting in 1984. All sales and services, previously conducted by Singer's product distributor, Sewing Machines and Home Appliances, will be fully controlled by Singer.

ET(BR)2/5/95 (b1)



STRONG TIES . . . George Msibi and Roy Bishko, founder of the Tie Rack franchise Picture: ANDRZEJ SAWA

## Tie Rack collars an SA outlet

*(61) ST(BT) 7/5/95*

TIE Rack, which has 340 shops in 22 countries selling ties and silk accessories, has opened its first outlet in South Africa.

The British-based chain, founded and chaired by former South African Roy Bishko, awarded a franchise at Johannesburg International airport's duty-free section to Perfect Malimela and George Msibi of First League Trading.

Both are directors of the Fedics group, which has other outlets at the airport. The deal is aimed at black economic empowerment. Fedics has no financial interest in the franchise.

It is Mr Bishko's first visit to the

By ZILLA EFRAT

country of his birth in 11 years.

Born in Bloemfontein, he started selling ties in 1981 at cost price to attract customers to his shoe repair shop in London's Oxford Street.

He was testing whether there was a market for ties and realised that if the business grew, he could make the same, or even bigger margins than the wholesaler. His aim was to sell quality at good prices. Later scarves, socks, boxer shorts, bow ties and cufflinks were added to the

range.

Today, Tie Rack's design team introduces over 1 000 new silk and other products each year. The company is listed on the London Stock Exchange and achieved sales of £84-million and profits of £7.4-million in the year to end January this year.

It has shops in 45 airports where it finds a captive audience: men who usually do not like to shop.

Mr Bishko says: "Under normal circumstances we would not have opened up in South Africa because it is not a big market. But we are here today because I am South African."

# Rip-off brands freeze burger giants out of SA

ST (BT) 14/5/95

(61)

By ZILLA EFRAT

THE world's two largest hamburger chains, McDonalds and Burger King, would already be operating in South Africa were they not embroiled in trademark disputes here.

Both companies have complained to their government that South Africa does not protect intellectual property rights.

This has led to Section 301 proceedings against South Africa which resulted in the country being placed on a special US watch-list at the end of April. The list consists of countries where intellectual property rights violations have been identified.

Both McDonalds and Burger King are facing applications to have their trademarks expunged from the SA register because these have never been used in the country.

The applications can be traced back to George Sombonos, owner of the Chicken Licken franchise.

Reditype Foods, a company in which Mr Sombonos is a director, has asked to have Burger

King's name expunged from the register.

In McDonald's case, the applications were made by Joburgers Drive-Inn Restaurant, a company held by Mr Sombonos, and Daxprop CC, which is owned by Chicken Licken franchise holder George Charalambous.

The US food chains are using different partners at the same firm of trademark attorneys, Spoor & Fisher.

The application concerning McDonalds will be heard on August 28 in the the Transvaal Provincial Division of the Supreme Court.

Burger King will also take legal action and its lawyer confirms that evidence is being prepared.

However, outside observers expect Burger King, a newcomer to the SA market, to wait for the result of the McDonalds case before launching its attack.

In the meantime, it

would seem that both multinationals cannot appoint SA franchisees until uncertainty surrounding their trademarks is eliminated.

Kim Miller, a spokesman for Burger King, says: "All things considered, Burger King would most likely already be open in South Africa. The principal reason we are not, is the trademark issue."

Michael Cleverley, US counsellor for economic affairs, says South Africa is positioned on the lowest of three lists in terms of Section 301 proceedings. If the intellectual property rights issue is not resolved over time the country could be elevated to a higher list.

A special review date for South Africa has been set for September 15 and it is hoped that relevant parties will have met before then to resolve the issue.

A country gets placed on the list after US companies have complained that it is not protecting their intellectual property rights and a US trade representative has found supporting evidence.

# Glaxo takes an interest in SA plague

ST(BT) 2/7/95 (61)

By ZILLA EFRAT

GLAXO, the British pharmaceutical group, has embarked on a R60-million project in South Africa aimed increasing understanding of tuberculosis and finding new drugs and vaccines to cure and prevent it.

SA scientists say that TB is not usually a "rewarding disease" for pharmaceutical companies to research because it mainly occurs in the Third World, where those who contract it are largely unable to pay for treatment. The most recent TB drug was developed over 20 years ago.

Action TB, Glaxo's project, is the biggest research project under way in South Africa and the largest single source of funding worldwide for research into TB, a disease that kills 3-million people a year.

Martin Jennings, Glaxo's corporate affairs manager, says this is the first time Glaxo has funded basic research in South Africa.

The country was chosen because of its unique blend of First and Third World elements — represented by the standard of its research scientists and an outbreak of TB in the western Cape.

The five-year programme will unite research departments of three British and seven SA universities; 85 SA scientists are involved.

All aspects of the TB bacterium and its spread in a community are being studied. A facility has been

built in Pretoria which produces research material for scientists around the world.

Using geographic information and computer mapping systems, scientists are plotting the spread of TB "almost household by household" in the Western Cape, where some of the highest incidents of TB in Africa have been reported.

In addition, infected adolescents are being studied to understand further immunology through hormonal changes.

In 1993, the World Health Organisation declared TB a global emergency. Since then 6-million people have died from the disease and 60-million have been infected with it.

The WHO says while TB is the world's greatest infectious killer of adults, funding for TB has been severely neglected. Less than 1,5% of foreign aid is devoted to it and only a handful of institutions have increased their efforts to establish more effective control programmes.

Mario Ehlers, head of UCT medical school's department of bio-chemistry, estimates that world sales for all TB drugs total less than \$200-million a year while it could cost between \$200-million and \$300-million to develop a new drug.

Professor Ehlers says it is believed that one third of

the world's population is infected with TB but only 10% actually develop the disease.

Infection occurs after one breathes in bacteria expelled in the sputum coughed up by someone who has the disease. The disease takes hold when the body's immunity is low because of malnutrition or diseases like AIDS and cancer. Signs of infection include weight loss, night sweats and coughing up blood.

Peter Donald, head of the University of Stellenbosch's department of paediatrics and child health, says the spread of AIDS could lead to the doubling of TB cases in the near future.

In some African countries, 60% of TB sufferers are HIV positive in what is being called the "cursed duet".

Glaxo's Action TB project began in 1993 but, according to Mr Jennings, it could take up to 12 years before a drug is brought to the market.

The vaccine given to infants reduces TB in children but not in adulthood and curative drugs must be used for six months even though the patient feels better earlier on.

Professor Ehlers says this has resulted in a problem particularly in places like New York, where resistant strains of TB have emerged because people stopped taking the drug too soon.

# Plastics company covers SA

By Audrey D'Angelo  
CAPE BUSINESS EDITOR

A British plastic sheeting manufacturer, Power Plastics from Thrusk in Yorkshire, is now supplying southern hemisphere clients from a Cape Town factory opened in 1993.

David Price, the managing director, told Business Report that it had initially used the Cape Town operation only to supply an order from a client on America's eastern seaboard.

"We expect to supply that market, South America and possibly the Far East, from South Africa," he said.

Power Plastics is currently operating from a rented factory in Bellville where double shifts are being worked on two production lines. But now that the South African operation is proving successful, the company is building its own factory in Blackheath where there will be four production lines.

Price said the company had two divisions — industrial and leisure. The industrial division supplied plastic liners for containers carrying chemicals, granular products such as sugar and hazardous substances.

It had only one South African customer, SA Nylon Spinners, when it first located in Cape Town. It now had "six substantial businesses" in its South African customer base.

The industrial division also supplied plastic sheeting, which could be joined together seamlessly to provide protective covers. This had a variety of uses, from protecting ships' paintwork from damage while they were in dry dock, to covering the rotor blades at power stations and goods left out in the open.

Power Plastics had just received an order from Portnet for sheeting to cover goods lying on the docksides. The main product from the leisure division was swimming

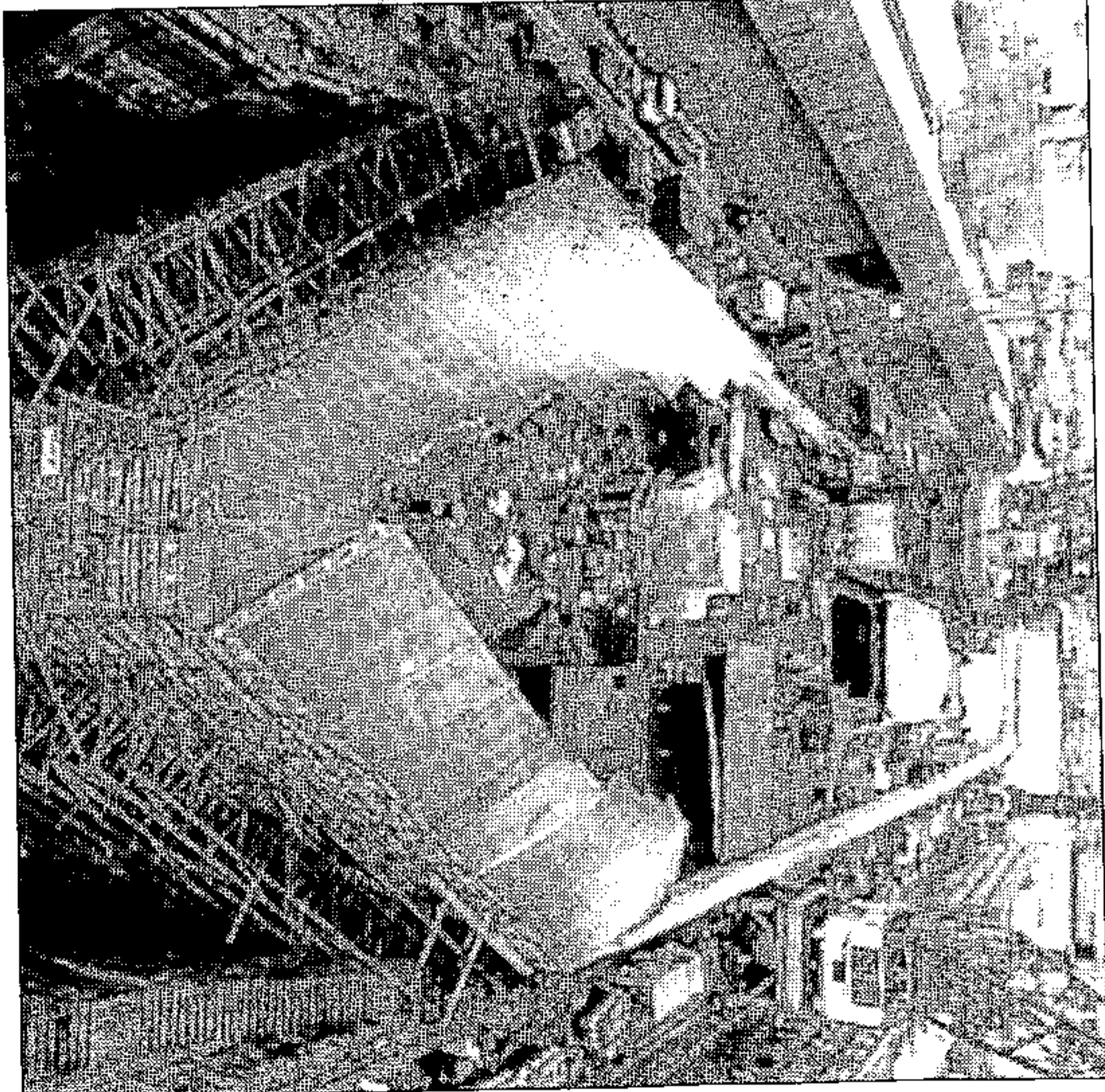
pool covers, for which southern Africa was a strong market.

Namibia was proving a good market for this because of recent legislation that all swimming pools must have covers to minimise loss from evaporation.

Discussing business conditions in South Africa, Price said he had been surprised by the delay in responding to orders and inquiries, the length of time taken for deliveries and poor quality control.

South African companies would have to tighten up on this if they were to compete in international markets. He had also been surprised by the credit arrangements here, where customers took a long time to pay and suppliers expected money up front when taking an order.

Productivity was poor, but the need for more jobs was probably a reason for this. It meant that more people were employed to do jobs, like unloading, than would be the case in Europe.



**WELL WRAPPED** HMS *Illustrious*' paintwork is protected with sheeting made by Power Plastics while sandblasting is being carried out. The company presently has three warships under wraps in Britain.

## 'Britons more eager to invest'

~~(S)~~ (b1) CT 19/9/95

BRITISH businessmen know their South African markets and are "seriously interested" in expanding investments and exploring new opportunities in the Western Cape, but Americans are more cautious, probing joint ventures instead.

This was said by Western Cape Economic Affairs Minister Mr Chris Nissen yesterday

soon after his return from a week-long investment promotion trip with 18 local businessmen to London, Birmingham, Washington and New York.

He said there was "much more interest in SA in the UK than in the US", adding that the trip had strengthened existing ties and explored new business avenues. — Political Staff



# NatWest acquires stake in BoE Merchant Bank

BO 21/9/95

(b1)

## Edward West

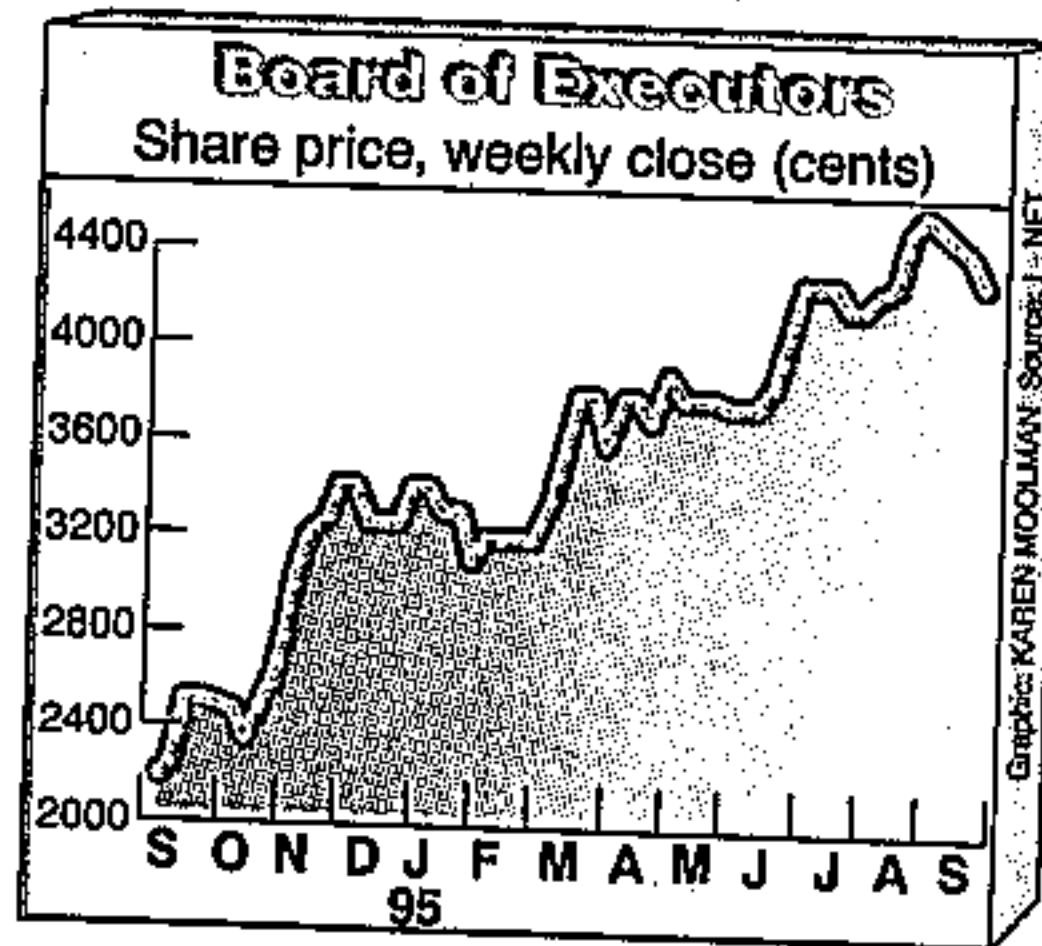
CAPE TOWN — National Westminster Bank has become the first major UK finance house to make a direct investment in SA banking ahead of JSE deregulation and the scrapping of exchange controls, with the acquisition of 50% of Board of Executors Merchant Bank for R90m.

The deal positions NatWest with a platform to build its presence in southern Africa, and enables BoE to take advantage of JSE deregulation through the acquisition of Ed Hern, Rudolph, as well as preparing it to broaden its investment risk profile overseas once exchange controls are scrapped.

Board of Executors said yesterday it would sell 50% of BoE Merchant Bank to NatWest in a restructuring which will result in the acquisition of Ed Hern, Rudolph by a new joint venture merchant bank, BoE NatWest.

BoE MD Bill McAdam said the deal, negotiations for which had begun in July last year, was concluded after BoE decided not to try to expand offshore but to link up with a powerful overseas partner, providing it with international connections and a wide range of financial products and skills.

BoE NatWest will begin oper-



ating in the fourth quarter with assets of R2,1bn and a capital adequacy ratio of 13%.

The new merchant bank will also operate a brokerage through the acquisition of the operations of Ed Hern, Rudolph Inc — subject to JSE deregulation — which will be called BoE NatWest Securities. Ed Hern, Rudolph Inc executive chairman Ed Hern plans to retire to pursue his own interests.

In addition, BoE will form BoE Private Bank and Trust, to which BoE Merchant Bank's existing individual client operations will be transferred. The private bank will begin operating on October 1 1995 and will have assets of about R443m with an initial capital adequacy ratio of 19%.

NatWest Markets, through which National Westminster

Bank's acquisition was made, has assets of more than £76bn.

"Our greatest input will be in the securities business, the import of project financing skills, and in the need to bring in foreign capital for infrastructure assets," said NatWest Markets deputy CE John Howland-Jackson.

The NatWest joint venture and securities operation would have no effect on BoE's earnings in the financial year to end-September, but was expected to significantly contribute to earnings growth thereafter.

McAdam said the money raised from the sale of half of BoE Merchant Bank would be used to finance further investments — the group still planned to acquire a life assurance company even though negotiations earlier this year fell through — and to inject further capital into BoE NatWest over time.

Discount House Merchant Bank, acquired by BoE in January, would be used as the vehicle to create BoE's private bank. Apart from normal banking facilities, the private bank will provide specialised services to high net worth clients and will also include home loans following the recent tie-up with Pam Golding Properties which operates in the same market segment as the bank.

# Irish butter Kerrygold in local launch

~~(61)~~  
By STUART KELLY

CT(BR) 27/10/95  
Johannesburg — Kerrygold, one of the world's top dairy brands, was launched on the South African market yesterday.

The launch of the Irish product, well known for its connection with Independent Newspapers' major shareholder, Tony O' Reilly, and as prescribed reading as a text-book marketing case at Harvard University, was introduced in association with local importers and distributors, The Cold Chain.

Speaking at a Kerrygold trade and press reception in Johannesburg yesterday, Fergus Kelly, regional manager of the Irish Dairy Board, said: "The launch was an opportunity for the Board to celebrate the arrival of Kerrygold in South Africa in what augurs to be an important new era for a major imported dairy brand in the market.

"Working closely with our partners, The Cold Chain... has meant that Kerrygold will be carefully positioned to ensure a meaningful share of butter sales without disturbing the existing market."

Kerrygold Butter has become available in 80 countries since it was launched in 1962 and has been followed by other products such as cheese and tinned milk powders.

Ireland's biggest exporter, the Irish Dairy Board produces a wide variety of branded dairy foods through a network of subsidiary companies, overseas sales offices, agents and distributors.

# UK-based tobacco company enters SA market

~~1A8~~ (b1) CT (PR) 1/3/96  
STAFF WRITER

Johannesburg — Imperial Tobacco, the British-based tobacco company, has entered the South African market with the launch of Superkings, its most popular brand worldwide.

The company has hinted it might set up manufacturing operations in South Africa. That could challenge the Rembrandt group's dominance.

Imperial sells 20 brands in 70 coun-

tries, with sales of 35 billion cigarettes generating R20 billion a year.

Though some Imperial brands had been seen in South Africa, this was Imperial's first direct involvement in the local market, said Robert Gledhill, the general manager of Imperial's South African operation.

He said the domestic market in Britain was mature, so Imperial was investing considerable resources in operations worldwide.

It saw South Africa as a major opportunity, "particularly since it is predominantly a Virginia tobacco market, which is where Imperial's expertise lies".

BrandAdd, an all-South African marketing, sales and distribution joint venture, has been established in Bryanston, Johannesburg.

Gledhill said the company would use South Africa as a springboard into neighbouring countries.

**S**OUTH AFRICANS can brace themselves for a new wave of investment from entrepreneurial billionaire Richard Branson's Virgin empire.

Over 150 Virgin brands exist and, so far, only three have arrived in South Africa — Virgin Atlantic airlines, Virgin Vodka and the Storm modelling agency.

Virgin's colas, Megastores, V2 record company and a range of financial services should soon be launched. Virgin is also set to make a bid for a stake in the privatisation of Sun Air.

According to Branson, the introduction of South Africa's first Megastore is 18 months away. He says Virgin changed its initial concept and is now looking at larger sites. The Megastores could house cinemas, bookshops, Virgin Cafés and clothing and cosmetic ranges being developed in the UK.

Branson expects to open about 30 Megastores in South Africa of varying sizes. Larger complexes could cost about \$30-million and employ around 500 people.

Virgin is also set to add fizz to the local "cola wars". Its director of corporate affairs in South Africa, Tracey Meaker, says it hopes to introduce Virgin Cola onto the market within the next six months. A management team out from the UK is formulating plans, which look likely to include a manufacturing plant. Meaker is not letting too much out of the can, but confirms that Virgin Cola will be made locally by a wholly owned Virgin operation.

Branson says Virgin has identified potential local partners for its move into the financial services market and will meet them next week. They are likely to get a stake in the SA operation.

The range of services to be introduced could include investments, pensions, life assurance, credit cards and a "secret" banking product soon to be introduced into the UK market.

Virgin invested \$250-million in two aircraft for its SA route and expects to invest a further \$150-million in South Africa over the next three or four years.

Virgin Atlantic is an example of how, through product innovation and giving the consumer better value for money, Branson has entered a market and turned it upside down.

# Branson dreams of turning SA into (G1)

## Virgin country

ST (G1) 23/3/97

His company has more than 150 brands, and so far only three of them have been introduced here, writes ZILLA EFFRAT

Developed only 10 years ago as an offshoot of what was then primarily a music group, it is now Britain's second-largest long-haul airline after British Airways.

Branson says its launch in South Africa, where it took on SA Airways and British Airways, "went beyond our wildest dreams". Virgin is now considering adding a larger plane to the route and expects to offer a daily service to South Africa by July.

In an interview at his Holland Park offices in London this week, Branson described how he tackled the UK financial services business after discovering it was a complete "rip-off" which skimmed commissions off all his transactions.

In one case, he says, Virgin looked at the performance of

UK investment managers over different periods and found that in no less than 90% of the time, they did not manage to outperform the all-share index. After taking the investment managers' overheads into account, Virgin concluded that it was better for the average person "to ignore all fund managers" and invest in an all-share index tracking fund which was less expensive to administer.

Over the past three years, Virgin's all-share index tracking fund has been the UK's top performer and Branson believes it could do well in South Africa too.

He says he will again attempt to become the first man to make an around the world trip in a hot air balloon later this year.

Likewise, despite recently losing a bid for a licence, he would still like to see Virgin Radio in South Africa, even if it means buying a licensed radio station one day.

**Virgin has identified potential local partners for its move into the financial services market**

In addition to taking the highest possible stake in Sun Air — which could be 49% — Branson has long-term hopes of running a Pan-African airline which covers Southern Africa.

He says Virgin has become an "all-life" company. Its products, which include condoms and bridal gowns, cover people from birth to death.

This has prompted his friend, singer Peter Gabriel, to suggest that the group be renamed "Virgin In and Out".

There is no doubt that many other Virgin products will find their way onto the South African market, but at this stage no-one is saying much more.

# SA delegation in UK to sign investment protocol

Tim Cohen

LONDON — The UK and SA are expected to sign an investment promotion and protection agreement today to boost growing investment by UK companies in SA.

The agreement is likely to be signed during the visit of Deputy President Thabo Mbeki, Trade and Industry Minister Alec Erwin, Deputy Foreign Minister Aziz Pahad and Deputy Minister Essop Pahad which begins today. Members of the group will visit Queen Elizabeth, Prime Minister Tony Blair, Foreign Secretary Robin Cook

and Trade Minister Margaret Beckett.

The trip will see the establishment of a UK-SA bilateral forum, comparable with established commissions between SA and the US and SA and Germany.

The signing of the Investment Promotion and Protection Agreement protocol is scheduled to take place during talks between Beckett and Erwin, which are expected to deal with SA's trade relations with the European Union.

Officials have been negotiating technical issues resulting from SA's exchange control regulations since 1994, but they have been

ironed out. The UK has already signed 86 Ippa agreements, 72 of which are in force.

They cover the prompt, adequate and effective payment of compensation for expropriation, the ability to transfer profit and repatriate capital, the independent settlement of investment disputes and international arbitration on disputes.

Commenting on the visit, Action for Southern Africa director Ben Jackson said his organisation was encouraged by the bilateral forum, but the real test would be whether the UK would see an SA-EU trade deal as a priority for its EU presidency.

611 97

# The Cape of Capabilities' earns lavish praise at British investment summit

TYRONE SEALE

ARG 29/11/97 (61)

London - Potential British investors in South Africa have been given glowing reports about doing business here - by compatriots already active in the post-apartheid economy.

The compliments flowed liberally during a conference in London this week to entice British companies to open shop in the Western Cape.

The conference was organised by former ambassador to London Dennis Worrall's Omega Investment Research, in association with the Western Cape provincial government, the Federated Chamber for African Business and Consumer Services (Fabcos), the Western Cape economic development agency Wesgro, and other groups.

Western Cape economics affairs minister Chris Nissen presented his province as the "Cape of Capabilities", telling delegates it was unfortunate that many people overseas thought of South Africa in the same terms as Rwanda or Burundi.

He said Cape Town's shortlisting for the 2004 Olympics reflected the province's vast technical

and human resources, which in turn was reflected by the fact that the Western Cape had a higher growth rate than any other province.

But the investment roadshow at London's elegant Dorchester Hotel, where Deputy President Thabo Mbeki spent two nights this week, gained most of its momentum from the testimonials provided by offshore investors active in the Western Cape.

Speakers at the conference agreed that foreign investors were attracted to the Western Cape by its natural beauty, high level of professional skills and manageable crime rate.

This made the province an ideal base for operations in the rest of South Africa and Africa - and elsewhere in the southern hemisphere.

Simon Sherwood, of Orient-Express Hotels Inc, which operates the Mount Nelson Hotel in Cape Town, boasted that in nine years, the hotel had become the fastest-growing investment in the group's small but internationally renowned empire of exclusive hotels.

Masoud Alikhani, chairman of Agrifarm International Limited,

(61)

which has acquired the Delaire Winery - one of the Western Cape's most prestigious estates - has invested in South Africa for the past five years.

His company specialises in developing new technology and other products in agriculture.

Mr Alikhani noted that while in the past 10 years a great deal of Western capital has been invested in emerging markets, South Africa had not received its fair share of this interest.

"We are very proud of our investment," he said.

Equal praise came from John Kempster, managing director of the British-based Rolls Royce Industrial and Marine Power Limited.

He was previously chief executive of NEI Africa, a JSE-listed Rolls Royce subsidiary that employs 2 500 people, most of them in the Western Cape. As part of its social investment, NEI Africa has already put R7-million into two technical colleges of its own, one in Cape Town and the other in Johannesburg.

Mr Kempster said Cape Town was an excellent export platform, particularly to the rest of Africa. - Foreign Service

# Unilever injects R1bn into SA over six years

Tim Cohen

LONDON — Consumer goods firm Unilever disclosed yesterday it had invested R1bn in SA over the past six to seven years.

The president of the Anglo-Dutch company's Africa business group, Henri Bonpun, said the investment drive began just before the general election and was part of a continuing programme.

An investment of R1bn in SA ranks among the highest recorded over this period and supports analysts' suspicions that much of the substantial investment into SA has come through existing companies rather than through the establishment of new entities.

The investment drive has escaped publicity because the company is unlisted in SA and conceals country-by-country breakdowns of its global operations.

Unilever ranks among the world's 50 biggest companies.

Bonpun said the primary aim of the investment was to increase the competitiveness of Unilever's SA operations. The company's products include home and personal-care products including Skip, Ono, Magnum, Flora and Sunlight, as well as food brands.

A major part of the drive was the construction of a R50m personal products factory in Durban, which was formally opened earlier this year.

On plans for the future, Bonpun said SA was an important component of Unilever's Africa operations and was involved in the production and distribution of all core categories of the company's products.

In most markets in SA the company was meeting strong opposition, but was in a good position to grow, he said. As a result of the investment drive the

SA operation was "getting efficiency and quality figures that are as good as anywhere in the world". It had laid a basis for growth, but much of this growth would be organic.

"There are very few possibilities for acquisitions, and when there are the price is horrendous."

Unilever's response was to build "innovation centres" to develop new products and improve the old.

These centres had already developed new forms of packaging for some products, improved formulas for hand lotions and washing powders, some of which were at the highest international standards.

Bonpun said profit produced by the SA operation were in line with those of the group as a whole. Turnover in SA was about \$1bn, just less than half of the group's total African turnover. African operations constituted about 6% of total group turnover.