MANUFACTURING — CHEMICALS & PRODUCTS

APRIL 1975 — SEPT. 1977

183

Blacks do well in laboratories

STAR 18/4/75

Labour Reporter

More than half of the analytical laboratory staff at the Modderfontein explosives factory is Black, and this ratio is expected to increase

At other laboratories of African Explosives and Chemical Industries the position is much the same, Dr G S Harrison, research manager of AE&CI, disclosed in Johannesburg today.

"It has never been found necessary to regard any routine analyses as lying outside the capabilities of Black testers," Dr Harrison told a symposium of the South African Chemical Institute

"With patience it was soon possible to train them to carry out simple chemical calculations — even though their general education had reached the level of only Standard six," he said

A full-time course of three to four months' advanced training had been introduced to provide staff for the research department By next year this course should be extended to include Black staff for factory laboratories

The development of trust and reliance on the ability of Black testers has now progressed so far that, on occasion plant personnel have insisted that a Black rather than a White analyst should be used,' he said

But training of Blacks up to the standard of a technician's diploma was probably some years off due to the absence of advanced technical education in this field, Dr Harrison said

Professor E W Giesekke of the University of Fort Hare said yesterday that his chemistry graduates could not fill all the vacancies for Black graduates

Anyone who believed Africans were getting fair pay, was totally irresponsible," Mr A Lightbody, personnel manager of Chloride (SA) told the symposium yesterday.

It would take an economic growth rate of more than 5,5 percent a year or arresting White living standards for 25 years to achieve a meaningful reduction in the wage gap by the year 2 000, Mr Lightbody said

'Anyone who thinks the Blacks are going to be that patient should think again We, who are the fortunate sector, must make sacrifices," he said

18

AE & CI: margins under pressure

STAR 25/4/75

Business Reporter

The AE & CI group can expect a further profit improvement this year provided there are no unexpected changes in trade conditions and that the new nitrogen complex operates satisfactorily, the chairman, Mr H F Oppenheimer, says in his annual statement.

However, he adds that profit margins in a number of areas of the economy are sensitive in these times of economic recession to the dumping of goods at low prices from abroad.

LOOPHOLES

Insofar as this happens rapid Government action to close loopholes in the duty structure is essential if local industry is not to suffer lasting damage.

Unless inflation can be moderated, the group's investment in stocks and debtors, which doubled in the 1974 financial year, will show further increases.

There is no mention in Mr Oppenheimer's statement of the current level of demand.

In the preliminary profit announcement it was said that demand during the second half of last year had declined because of the tightening of bank credit facilities.

(183)

18/6/75

Natal Mercury Reporter

THE Shell Oil Company plans to spend about R500-million in Southern Africa over the next 10 years, and of this amount R75-million will be spent in Durban.

It was disclosed at a Durban banquet last night marking the company's 75th year of operation in Southern Africa that a two-stage expansion of the group's refining facility and the building of a polypropylene plant would be undertaken in the city.

Mr. K. L. G. Geeling, the company chairman, said in a speech read on his behalf that the two-stage expansion programme would cost R25-million, and the new plant R50-million.

"To enable more petrol and gas-oil to be produced from available crude oil, the catalytic cracking plant is to be improved, and a new complex is being designed to make gas oil available in place of fuel oil.

"This would enable the country's needs to be met with less imported crude oil and improve flexibility. In addition, a new feedstock preparation unit is on the drawing board," he said.

Mr. Geeling said the polypropylene plant would probably be in production by mid-1978. It would have a design capacity of 50 000 tons a year, which would make South Africa self-sufficient at that time and open up significant possibilities for polypropylene.

Other projects for Shell over the next 10 years included the development of an ethylene cracker for the production of feedstock for the plastics industry.

Mr. Geeling also announced that the company's local oil interests would become independent from June 28, thus joining the existing 100 percent owned chemicals, coal and metals companies in the group in Southern Africa.

"We aspire to play a continuing and developing role in the economies of Southern African countries and are at present evaluating new major projects which may well involve capital expenditure of up to R500-million over the next 10 years.

"By the end of the period, therefore, the cost of our asset investment in Southern Africa could be some R750-million."

See also Page 23.

183

SHELL TO COMPRISE 12 FIRMS IN S.A.

Natal Mercury Correspondent 18/6/75

CAPE TOWN — When Shell in Southern Africa becomes an independent oil, chemical, coal, metals and nuclear group within the world-wide Royal/Shell Group on June 26, 1975, it will consist of 12 companies in South Africa, South West Africa, Botswana, Swaziland and Lesotho.

Shell (Petroleum Supply) Ltd. will be the major company. A new company, Shell Southern Africa (Pty.) Ltd. will provide financial computing, corporate planning, personnel and trade relations services to the whole group.

The present oil company in South Africa, Shell South Africa (Pty.) Ltd., will change its name to Shell Oil South Africa (Pty.) Ltd.

Other companies will be: In South Africa — Shell Chemical South Africa (Pty.) Ltd., Shell Coal South Africa (Pty.) Ltd., Billiton Exploration South Africa (Pty.) Ltd. (metals).

In Botswana: Shell Oil Botswana (Pty.) Ltd., Shell Coal Botswana (Pty.) Ltd.

In Swaziland: Shell Oil Swaziland (Pty.) Ltd., Shell Coal Swaziland (Pty.) Ltd.

In Lesotho, Shell Oil Lesotho (Pty.) Ltd.

In South West Africa: Shell Oil South West Africa Ltd.

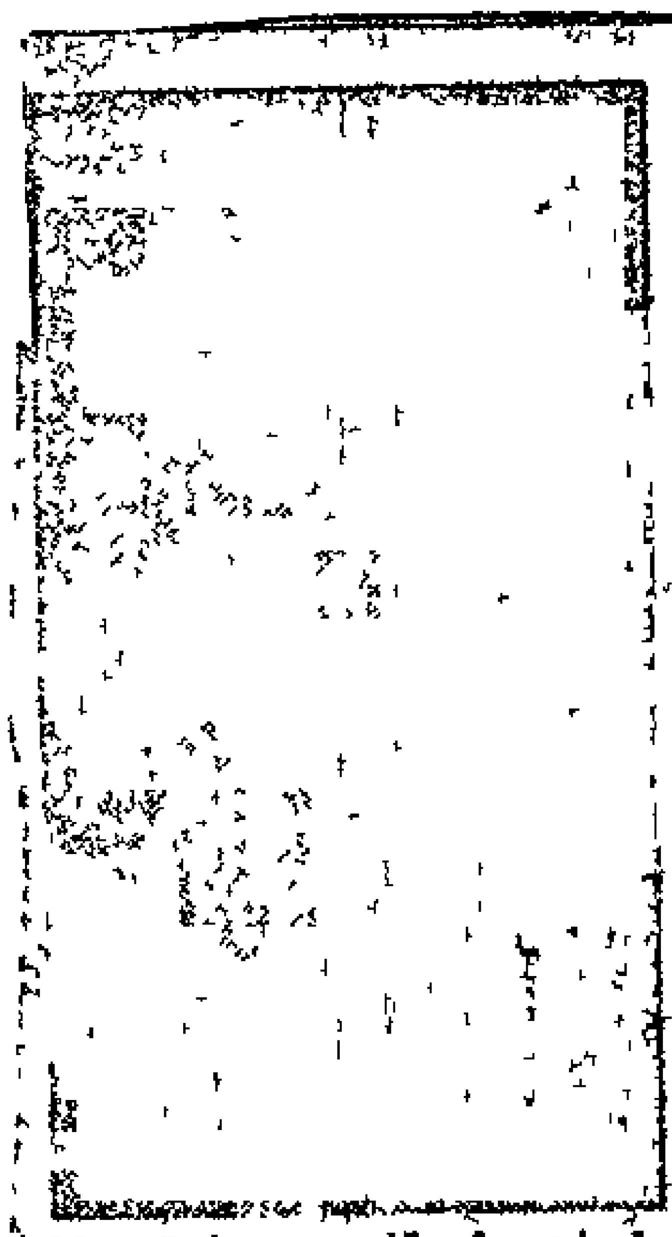
Shell Coal South Africa (Pty.) Ltd. will be responsible for the group's nuclear activities.

In addition, the Shell group will retain a 50 percent interest in Sapref, the Durban refinery which is operated under a service agreement with Shell Internationale Petroleum Maatschappij, The Hague; a 50 percent interest in African Bitumen Emulsions (Pty.) Ltd.; a 25 percent interest in South African Lubricants Manufacturing Company (Pty.) Ltd. (manufacturers of base oils for lubricants); a 17,5 percent interest in Trek Beleggings Ltd. and a 36 percent interest in Prices (South Africa) Ltd.

TEIGUE PAYNE investigates the confrontation between the Nusas Wages Commission and Twins Pharmaceuticals on the low wages paid by Twins' subsidiary Kool Look, a homeland wig factory.

STAR 19/6/75

Wages root of wig problem



Mr Solomon Krok, chairman of Twins' Pharmaceuticals.

The recent confrontation between Nusas Wages Commission and Twins Pharmaceuticals raises some burning issues about labour and company reporting.

The commission had been pressuring Twins since early last year when it found that Twins - 65 percent — held Kool Look wig factory in Babalegi, Bophuthatswana, was paying a minimum wage of R2,50 to R3,25 a week.

Since then this has been increased to R4 and Twins says the average wage is R5.

The commission's pressure culminated in a student picket of Twins annual meeting at its headquarters in Isando this month

After the meeting, executives of Twins defended Kool Look's wages. Mr Solomon Krok, the chairman, admitted they were low, but said Twins also saw the factory as a way of creating employment and training people.

KOREA

He said, it had been found that the African women of Babalegi could not produce wigs of the same quality as those in the Far East. Any small wages paid to wig-makers in Korea were quoted to show the severe competition Kool Look faced

He said that wig importers (and Kool Look imports some wigs) could land wigs in South Africa at 90c, whereas Kool Look could produce at not less than R1,50 and sell at R1,80.

Twins had not "exploited people to make a fancy profit," he said. Last year Kool Look's profit before tax was R130 000, and the factory had never shown more than 13 percent return on capital.

REDUCED

Twins says that since last year there has been a down-turn in the wig trade Kool Look is now manufacturing half the units it had. Its labour force has been reduced by half and its turnover is down 30 percent.

If Twins increased wages by R10 a worker — which is below the commission's demands — this could send it into loss.

In reply, the commission acknowledges that Kool Look has a cost structure which prevents it from paying much higher wages But it relates Kool Look to the policy of decentralisation for this and other factories.

"How can people be employed for a full working week and be paid a quarter of the poverty datum line for the area? And there is no prospect that Kool Look will ever be able to pay the required amount," says Mr Martin Nicol, chairman of the NUSAS Wage Commission.

While Twins appears to have a reasonable case for its Kool Look wages, its handling and presentation of the issue shows contradictions.

● Two days before Twins annual meeting, Mr C M Steinberg, a director, held discussions with the commission to call off the picket Mr Steinberg told the commission that Twins had decided to sell immediately its holding in Kool Look to the minority shareholder, Mr M Zeligson.

HASTE

He said they were negotiating in great haste, that Twins would help Mr Zeligson to buy its 65 percent share, and that an announcement of the sale would be made in the Press within a few days

"We cannot live with this for another moment," he said.

He was keen to know whether the picket would be called off because of the sale; but the commission would give him no answer.

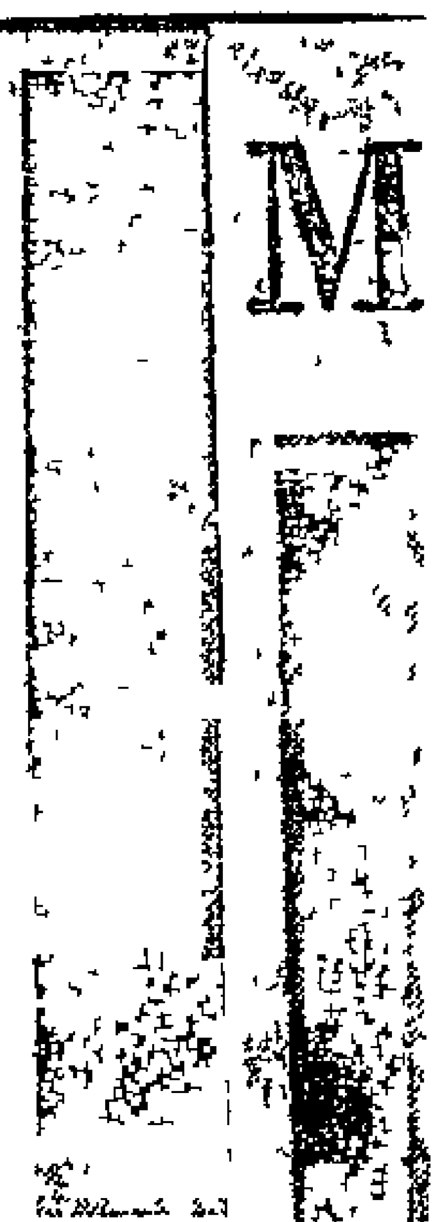
At Twins' annual meeting, Mr Krok said nothing of the sale When questioned by Pressmen afterwards, he said there was a possibility of the factory being sold, but the chances were only 50—50.

○ Twins says Kool Look is facing severe problems. But its annual report, dated March 27, says the company "continues to grow from strength to strength."

Twins explains that in September protection was imposed against overseas competition for local wig manufacturers Twins then felt that a new era had dawned for the industry, and it was on this supposition that the report was written

In April, the turnover figures arrived, and Twins realised that the contrary was the case

Last year however, the factory employed more than 600 people Since then, this has been reduced to 330, and the reduction began well before



R26m polymer plant being built at Bellville

(183)

Cape Times 15/7/75

By PAUL DOLD, Financial Editor

A R26 m plant which will make South Africa self-sufficient in polyester polymer — the vital material from which polyester yarn is produced for textiles and industry — is being built by South African Nylon Spinners at Bellville

SANS is owned by ICI (about 30,4 percent), De Beers (30,4 percent), AE&CI (29,6 percent) and the IDC (10 percent)

The massive complex which is to cover almost 5 ha has been code-named Project 90. Sited next to the existing SANS plant at Bellville, Project 90 is to use a top secret process developed by the UK giant ICI which represents a scientific breakthrough in polymer production.

I understand that the plant will be the first in the world to use the new process and is Africa's first polymer unit. It will ensure that South Africa has ample supplies of this key material for her future needs probably up to 1986

50M KG

When fully developed the plant will have a 50m kilograms a year production The first stage, with a projected output of 25m kilograms is to cost some R16,6m and should be completed within two years

In an exclusive interview yesterday Mr Derek Yates, production and engineering director, and Mr Reg Clarke, the project engineer said that South Africa's demand for polymer is expected to more than double from the present 15m kilograms to 52m kilograms in 1986

The project could lead to South Africa exporting polymer to other countries in the Southern Hemisphere such as Australia and New Zealand

This exciting development will help to underpin South Africa's textile industry at a time when trade with the rest of Africa could receive a boost from détente The demand for clothing and fabrics is expected to soar as African living standards rise

Up to now SANS has imported polymer from Britain and elsewhere

Two basic petro-chemicals used in polymer production — ethylene glycol (a pure version of the commonly known anti-freeze) and an acid—will have to be imported from Britain It is hoped, however, that with the development of a petro chemical complex at Richards Bay, SANS will soon have a local source

FILAMENT FIBRE

Talks are underway which may lead to SANS supplying Hoechst (which produces a stable fibre as against SANS' filament) with polymer

Project 90 will include the latest colour television system to monitor the sophisticated plant which is to be computer controlled The staff will consist of only around 150 workers because of the highly automated design

The complex will have a high local content with more than R9,2m being spent locally on the first stage — the balance being earmarked for the importation of the sophisticated plant from ICI Britain

Firms on project

THE consulting engineers on the project are Kantey Templer Loteryman and De Kroon Williams Slingsby and partners are the quantity surveyors, Charles McCarthy and Sons are handling the building while the steelwork contract has been awarded to Dorman Long Swan Hunter Simon Carves is responsible for the piping. Special tanks are being supplied by Cape Town's Consani's and Globe and others.

F.M. 25/7/75

183

Do not write in this margin

[illegible]

[illegible] lucrative export trade will be excluded.

[illegible] on [illegible] be ultimately [illegible] 99% by [illegible] and [illegible]

Although the arithmetic, yet to be worked out, could show that some cash adjustments must be made, his proposals indicate a paper, and not a cash, transaction.

He maintains that [illegible] being able to reduce the unnecessarily [illegible] range of [illegible]

If he's right, the [illegible] shareholders in [illegible] and also in [illegible] should listen carefully when he puts up

[illegible]

[illegible] the long of the [illegible] industry.

[illegible]

Do not write in this margin

(183)

Sun Trib (Fin). 27/7/75

Govt may have to act in packaging feud

By ESMOND FRANK

A SIMMERING feud between sectors of the R400-million packaging industry threatens to burst into war if the Government does not force a settlement.

The conflict, if allowed to continue, could mean catastrophe for some container and other packaging manufacturers and hit the petro-chemicals, dairying and even synthetic rubber industries.

In the long term it could increase the price of milk and Bantu beer.

Plastic container manufacturers allege unfair competition from the manufacturers of polythene-coated cardboard containers, both widely used for packing milk, Bantu beer and fruit and other juices.

They say that while the cardboard-carton-makers are allowed to import board from the United States and Sweden, plastic-container-makers are forced to buy polythene locally at uneconomical prices.

The major suppliers, AE and CI and Safripol, are forced to buy the basic raw material, ethylene, from Sasol which, 16 months ago, increased the price of ethylene by more than 382 percent, from R75 to R287 a tonne.

South African polythene is said to be the highest priced in the world.

Plastic-container-makers feel they are being unfairly forced to subsidise the price of Sasol petrol, which, by comparison, rose only by 26 percent because of pressure by oil producers in the Middle East.

Local

Sasol is unable to dispose of its ethylene because of the high price. The local polythene polymer producers, says an informed source, have been forced to revert to full production in the face of falling demand to prevent the closure of one of Sasol's two ethylene crackers.

The aggravated build up of static polythene inventories by the polythene polymer producers have had to be financed by the Government with public funds.

Figures show Sasol's two ethylene crackers have a total annual production capacity of 140 000 tonnes About 130 000 tonnes is destined for further processing by the local polyethylene industry.

Domestic

However, the real demand by polythene polymer manufacturers is said to be as low as 70 000 tonnes a year. If domestic demand is not soon stimulated, Sasol could again face closure of one of its ethylene crackers.

While ethylene is a by-product of Sasol's naptha crackers, it is a vital element since it heavily subsidies the production of Sasol's petrol

If Sasol is forced to close a cracker, it will lead to a big question mark about the economic viability of the 180 000-tonne-a-year capacity cracker designed for Sasol II

Market

While polythene-container-makers held 65 percent of the single-trip Bantu beer container market a few years ago, my informant tells me that 95 percent is now held by the makers of cardboard cartons who import their board from the United States

Units

The demand for single-trip containers is 105 million units a month, of which 65 million are bought by the state-owned Bantu beer industry. The rest are bought by the dairy industry.

About 80 million units of the monthly demand are polythene-coated cardboard cartons.

Because the cardboard carton sector accounts for 95 percent of Bantu beer containers, the Bantu beer industry is almost dependent on imported materials for the distribution of its beer, sales of which are said to be R100 million a year

Capacity

And because little new carton board capacity is contemplated by overseas producers, the expected upturn in the western economy will mean board will become scarcer and, perhaps, more expensive.

This, in turn, may cause an increase in the price of milk and Bantu beer, both described as "important political currency in South Africa today".

The Government, however, appears unwilling to either impose an effective duty on imported board or to permit the importation of polythene to allow local plastic-container-makers to compete on a fairer basis for state business.

The coated-board industry is fighting shy of state intervention because it could hit returns on capital it plans to invest in two factories for the conversion of imported material to meet increasing domestic demand.

Footnote: High-density polythene produced in South Africa costs R740 a tonne. Plastic-container-makers claim it can be imported for R440 a tonne.

183

Fertiliser front broken up by Fedmis

Rand Daily Mail 31/7/75

By CHRIS CAIRNCROSS
Industrial Editor

THE UNITED front presented by the price-controlled fertiliser industry was torn apart yesterday with the announcement by Federale Kunsmis that it will drop the price of fertiliser by an average 2 per cent a ton from tomorrow.

The announcement was made with the release of the Fedmis interim results which show that the group's earnings for the six months to June 30 last, shot up 63 per cent on the corresponding period in 1974.

It drew strong reaction from Mr Louis Luyt, chairman of the other main fertiliser manufacturer, Triomf Fertilizer, who said it made a mockery of the case the industry put to the Price Controller at the beginning of the year and which resulted in a 38 per cent increase in prices being granted from February 14.

Mr Luyt said Triomf would not follow suit as it would not be in the best interests of either the Triomf shareholders or the fertiliser industry.

He said that to make any concession defeated the objective of giving the fertiliser industry the opportunity to recover the low returns it had to absorb before the 38 per cent price increase was granted.

The view expressed by the industry when the increase was granted was that it allowed only for the recovery of income lost in 1974 and the early part of 1975.

The directors of Fedmis say the reduction in fertiliser prices, which amounts to a little over R2 a ton, was made possible by a price drop in raw materials, which it was able to buy on a forward basis.

The company was thus able to build up stocks at a time when demand had slackened.

Mr Luyt said Triomf had not been in the same position to build up stocks as the company was forced in 1974 to supply the domestic market with 62 000 t of fertiliser more than its required market share agreement with Fedmis.

This was because Fedmis was unable to supply the goods.

The position was aggravated in January and the first half of February when 14 000 t more than Triomf's agreed quota had to be supplied

BRUNT

Mr Luyt said this tonnage was sold at the old prices, which meant Triomf has had to bear the

183

Pharmacy monopoly inquiry ordered

1/8/75

The Argus Correspondent

JOHANNESBURG. — The Minister of Economic Affairs, Mr J. C. Heunis, has instituted a monopolies inquiry into the supply and distribution of pharmaceutical products.

In a statement yesterday afternoon, the Minister said he had instituted the inquiry as a result of a considerable number of complaints. He had instructed the Board of Trade and Industries to carry out the inquiry.

Complaints were over alleged restrictions on competition in the supply and distribution of pharmaceutical products.

The inquiry is being made in terms of Section 111 (1) (a) of the Regulation of Monopolistic Conditions Act. A notice concerning the investigation is due to appear in today's Government Gazette.

Interested parties were invited to submit representations and information on the subject to the secretary of the Board of Trade and Industries, Private Bag X342, Pretoria.

183

1) 247
2) [illegible]
3) 183
4) 45

Probe has us in dark

Rand Daily Mail [illegible]/75

Staff Reporter

MEMBERS OF the Pharmaceutical Society of South Africa say they are still in the dark as to the purpose behind the proposed Government investigation into the supply and distribution of pharmaceutical products.

The Minister of Economic Affairs, Mr Chris Heunis, called last week for the probe into possible monopolies in the drugs industry and into high prices.

The president of the Pharmaceutical Society, Mr William Bannatyne, said from Cape Town yesterday: "I have had discussions with several members of my executive and we are still mystified about the investigation.

"The terms of reference of the inquiry are very wide and general and we don't know what it is aimed at.

SIMILAR

"We are expecting to receive a questionnaire within the next month and will then know whether the investigation is general or specific. At this stage it looks like an inquiry into the whole distribution of medicines."

Mr Bannatyne added that in all previous investigations of a similar nature the pharmaceutics industry had come out very well.

The announcement of the investigation was welcomed by the Minister of Health, Dr Schalk van der Merwe.

And yesterday the national president of the Housewives League, Mrs Hope Hughes, said: "We are absolutely delighted about the investigation. We hope that when firms are caught overcharging strict steps will be taken by the courts so they are found guilty and fined heavily.

"People are frightened to consult doctors these days because they cannot afford the high prices charged for medicines."

[illegible]

[illegible] for ethic[illegible]

[illegible]	India	Europe
Chloramphenicol	47,62	20,50
Prednisolone	1 [illegible]	[illegible],00
Chloroquine phosphate	[illegible] 06	[illegible] 50
Streptomycin	[illegible]	[illegible],00
Tetracycline	113,39	[illegible],00
Vitamin C	9 [illegible]	2,40
Vitamin A (price per 1 000-m units)	52,16	23,00

Indian regulated pharmaceutical prices were found to be on average 357 per cent higher than European prices.

Multinational and "Other" Firms

Chemical Name	Trade Name	Price per kg in US $ "Other"	Multinational
Clordiazepoxido	Librium	$ 18,90 — 20,00	$ 1 250,00
Diazepan	Valium	40,00 — 45,56	2 500,00
Nitrazepan	Nogadon	108,70	2 088,00
Ampicilina	Pentrexil	162,50 — [illegible]00,00	420,00
Tetraciclina	Dernal	17,75 — [illegible],00	140,00
Indometacina	Indocid	72,50 — 110,00	220,00
Metronidazol	Flagil	11,15 — [illegible]1,50	38,00
Acetazolamida	Diamoz	13,50 — 16,25	[illegible]3,00
Furosemida	Lasix	77,00 — 100,00	1 177,00
Cloranfenicol	Chloromycetin	13,00 — 15,95	[illegible]0,00

Colombian comparisons show the vast difference in that country between the prices of drugs marketed by big multinational companies and other companies

BEFORE reading any further, have a glance at the two tables (left) of drug price comparisons.

And now, if you care to do so, breathe a silent prayer for India, and a whole lot of other countries where sickly little health budgets cannot even begin to help millions of diseased and dying people — countries around the world which are being taken for a ride, possibly and even probably including South Africa.

Controversy over high drug prices has erupted periodically over the past decade or so, especially in the United States and Europe, and because human life and suffering is involved together with allegations of exorbitant profits made by powerful companies, the issue has become particularly emotive

To what extent are the big drug companies culpable of unethical profiteering out of the life-saving ethical drugs which they develop and collectively monopolise?

The companies' stock reply to accusations that they are over-charging is that they are a special case, their research programmes are so costly that they have to charge high prices merely to recoup their outlay.

But if indeed they are a special case, then in the opinion of their number one critic, Charles Levinson, secretary-general of the Geneva-based International Federation of Chemical and General Workers' Unions (ICF) they also "certainly justify special diagnosis"

And this is what he has done in a booklet entitled "The Multinational Pharmaceutical Industry" from which the two … here …

Levinson gives … examples of profit-making … best known … ing the … biotic tetracycl… United States, … tranquillisers … and Valium in …

Under … Amer… monopolies … tion Pfizer, … Cyanamid and … companies were … of making … profits on … with 100 … the manu… tween $1,59 and … produce but … druggists for $30 … the public for $51 …

The manu… price … eventually fall … panies offered to … $120-million to … whom they had … charged.

… Librium … the brand … Swiss … LaRoche … oxide … June 197… newspaper … attention … Canada … Products … the Swiss … that … in Canada … kilo, the … manufacturing … material … kilo. … duct is sold for … times the … mented … writer …

Denial

"Even … material … tablets … labelled … Roche is still … $200 … 25th of …

In September … the British … Commission … investigate Librium … Valium. It found … these two … £24-million profit … been made in six … ordered the compan… reduce prices … 60 per cent and … the Government … million, which it … claimed it was … overcharged.

(1) 28
(2) 183
(3) 70

...rices ...rugs?

...ording to Levinson ...timated cost of man-...ring, packaging and ... was $1,79 ... the ... price to the chem-... was $10.

'This does not allow for ...earch costs, but even ...lowing 13 per cent for ...s the mark-up is huge." There was also the sus-...icion that Roche impor-... Librium and Valium ... its parent in bulk at ...ated prices — so that ... fact the bulk of the pro-... ...rom the British mar-... accrued outside that ...untry.

Levinson describes Hoff-...-LaRoche as "one of ... most secretive and au-...ratic enterprises in ex-...ence" which grew to be-...me the biggest pharma-...cal company in the ... entirely out of its profits.

It has never gone to ...rivate money market ... single franc of new ... since its original ... by a small family ... This is why a share ... now sells for ... astoundingly high ...ice of $43 000."

Turnover

To give some idea of ...offman-LaRoche's size: ...s 1971 turnover in pharm-...ceuticals was $1 250-mil-...on, and it employs more ...han 36 000 people in 60 ...mpanies in 32 countries, ...perating six large re-...earch centres, 42 pharm-...ceutical factories and 26 ...emical plants.

Other examples of ex-...essive profit making given ...y Levinson:

- In the United States ...1970 the Schering Com-...any sold ...chlortemeton ...ti-histamine tablets to ...uggists for $20,59 a 1 000 ...hereas the same quantity ...the drug could be ...ought under its generic ...hemical name for $1,40.
- For 1 000 Serpasil pills, ...ba demanded $39,50 ...om druggists, though un-...er the name Reserpine ...was available for 89 ...nts.
- Tetracycline again ...has been marketed ...r years by the Bristol, ...fizer and Cyanamid com-...anies at 30c a capsule, ...the firms were produ-...ng it at only about 1c a ...apsule — a difference of about 3 000 per cent.

'They were forced to cut the price when some small firms began offer-ing ... the same capsule that Bristol call Tetrex, Pfizer offers as Tetracyn and American Cyanamid sells as Achromycin."

- Tranquillisers such as Miltown and Equanil sold to druggists for more than $61 a 1 000 tablets but the same tablets under the generic name Meprobamate could be obtained for $20.

Harsh

Levinson is particularly harsh on the practice of prescribing the often vastly more expensive brand name drugs rather than the generic versions.

"In the United States nine out of every 10 doctors persist in writing prescriptions under the brand name. A Department of Health Education and Welfare estimate showed a possible $41,5-million saving on drugs purchased for the elderly in 1966 if doctors had prescribed by generic rather than brand names."

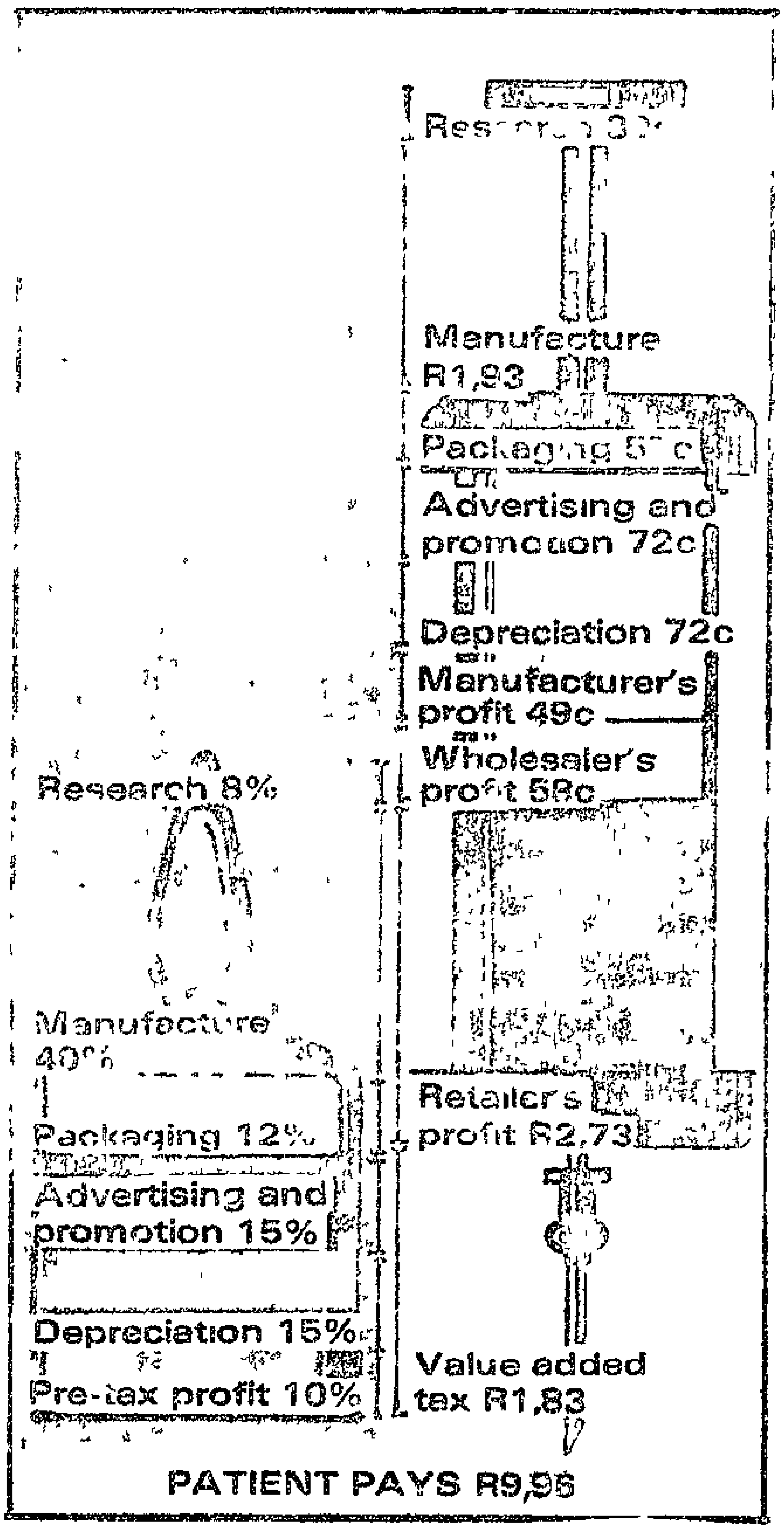
One obvious reason for this is that doctors are deluged by costly promotional literature. It is estimated that in America the industry spends about $3 000 a doctor a year on brand name promotion.

Another charge against branded drugs is that companies attempt to extend the use of their products by training doctors to prescribe in response to symptoms rather than to diagnose fully and by an over-generous definition of the diseases for which each product is said to be effective.

Misleading

How much better are the brand name drugs? Levinson believes that many of the claims made on their behalf in expensive promotional literature are tendentious and often even deliberately misleading.

He cites a review undertaken for the US Food and Drug Administration of 4 300 versions of 2 800 drugs: 11 per cent of the 4 300 products were judged ineffective, 15 per cent effective, 47 per cent possibly effective and 27 per cent probably effective.



The drug manufacturer's cost structure (left panel) showing 8 per cent for research and 27 per cent for packaging and promotion. Right panel: where your money goes in a typical ethical (sold by prescription) drug. The mark-ups are based on French margins.

Of 2 000 brand name drugs in the sample, 8,8 per cent were judged ineffective compared with 7,7 per cent for the generic ones, and this Levinson sees as giving the lie to claims that the more expensive brand name drugs are safer and more effective.

He says it is little wonder that chemists favour the proprietary or brand names — many chemists stock only these versions — because they work on mark-ups as high as 75 per cent on the wholesale price, and the higher the price the higher their mark-up.

To the pharmaceutical industry's claims that high prices are justified by the long time-scales and the heavy costs of research, Levinson counters:

- The major part of so-called research expenditure does not go into anything like basic research which produces ... medical breakthrough ... justify the industry's eco-...omies, but is spent inste-... on development.

The latter he deems ... be "little more than ti-...ering with dosages, form-...lations and production p-...cesses to get round pate-... and to come up with ... marketable pro-...

- ... is not p-... of ... but is tr-... normal busin-... expenses with the "hig-... achieved af-... research costs are ded-...ted.

The growing tendency ... take no risks in searchi-... the unknown but to co-...centrate on developme-... the easy pr-... mostly be-... says caus-... disaffection among you-... researchers who are li-... to conducting rep-... and maki-... valueless modifications ... existing formulae.

Disaffection

"The human cost ... drugs that might not n-... be developed because ... go, no-go decisions made ... an early stage on a phi-...sophy of no risk can or-... be guessed at."

All this said, I feel ... necessary to make so-... personal observations ... though there has been e-...dence of serious pri-... racketeering in the ethi-... drug ... it is difficult ... agree with Levinson th-... the industry's profits in ...neral are anything mo-... than healthy — in Euro-... they averaged in a 19... about 20 to 25 per ce-... gross before depreciati-... and seven to nine per ce-... net.

Furthermore, pioneeri-... research is risky and a fi-... which takes the plunge a-... succeeds deserves fin-...cial reward for produci-... a product of great bene-... to mankind, although n-... a licence to make fat p-...fits indefinitely.

Socialism

In the climate of soc-...lism sweeping throu-... much of the world tod-... virtually any kind of p-...fit is being frowned ... if not even denied, and ... seems to me no wond-... that international comp-...nies are tempted to reso-... to dubious transfer-prici-... techniques, tax havens a-... other methods to secu-... their profits.

Hoffman-LaRoche an-... the other big compani-... have produced life-savi-... medicines, and if the i-...centive is in large me-...sure money it should n-...vertheless not be killed ... — even though some mig-... consider it a distasteful p-...radox that public heal-... should depend so large-... on private profit.

Government team to probe SA pharmaceuticals

RDM 22/1/75

183

Staff Reporter

THE team to probe South Africa's pharmaceutical industry was announced in Pretoria yesterday by the Minister of Economic Affairs, Mr Chris Heunis.

The nine-member commission will be under the chairmanship of Prof W F J Steenkamp, former chairman of the Wage Board, deputy chairman of the Board of Trade and Industries and a member of the Prime Minister's Economic Advisory Council.

The commission is to report and make recommendations on.

- The manufacturing already undertaken in South Africa, the extent to which this secures the country's independence from foreign sources on essential requirements and the measures needed to encourage further manufacturing
- The raw materials already being manufactured satisfactorily in the country, which other raw materials should be manufactured locally and the cost implications
- The Patents Act, and the limitations it places on the manufacture of pharmaceutical products
- The export potential of the industry and the limitations placed on it by royalty agreements with foreign licence holders
- The price structure of pharmaceutical products, the increase in prices and ways of combating price increases
- The desirability of joint buying of pharmaceutical products by the State and the effect this would have on prices
- The customs duties levied on imported raw materials and medicines merely for purposes of revenue and the effect on the cost of medicines

STEENKAMP TO HEAD INQUIRY

Natal Mercury 22/8/75

183

PRETORIA — The nine-man commission of inquiry into the pharmaceutical industry in the Republic will be under the chairmanship of Prof W. F. J. Steenkamp, the Minister of Economic Affairs, Mr. J. C. Heunis, announced here yesterday.

Prof Steenkamp was previously chairman of the Wage Board, deputy chairman of the Board of Trade and Industries and is at present a member of the Prime Minister's Economic Advisory Council

MEMBERS

The other members are Prof Georg Marais, director of the School for Business Leadership at Unisa, Mr Nelson Tuck, vice-chairman of the Chemical Processing Association; Mr. Roeben Birin, president of the South African Pharmaceutical Society; Mr. J. H van der Walt, member of the Pharmaceutical Council; Dr R E. Bauling, company director and a member of the Medical Advisers Group of the Pharmaceutical and Chemical Processing Association; Mr. P F Retief, chief of pharmaceutical services of the Department of Health, Mr. David Tabatznick, company director and manufacturer, and Mr A. J Myburgh, chief industrial adviser in the Department of Industries —(Sapa)

MANUFACTURING - Chemicals

STAATSKOERANT
VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA
GOVERNMENT GAZETTE

As 'n Nuusblad by die Poskantoor Geregistreer | PRYS 20c PRICE | OORSEE 30c OVERSEAS | POSVRY — POST FREE | Registered at the Post Office as a Newspaper

Vol. 123] PRETORIA, 12 SEPTEMBER 1975 [No. 4843

PROKLAMASIE

van die Staatspresident van die Republiek van Suid-Afrika

No. 218, 1975

KOMMISSIE VAN ONDERSOEK NA DIE FARMASEUTIESE BEDRYF IN DIE REPUBLIEK VAN SUID-AFRIKA

Kragtens die bevoegdheid my verleen by artikel 1 van die Kommissiewet, 1947 (Wet 8 van 1947), verklaar ek hierby dat die bepalings van genoemde Wet van toepassing is op die Kommissie van Ondersoek na die Farmaseutiese Bedryf in die Republiek van Suid-Afrika, wat ek vandag aangestel het

Gegee onder my Hand en die Seel van die Republiek van Suid-Afrika te Pretoria, op hede die Een-en-twintigste dag van Augustus Eenduisend Negehonderd Vyf-en-sewentig

N DIEDERICHS, Staatspresident

Op las van die Staatspresident-in-rade

J C. HEUNIS

PROCLAMATION

by the State President of the Republic of South Africa

No 218, 1975

COMMISSION OF INQUIRY INTO THE PHARMACEUTICAL INDUSTRY IN THE REPUBLIC OF SOUTH AFRICA

Under and by virtue of the powers vested in me by section 1 of the Commissions Act, 1947 (Act 8 of 1947), I hereby declare that the provisions of the said Act shall be applicable to the Commission of Inquiry into the Pharmaceutical Industry in the Republic of South Africa, which I have appointed today.

Given under my Hand and the Seal of the Republic of South Africa at Pretoria this Twenty-first day of August, One thousand Nine hundred and Seventy-five.

N DIEDERICHS, State President.

By Order of the State President-in-Council.

J. C. HEUNIS

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN NYWERHEIDSWESE

No. 1725 12 September 1975

KOMMISSIE VAN ONDERSOEK NA DIE FARMASEUTIESE BEDRYF

Hierby word vir algemene inligting bekendgemaak dat dit die Staatspresident behaag het om 'n Kommissie van Ondersoek te benoem soos volg

OPDRAG

van die Staatspresident van die Republiek van Suid-Afrika

Aan

PROF WILLEM FRANCOIS JOUBERT STEENKAMP;
DR. ROBERT EMMANUEL BAULING,
MNR REUBEN BIRIN,
PROF GEORG MARAIS;

GOVERNMENT NOTICE

DEPARTMENT OF INDUSTRIES

No 1725 12 September 1975

COMMISSION OF INQUIRY INTO THE PHARMACEUTICAL INDUSTRY

It is hereby notified for general information that the State President has been pleased to appoint a Commission of Inquiry as follows·

COMMISSION

by the State President of the Republic of South Africa

To

PROF. WILLEM FRANCOIS JOUBERT STEENKAMP,
DR ROBERT EMMANUEL BAULING;
MR REUBEN BIRIN;
PROF. GEORG MARAIS;

183

(1) 70
(2) 107
(3) 183

STAR 23/9/75

Dutch firm to expand in SA

Tim Patten

THE HAGUE—A large Dutch company, Akzo, has announced that it is to build a R1,7m factory in kwaZulu — causing a wave of left-wing indignation here.

The announcement by the chemicals subsidiary of the giant organisation came at the start of a campaign for withdrawal of investment from South Africa.

To add to the Left-wing anger, Akzo simultaneously announced that it would expand its salt division substantially by rebuilding and broadening its investment in the chemical industry in South Africa.

EQUAL PAY

News of the decision was splashed on the front page of one of the most influential Dutch newspapers, Volkskrant, which also carried a full report on the aims of the anti-investment campaign.

It was announced that Akzo would build a factory together with its British partner, Chemical Holdings. Each will contribute R600 000 and the rest will come from within South Africa.

Although large, the factory will employ only about 40 African workers, who will get equal pay for equal work and will earn considerably more than other workers in the homeland. They will have equal opportunities with White colleagues in all respects, says Akzo.

The investment decision was made after considerable research and moral argument within the company.

Akzo Chemicals and Chemical Holdings have both captured about 15 percent of the South African market in washing powders, and obviously view favourably the prospect of improving this stake.

After a year of studying the prospects, Akzo decided on the site — 100 km north of Durban. While researching the project Akzo weighed up what world — and specifically Dutch — opinion would be, and eventually decided it would be able to weather the storm

But Akzo has laid down strict social conditions — which is in line with Dutch Government policy on South African investment — barring discrimination on racial grounds

A decision to invest in kwaZulu comes just before Chief Buthelezi is to arrive in Holland tomorrow for a three-day lecture tour at the invitation of a group of pacifist churches and political parties.

WELCOME

He will be talking during Peace Week on the non-violent struggle against apartheid in South Africa.

It is not known whether the chief will have talks with the directors of Akzo, but the company has made it known it would welcome such a meeting It would be up to the Chief to request a meeting

TOESPRAAK GELEWER DEUR SY EDELE DR. SCHALK VAN DER MERWE MINISTER VAN GESONDHEID TYDENS 'n INFORMELE MIDDAGETE SAAM MET DIE FARMASEUTIESE INDUSTRIE MEDIESE ADVISEURS-GROEP OP VRYDAG 31 OKTOBER 1975 om 12h30 IN DIE BOULEVARD HOTEL, PRETORIA

VRYSTELLINGSTYD : 1.30 n.m. OP VRYDAG 31 OKTOBER 1975

MENEER DIE VOORSITTER

GRAAG WENS EK U TE BEDANK VIR DIE GELEENTHEID WAT U MY WEEREENS GUN OM U VANDAG AS GROEP TE MAG TOESPREEK. HOEWEL EK NIE INTIEME KENNIS DRA VAN HOE U PRESIES INSKAKEL BY DIE FARMASEUTIESE INDUSTRIE NIE, GLO EK TOG DAT U WEL 'n BAIE GROOT VERANTWOORDELIKHEID OP U SKOUERS DRA. DAARBY IS U AS GROEP OOK GE-AFFILIEER BY DIE MEDIESE VERENIGING.

EK GLO U IS ALMAL VERTROUD MET DIE VERANTWOORDELIKHEID VAN DIE STAAT TEN OPSIGTE VAN DIE LEWERING VAN 'n GESONDHEIDSDIENS OP NASIONALE VLAK. DIT IS DUS NIE VIR MY NODIG OM VANDAG VIR U IN BREë TREKKE UITEEN TE SIT WAT PRESIES VERWAG WORD VAN DIE STAAT TEN OPSIGTE VAN HIERDIE LEWERING VAN 'n GESONDHEIDSDIENS NIE. U IS WEL BEWUS DAARVAN DAT DIE STAAT GEWELDIGE UITGAWES AANGAAN TEN OPSIGTE VAN DIE VERSKAFFING VAN MEDISYNE IN DIE LEWERING VAN HIERDIE GESONDHEIDSDIENS. ONS IS ALMAL VANDAG BEWUS VAN DIE GEWELDIGE HOë KOSTE VAN

2/ ......

VERBRUIKERSITEMS EN HIERBY IS NIE UITGESLOTE DIE VAN MEDISYNE NIE. U AS MEDIESE ADVISEURS GLO EK MOET OOK U VERANTWOORDELIKHEID AANVAAR OM OM TE SIEN NA DIE FINANSIëLE IMPLIKASIES TEN OPSIGTE VAN DIE VERVAARDIGING VAN MEDISYNE BY U ONDERSKEIË MAATSKAPPYE. EK IS BEWUS DAARVAN DAT U NOG IN BAIE GEVALLE BESIG IS OM U POSISIE TE BEPAAL EN U VOETE TE VIND IN DIE INDUSTRIE EN SODOENDE 'n AL GROTER ROL SPEEL IN DIE BELEIDSBEPALING VAN DIE MAATSKAPPY WAARVOOR U WERK. EK GLO, MNR. DIE VOORSITTER DAT DIT BAIE BELANGRIK IS DAT U WERKLIK 'n BESONDERE ROL SAL SPEEL IN DIE BEPALING VAN DIE BELEID VERAL TEN OPSIGTE VAN DIE VERSPREIDING EN DIE VERBRUIK VAN MEDISYNE VERVAARDIG DEUR U MAATSKAPPY. EK GLO DIT IS U MAATSKAPPYE SE PLIG OM U ADVIES. NIE NET OM DIE SUIWER MEDIESE ASPEK IN TE WIN NIE, MAAR OOK OOR ANDER FASETTE WAT DIE DISTRIBUSIE EN VERBRUIK VAN U MAATSKAPPY SE MEDISYNE MOONTLIK KAN RAAK.

DIE VRAAG ONTSTAAN EGTER BY MY, IS DAAR NIE 'n OORDUPLISERING VAN DIESELFDE SOORT MEDIKAMENTE WAT MIN OF MEER DIESELFDE FARMAKOLOGIESE EFFEK HET IN DIE REPUBLIEK VAN SUID-AFRIKA NIE. DIE WERKLIKE NUWE MIDDELS WAT DIE AFGELOPE AANTAL JARE OP DIE MARK VERSKYN HET, IN VERGELYKING MET DIE VORIGE TIEN JAAR, IS ABSOLUUT MINIMAAL. DIE ONGEVEER 200 NUWE MIDDELS WAT DIE AFGELOPE JAAR GEREGISTREER WAS, WAS IN BAIE GEVALLE NET 'n VERANDERING IN DIE FORMULE OF 'n MOLEKULêR STRUKTURELE

3/ ......

VERANDERING. ("MOLECULAR JUGGLING"). ELKE SOGENAAMDE NUWE MIDDEL WAT EGTER BEMARK WORD MOET DIE VERBRUIKER TEN DUURSTE VOOR BETAAL VIR NAVORSING EN ONTWIKKELING. IN BAIE GEVALLE WORD HIERDIE NAVORSING GEDOEN OP EEN MIDDEL, DAN OOK INDIREK VERHAAL VAN DIE ANDER MIDDELS REEDS OP DIE PLAASLIKE MARK BESKIKBAAR. SIEK MENSE SAL ALTYD BY ONS WEES, DIT IS DUS U EN MY VERANTWOORDELIK-HEID OM HUL TEN BESTE TE BEHANDEL MET DIE BESTE MEDIKAMENTE TOT ONS BESKIKKING, MAAR DIT HOEF NIE NOODWENDIG DIE DUURSTE MEDIKAMENTE TE WEES NIE.

SOOS AAN U BEKEND, IS DAAR 'n KOMMISSIE VAN ONDERSOEK AANGEWYS WAT SEKERE FASETTE VAN DIE FARMASEUTIESE INDUSTRIE SAL ONDERSOEK. 'n LID VAN U GROEP IS OOK AS LID VAN HIERDIE KOMMISSIE AANGEWYS. EEN ONDERSOEK FASET IS DIE PRYSSTRUKTUUR VAN FARMASEUTIESE PRODUKTE. HIERDIE IS MYNS INSIENS 'n BAIE BELANGRIKE FASET AANGESIEN SEKERE INLIGTING WAT ONDER MY AANDAG GEKOM HET, DAAROP DUI DAT ALLES HIER NIE PLUIS IS NIE. VOORBEELDE HIERVAN IS DIE GEVAL VAN 'n GROOT AMERIKAANSE MAATSKAPPY WAT SY ANTIBIOTIKA AAN DIE STAAT VERKOOP OP TENDER TEEN R17,00 PER DUISEND TERWYL DIT AAN DIE GROOTHANDELAARS TEEN DIE AMPTELIKE GOEDGEKEURDE PRYS VAN R27,20 VERKOOP WORD WAT BETEKEN DAT DIE PUBLIEK R48,00 DAARVOOR SAL MOET BETAAL. IN 'n ANDER GEVAL IS EEN VAN DIE GENERIESE VERVAARDIGERS BESIG OM 'n HOESMIDDEL TE BEMARK IN DIE REPUBLIEK EN VIR ELKE DUISEND EENHEDE WAT DIE APTEKER

4/ ......

OF GENEESHEER BY HUL KOOP KRY HY 2500 EENHEDE GRATIS - DIESELFDE FIRMA GEE 'n KLEIN "SHARP" SAKREKENAAR GRATIS AAN ELKE GENEESHEER WAT 'n DUISEND VAN 'n SEKERE TABLET BY HUL KOOP. GEVALLE WAAR VERVAARDIGERS TOT VIER PRYSE VIR DIESELFDE PRODUK HET, NL. EEN VIR DIE GROOT-HANDELAAR, EEN VIR DIE KLEINHANDELAAR, EEN VIR DIE RESEPTERENDE GENEESHEER EN VIERDENS TENDERPRYSE WAT MAG WISSEL EN TOT DRIE OF VIER OF VYF VERSKILLENDE PRYSE AAN DIE STAAT TOT GEVOLG MAG Hê, IS ALGEMEEN BEKEND. AL HIERDIE TIPE PRAKTYKE IS REEDS JARE IN SWANG IN DIE REPUBLIEK VAN SUID-AFRIKA EN EK WIL U VERSEKER DIT IS BESLIS NIE IN BELANG VAN DIE VERBRUIKER OF DIE STAAT NIE.

MENEER DIE VOORSITTER, U KAN AS GENEESHERE NIE TOELAAT DAT DIE MEDISYNE GEBRUIK IN DIE BEHANDELING VAN 'n PASIëNT AS LOKMIDDEL GEBRUIK WORD OM SODOENDE 'n AL GROTER OMSET TE VERKRY VIR 'n SPESIFIEKE MAATSKAPPY. DIE FARMASEUTIESE VERVAARDIGERS KAN REGTIG AANSPRAAK MAAK DAAROP DAT HUL 'n BELANGRIKE DIENS AAN DIE GEMEENSKAP LEWER MAAR DIE WYSE WAAROP HUL HUL PRODUKTE PROMOVEER IS MYNS INSIENS HIER VAN BESONDERE BELANG. DIT IS VERDER 'n FEIT DAT AS JAARVERSLAE VAN MOEDERMAATSKAPPYE STYGENDE WINSTE TOON DIE STAAT DAARMEE GEKONFRONTEER WORD INAGNEMENDE DIE HUIDIGE INFLASIETOESTAND EN DIE HOë KOSTE VAN MEDISYNE. KAN 'n WEG NIE GEVIND WORD OM IN STEDE VAN 'n STELSEL VAN BONUSAANBIEDINGS AAN S[illegible])

LIEWER DIE PRYS VAN DIE PRODUK AAN DIE PUBLIEK TE VERLAAG NIE?

MENEER DIE VOORSITTER, EK IS BEWUS VAN DIE FEIT DAT DIE FARMASEUTIESE INDUSTRIE EIE AAN SY SOORT IS AS INDUSTRIE. DIT HET PROBLEME EIE AAN HOMSELF, MAAR EK HET BEDENKINGE OOR SEKERE BEMARKINGSPRAKTYKE. DIE REPUBLIEK VAN SUID-AFRIKA IS AFHANKLIK VAN U INDUSTRIE TOT 'n BAIE GROOT MATE - U WORD AS STRATEGIESE INDUSTRIE GEKLASSIFISEER - EN JUIS DAAROM MOET U DIE HOë VERTROUE IN U GEPLAAS NIE SKAAD NIE. EK GLO U AS GENEESHERE IN DIE SPAN WAT LEIDING MOET GEE, MOET AL HOE STERKER DAAROP AANDRING DAT DAAR BYVOORBEELD MEER AANDAG GESKENK MOET WORD AAN PLAASLIKE VERVAARDIGING VAN GRONDSTOWWE UIT EIE BODEM. EK BESEF DIT SAL GROTER KAPITALE UITLEG BETEKEN, MAAR SEKERE MAATSKAPPY HET DIT REEDS MET BEHULP VAN STAATSHULP GEDOEN. DIT IS EEN VAN U PLIGTE OM TOE TE SIEN DAT ONS NIE SO TOTAAL AFHANKLIK VAN DIE BUITELAND IS VIR ELKE BESTANDDEEL VAN ELKE MEDIKAMENT NIE.

IS DIT NIE OOK RAADSAAM OM DIE MIDDELS WAT HIER BEMARK WORD NOUKEURIG NA TE GAAN VOORDAT FINAAL BESLUIT WORD OF DIT BEMARK GAAN WORD AL DAN NIE, IN DIE LIG DAARVAN OF DIE SOGENAAMDE NUWE MIDDEL WERKLIK 'n VERBETERING IS OP DIE HUIDIGE REEKS MIDDELS OP DIE MARK BESKIKBAAR MET DIESELFDE FARMAKOLOGIESE WERKING! IS DIE KOSTE OM DIE SOGENAAMDE NUWE MIDDEL HIER TE VESTIG WERKLIK GEREGVERDIG?

MOET ONS NIE HIER BEGIN TOESPITS OP SIEKTETOESTANDE WAT MEER ALGEMEEN IN DIE REPUBLIEK VAN SUID-AFRIKA VOORKOM OF MISKIEN EIE IS AAN 'n SEKERE BEVOLKINGSGROEP ALHIER NIE EN MINDER GELEI WORD DEUR ALLE SOORTE NAVORSING VAN OORSEE WAT MOONTLIK NIE VIR ONS VEEL VOORDEEL INHOU NIE.

EK GLO, MENEER DIE VOORSITTER, DIE TYD HET AANGEBREEK DAT U AS ADVISERENDE GENEESHERE IN DIE FARMASEUTIESE BEDRYF STEEDS U ROL EVALUEER IN DIE LIG VAN BOGEMELDE SOWEL AS GESIEN IN DIE TYDVAK WAARIN ONS LEEF.

DIT HET DRINGEND NOODSAAKLIK GEWORD DAT AANDAG GESKENK WORD AAN DIE LEWERING VAN MEDISYNE AAN DIE VERBRUIKER TEEN 'n BILLIKE PRYS WAT TERSELFDERTYD SAL VERSEKER DAT DIE VERVAARDIGER SY REGMATIGE WINS MAAK, DIE VERSPREIDER SYNE EN DAT DIE VERBRUIKER 'n PRODUK VERKRY WAT NIETEENSTAANDE HIERDIE BILLIKE PRYS SY SIEKTETOESTAND NET SO GOED SAL VERBETER NIE.

EK WENS, TEN SLOTTE, MENEER DIE VOORSITTER, WEER U AANDAG DAAROP TE VESTIG, DIE INDUSTRIE WAARIN U ALMAL HIER VANDAG TEENWOORDIG, STAAN, IS ONDER DIE SOEKLIG, NIE NET HIER IN DIE REPUBLIEK NIE, MAAR WAS VIR DIE AFGELOPE AANTAL JARE OOK IN TALLE LANDE OORSEE ONDERSOEK. EK WENS GRAAG TOT U 'n VERSOEK TE RIG, NL.

7/ .....

DAT U ALLE MOONTLIKE HULP SAL VERLEEN AAN DIE KOMMISSIE VAN ONDERSOEK NA DIE FARMASEUTIESE BEDRYF. EK WIL DIT BAIE PERTINENT STEL, DIE KOMMISSIE IS NIE NET DAAR OM FOUT TE VIND OF OM AF TE TAKEL NIE, DIT IS DAARGESTEL OM IN BELANG VAN DIE VERVAARDIGER EN DIE VERBRUIKER VAN MEDISYNE VOORSTELLE IN TE DIEN WAT UITEINDELIK BEHOORT TE LEI TOT WEDERSYDSE VOORDEEL.

U SAMEWERKING EN MOONTLIKE BEÏNVLOEDING VAN U MAATSKAPPY SE BESTUUR SAL DUS HOOG WAARDEER WORD OM DIE BEDRYF OP 'n GESONDE GRONDSLAG TE PLAAS EN DIE VERBRUIKER TEEN UITBUITING TE BESKERM.

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING
OP VERSOEK VAN DIE MINISTERIE VAN GESONDHEID, PRETORIA.
31 OKTOBER 1975.

Setting sights on the chemical industry

Cape Times 31/10/75

183

THE chemical industry is one of the fastest-growing sectors of the economy and Shell Chemical South Africa (Pty), which started operations in this country about 26 years ago, plans to be in the forefront of this development—rated as number three behind AE & CI and Sentrachem in the big league stakes

Shell Chemical currently operates in four main business areas in South Africa — agricultural, industrial, plastics and resins, and consumer products

It has plants operating in Wadeville near Johannesburg, Durban, Cape Town and Port Elizabeth

The company operates branches in Mozambique and Malawi and has blending and storage facilities in these countries to support its sales effort

Its first and most recent independent venture into chemicals manufacture in South Africa was taken last year when a R2-million-plus epikote resin plant, with an initial capacity of 4 000 tons a year, was officially set on stream

Shell Chemicals is currently spending more than 500 000 on a de-bottling operation at the resin plant and is also getting set to manufacture powder-coating resins When this happens South Africa will be self-sufficient in all types of epoxy resins for some time to come

The company is moving ahead with a 10-year expansion programme which would absorb anything up to R100-million in investment capital

Mr Stuart Squires, managing director of Shell Chemicals, says that one of the first projects to be activated is a 50 000 ton a year polypropylene plant, which is currently planned to be built at Durban

When this project was first announced the capital requirement was estimated at about R50-million Cost escalations plus the addition of extra facilities have pushed this up to about R64-million and it is highly probable that this figure will be pushed up even further before the project is completed and in operation especially in view of the recent announcements

Mr Squires says his company is considering the desirability of a South African partner to participate in the venture — probably at the behest of the Government, which would obviously like to see more local participation in such strategically important developments

Shell has already been considering possible partners for the joint venture, according to Mr Squires Such a partnership will be of considerable benefit to Shell in manifesting its local image and it will also strengthen its abilities to borrow money on the local capital market to partly finance the plant

Shell started work on the polypropylene plant 2½ years ago and has now reached the design and engineering stage

According to Mr Squires, it is expected that the first sod will be turned towards the middle of 1976 Construction will take two to three years and, from 1979, it would probably take about four years before the plant was in full production for the domestic market

Feedstock is planned to come from the two Durban refineries and the supply is reckoned to be more than sufficient to satisfy the plant's requirements

The scenario painted by Mr Squires for polypropylene in this country is that we are going to experience a shortfall in this thermoplastic by 1977 and this is when Shell's plant comes on stream

Increased market demand during this period will more than absorb the 40 000 ton a year output by Safripol, the country's other manufacturer of polypropylene, and South Africa will, for a couple of years, have to be a net importer of this material

Mr Squires estimates that the domestic market will probably reach 70 000 tons a year by 1980, which will then easily be met by manufacturing output here This means there will be excess capacity for export

This will last until about 1982 when it is expected that production capacity will be totally absorbed by the South African market

South Africa's economic development programme has indicated that up to 1979 the chemical industry's growth should be around 7,9 per cent a year with the gross domestic product maintaining an annual growth of around 6,4 per cent a year

However, the chemical industry, has grown at 8,8 per cent a year during the past 10 years when the average growth in GDP has been 4,7 per cent

It is well known that in the past two years at least the GDP has not come anywhere near the required growth targets The same story applies to the next couple of years

It still has some way to go before its contribution to the GDP achieves the 10 per cent level that is the case with most developed industrialised economies

Factors which in the past have tended to inhibit the growth of this sector here have been a combination of insufficient volumes of basic feedstock and the limited size of the market

This picture has altered now, according to Mr Squires, who thinks the industry is going to enjoy a rapid take-off during the 1980s.

He believes the establishment of Sasol 2 will be the principle factor stimulating this expansion, providing as it will some of the essential basic feedstock for downstream chemical plants

However, Mr Squires notes that the rate of growth and the length of this take-off is very dependent on the Government continuing to encourage this industry through realistic protectionist policies and by ensuring that the companies involved are allowed a realistic return on capital.

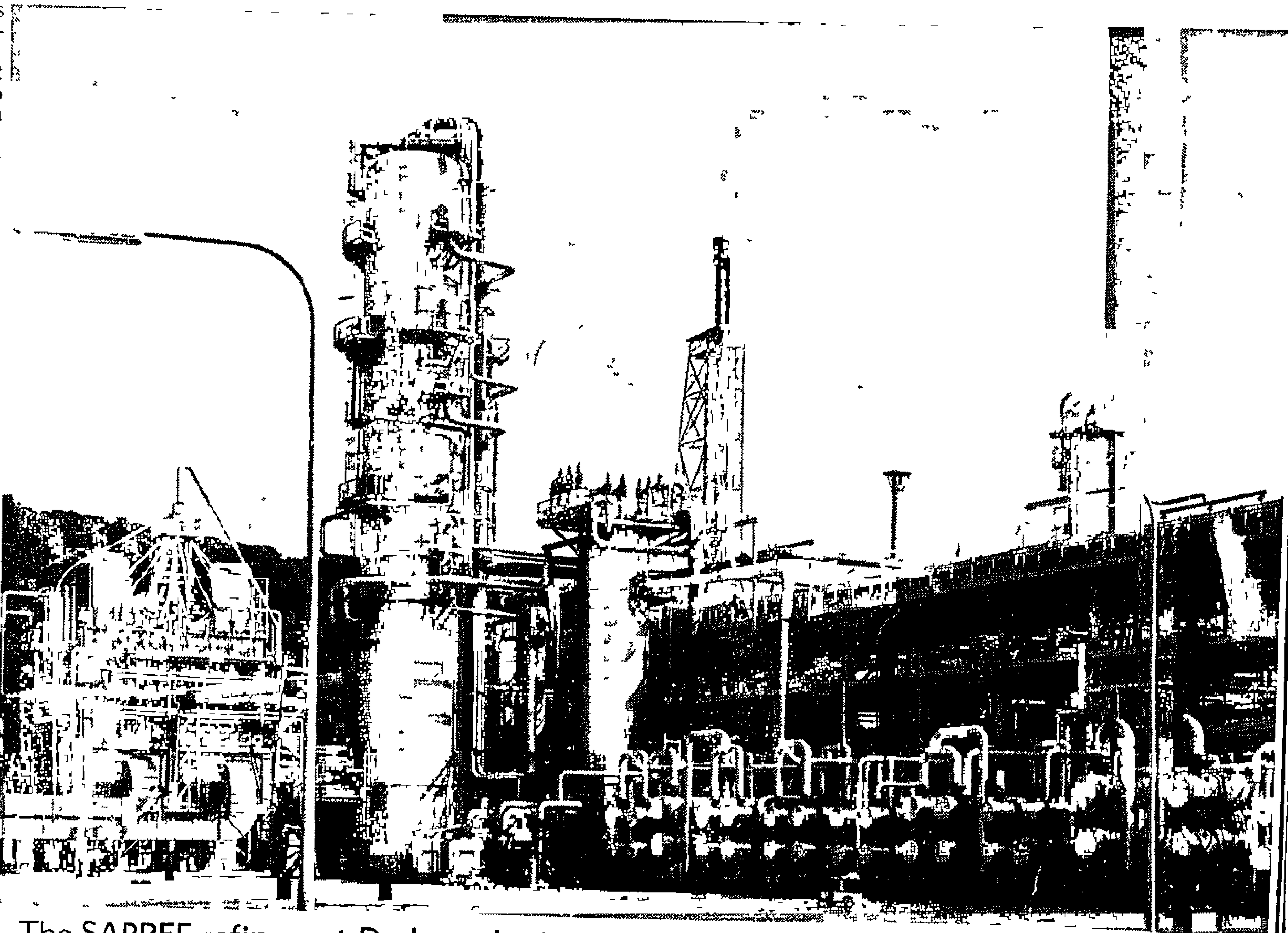
Mr Squires is of the opinion that the South African chemical industry is in a competitive position to attract the necessary capital to finance its expansions. It will, of necessity, have to look for much of its cash requirements through external borrowings

Considering the requirements — one estimate is about R1 000-million over the next decade — it would be an impossibility for the chemical industry to generate the necessary cash flow internally.

Shell's involvement in this vast expansion programme is to evolve from being essentially an importer of chemical products into a major manufacturer.

According to Mr Squires until last year 70 per cent of his company's business was governed by imports This has now been whittled down to 60 per cent and the plan is that eventually, by the end of the 1970s, 75 per cent of Shell Chemicals' business will be related to local manufacture.

This means, in fact, that if all the plans mature the company will treble its size here in the next six to seven years



The SAPREF refinery at Durban, the largest in Africa, is 50 per cent Shell-owned

Plastics outcry over R42 a ton rise in ethylene

Cape Times 8/11/75

(1 ~~260~~

(2 ~~246~~

(3 183

Own Correspondent

JOHANNESBURG — The increase in the price of ethylene — which went up by R42 a ton this week — has thrown the South African plastics industry into turmoil.

Until Monday, the two major downstreamers — AE&CI and Safripol — were paying about R267 a ton for ethylene, the basic raw material of the plastics industry.

When Sasol, the only suppliers of ethylene in South Africa, advised them they would be paying nearly R310 a ton there was an immediate outcry.

Mr Francis le Riche, managing director of Sentrachem, of which Safripol is a subsidiary, said that there was no way out, and the industry had to face an increase in the price of ethylene.

"But we are still holding negotiations with Sasol," he said.

Other plastics manufacturers, not direct buyers from Sasol, were more vehement.

"It's iniquitous and scandalous," said one. "Sasol are ruining the plastics industry. People won't be prepared to pay these prices and are going to turn more to paper and other products to replace plastic."

NAPHTHA

Sasol produces about 140 000 t of ethylene a year from its two naphtha cracking plants, and its only customers are AE&CI and Safripol.

The naphtha comes from various sources — the oil refineries and some is imported. It is produced exclusively from imported feedstocks.

Sasol is not prepared to disclose how much it pays for naphtha, but says that with the increase in the price it costs it R61 a ton more for ethylene.

"Under the terms of the manifesto we have passed on only 70 percent of the cost and have absorbed 30 percent ourselves. We have acted responsibly in this matter and have kept well within the bounds of the manifesto."

SASOL'S PROFIT

Plastics manufacturers say that Sasol made a profit this year of R23 475 000, the biggest in the history of the 25-year-old corporation. They demand that Sasol absorb more than 30 percent of the increased costs necessary under the terms of the manifesto.

But Sasol says the operation of its naphtha cracking plant this year was uneconomic to the extent that it was barely able to cover depreciation.

"If marketing conditions remain unchanged it will become even more uneconomic to run these plants. We are keeping them going, however, because one must keep an eye on future prospects and we are confident that marketing conditions will

Medicine is up in price

Star 9/12/75

(2) 246 183

Prices of a wide range of pharmaceutical products from the Roussel laboratories were increased recently

All the products are medicines available on prescription and they augment the long list of other pharmaceutical products whose prices have soared since devaluation.

Roussel has increased a wide range of goods by about 18 to 20 percent. One of them, Sofradex ointment, was increased even though part of the same batch (No 072739Z8) was sold at the old price. The spokesman said this was possible as the batch would have been paid for on t 90 day credit. Thus part of the batch, which was in the warehouse, would be paid for at the new price.

Other pharmaceutical companies which have increased their prices recently include Berck Pharmaceuticals, Imperial Chemical Industries, Berlimed, Ciba-Geigy, Vicks International and Gillette.

Although no one was available to comment at the National Association of Medical Benefit Societies on whether contributions would be increased, the managers of several medical aid societies said they were not considering th increases "for a while."

I PROBES OIL FROM

Busy. Times 4/1/75

EMICAL manufacturing giant, AE & CI, has bought a in-tion from Mobil Oil that could enable it to manufacture ylene from coal while simultaneously producing substan-quantities of high quality petrol as a by-product.

st estimates show AE & CI might n seven years thus oducing about 20 per of this country's an- petrol needs.

. depends on the inven- eing developed to yield ercially the quantity hylene needed by its cs division, which will R230-million invested nt and equipment by and a further R100- n earmarked for a ... plant by 1984.

E & CI goes ahead with promises also to be a new diversification, it fortuitously be sup- amounts of petrol to about half of Sasol estimated annual tion and nearly 30 per of this country's ex- 1982 inland petrol nption

Cheaper

ording to AE & CI Managing Director, nnie Webb, initial in- ns are that this petrol be produced slightly r than Sasol petrol it could be of a octane rating and, re, require less ad-

firmation will depend outcome of the R5,5- four-year develop- hase through which CI is putting the sed invention".

CI's interest in the on, Mr. Webb ex- stems not from the petrol production ... locally produced e as a long-term ic source of feed- or polyethylene PVC ther industrial ers such as ene."

les constitutes a r of AE & CI's . This year plastics' alone amounted to R70-million and it jor growth area. invention, says Mr. involves the produc- synthetic gas from ... which in turn

By Nigel Bruce

Mobil discovered, if put over a zeolite catalyist produces a limited range of hydro carbons, principaly aromatic hydro carbons, which is in effect a good petrol.

"What AE & CI is mainly interested in is that interrupting the methanol reaction to petroleum hydro carbons holds promise of yielding ethylene in commercial quantities", he says.

"An important objective of the development process will be to reduce the 3 to 1 petrol-ethylene ratio of the Mobil invention in favour of a greater ethylene and smaller petrol output".

Nevertheless, this by-product petrol, because of its composition, could be used to upgrade Sasol petrol manufactured by the Fischer-Tropsch process, which produces a wider range of hydro carbons that result in a lower octane rating.

Other objectives of the development phase are to estimate the scale of operation necessary, assess the risks involved and determine the exact size of the capital investment.

Currently, AE & CI's ethylene supplies are obtained from Sasol, which imports and cracks Naptha for this purpose. Although Sasol Two will ultimately give rise to a more substantial 150 000 tons a year, AE & CI is looking for an additional annual supply of about 300 000 tons of ethylene a year in the Eighties.

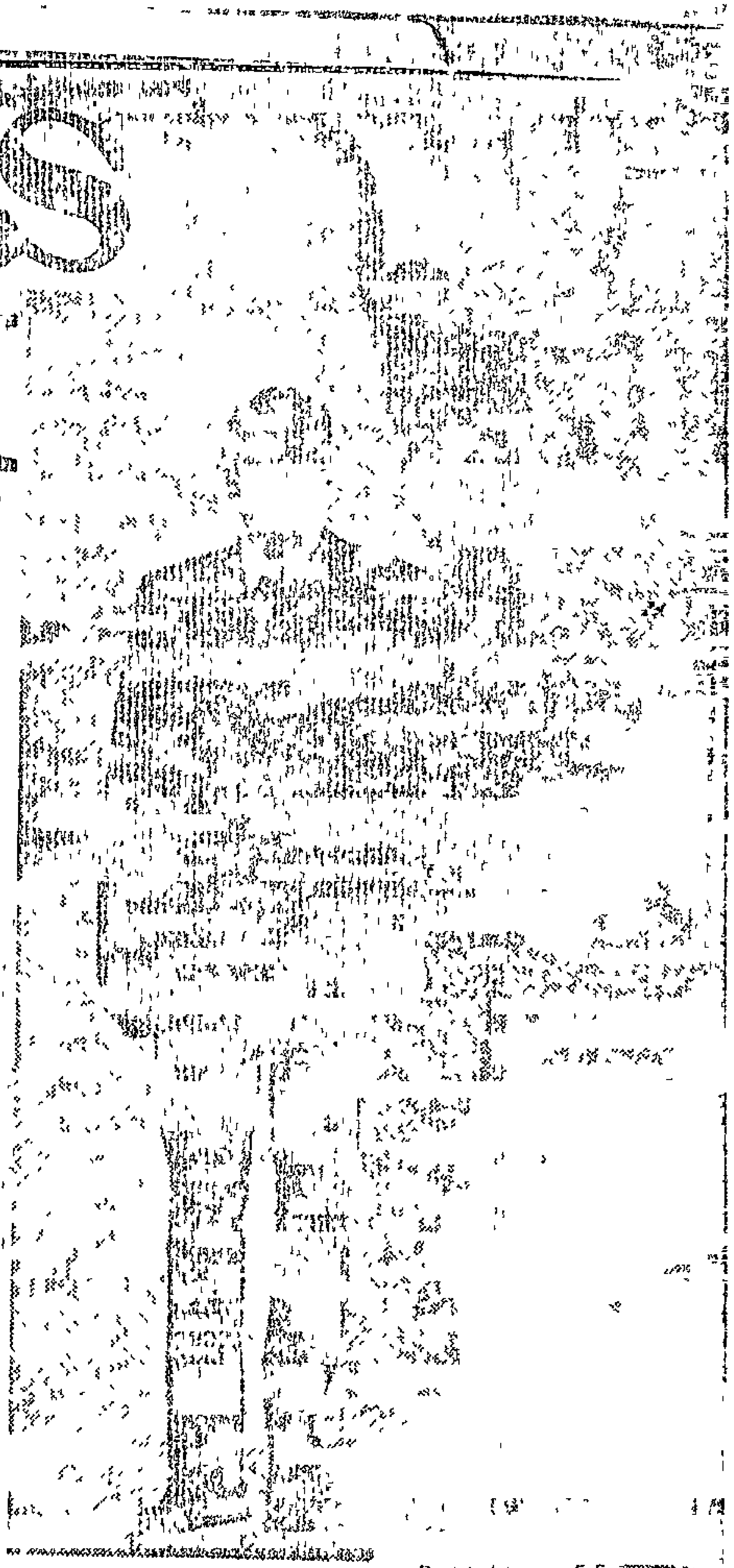
If this ethylene output is reached from the new process he says that at its present stage of development the process will requre about five million tons of coal annually — which would make AE & CI the second largest industrial coal consumer in the country.

Feedstocks

Even if on development of the invention, AE & CI discovers that from imported feedstocks ethylene is cheaper, this will not necessarily mean the scheme's abandonment. For, as Mr. Webb explains, domestic ethylene production from coal will ensure long-term supplies. Moreover, it will save millions in vital foreign exchange.

After negotiating for nearly a year Mr. Webb signed a collaborative agreement with Mobil on November 18 in terms of which AE & CI has the exclusive right in South Africa to develop the process for chemical production and a non-exclusive right for fuel production.

Mobil, in turn, will benefit from AE & CI's development and research and has an option to participate should AE & CI go into production.



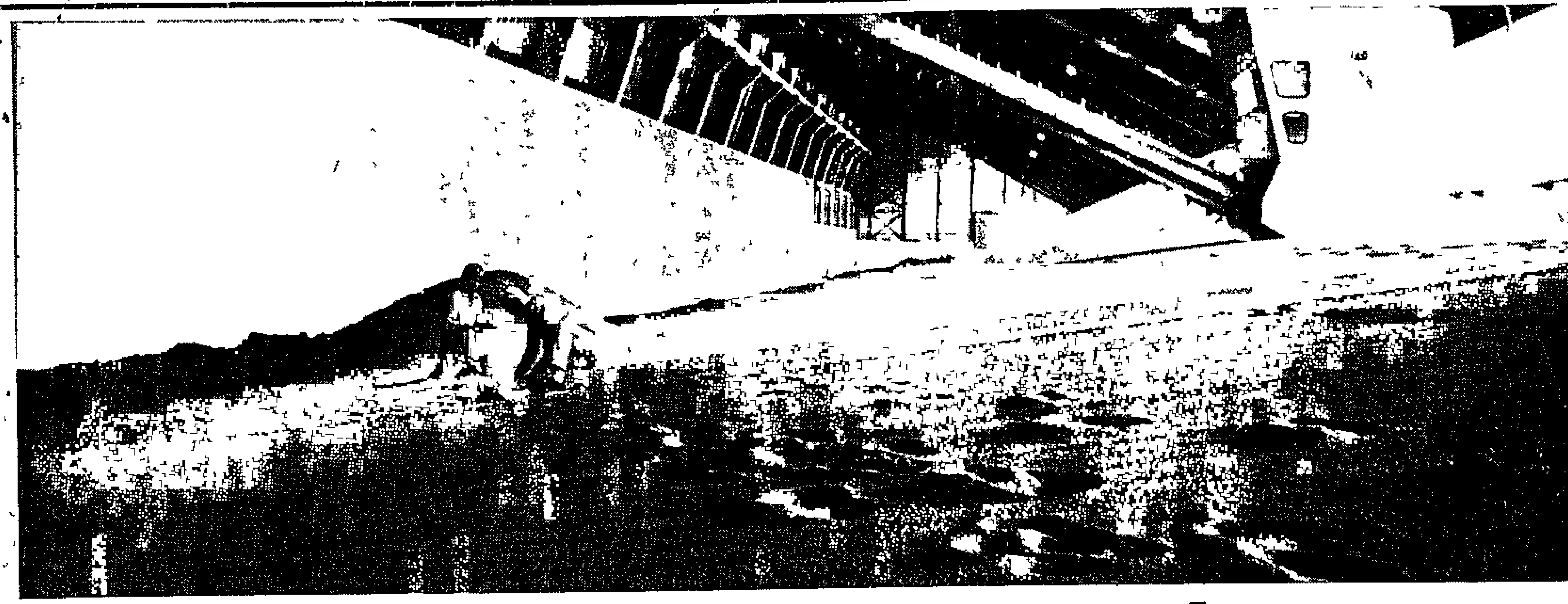
AE & CI's Mr Ronnie Webb ... giving a ... lead into petrol production.

Mobil made its discovery about two years ago when researching catalytic methods for the refinery operation. Because of its limited interests in petro-chemicals, Mobil approached ICI (U.K.) because of its pre-eminence in methanol technology ... cording to ... ICI which owns ... per cent of ... interest in coal as a route ... hydro carbon feedstocks drew it in to the col- laborative work ... with Mobil on the ... Mr. Webb belie... CI is ... placed ... Mobil's discovery ... its ... abundant supply of coal in this country, large deposits of which are mined by Anglo American group, interests which, through De Beers, are associated with AE & C.

~~(+) Energy~~

(2) 183

Limestone and ammonium nitrate store for fertilizers at the Modderfontein Ammonia 4 plant. Here acting supervisor Mr Hennie Nel and administration officer Mr Abel Legodi collect samples. R.D.M. 27/1/76



Spectacular growth predicted

ALL THE experts in the chemical industry predict growth which, after Sasol II is on line, could prove spectacular.

Mr Stuart Squires, MD for Shell Chemicals, says the Economic Development Programme forecast for the chemical industry of growth at 7,4 per cent a year until 1979 is too pessimistic.

He estimates growth in chemicals by multiplying the Gross National Product (GNP) by two. Thus a conservative 5 per cent a year on the GNP will give a 10 per cent growth rate in the industry — unless constraints are applied.

He sees many of South Africa's problems in chemicals as being resolved by Sasol II, but stresses that urgent consideration be given to new sources of ethylene and aromatics after Sasol II is on line when further capacity will be needed.

Mr Francis le Riche, MD of Sentrachem, says South Africa's chemical industry is in for dramatic growth. He foresees a whole new climate for development with the establishment of Sasol II, a growing Iscor and other projects.

He says the raw materials which will come from these projects are the lifeblood of the chemical industry. "As long as we have the technical expertise and knowhow to utilise these materials we are set for dynamic growth."

He expects slight cyclical effects and thinks the industry will encounter some decline "but over a period of five years, we look at our industry with terrific optimism."

AE & CI

AE & CI has already earmarked some R400-million on its R1 000-million expansion programme for the decade till 1985.

She has already spent R100-million in the Ammonia 4 plant at Modderfontein, R140-million in investment in the Sasol II plant and R160-million in its proposed R270-million Coalplex project.

The group is throwing itself into three massive projects in this decade:

- The Coalplex project — to produce some 100 000 tons of PVC a year from coal derivative.
- A giant ethylene from coal project based on a Mobil invention which will produce a wide variety of products polyethelyne, entelyne oxide, entelyne glycol and feedstocks for fibres, detergents, explosives and many more. A by-product will be petrol.
- A polyethylene plant to be commissioned by 1981 to produce some 140 000 tons a year.

The first two projects are expected to be saving upwards of R140-million in foreign exchange by 1980 in a chemical market which with allied industries currently depends on about R700-million in exports a year.

This estimate was given by Mr E. J. Smale, AE & CI director of plastics, who says polyethelyne and PVC could be costing R1 000 a ton on world markets by 1980.

He says the 100 000 tons of PVC production from Coalplex would be absorbed by the domestic market within 2-3 years.

Currently AE & CI produce 42 000 tons a year in a PVC market of 82 000 tons, and are the sole importers of the 40 000 tons balance. In 1977 South Africa is expected to import 60 000 tons of PVC and 15 000 tons of low density polythene.

AE & CI has an annual production of 74 000 tons of polyethylene, 1 600 tons of perspex and in association with BASF, some 45 000 of urea.

The group is due to make profits upwards of R60-million this year. AE & CI had a R293-million turnover in 1974 and has an expected growth rate of 20 per cent over each of the next two years.

SENTRACHEM

SENTRACHEM will be spending more than R300-million (fixed and working capital) in its development programme till 1981, Mr Francis le Riche, MD, said this week.

"We have just come out of a wonderful growth period. Plants are running at full capacity and we came out stronger than first anticipated although markets in certain sectors were collapsing around us," he said.

In spite of adverse conditions which were experienced in several fields of activity of Sentrachem group companies, pre-tax profit was up by just over 23 per cent for the 1974/75 financial year.

The group's profit before taxation increased by R4 377 000 the previous year to R23 337 000. Profit after taxation and outside shareholders' interests increased by R2 669 000 to R14 210 000 which also represents an increase of 23 per cent Earnings per share rose to 33 cents as against 26 cents for 1973/74.

The breakdown of pre-tax profits of the group's classes of business was as follows: Agricultural chemicals and veterinary products 22 per cent in 1975 (15 per cent in 1974); industrial chemicals 31 per cent (16 per cent); animal nutrition 7 per cent (9 per cent); foodstuffs 8 per cent (8 per cent); plastics and plasticisers 7 per cent (31 per cent in 1974); and rubbers 25 per cent (21 per cent).

Sentrachem companies are the only local manufacturers of inter alia, synthetic rubber and rubber latices for the production of tyres, conveyer belts, carpet backings and rubber foam; pthalic anhydride to produce synthetic resins and plasticisers; alkylate for detergents; high density polyethylene and poly propylene used extensively in the plastics industry; HTH which is used for maintaining swimming pools and for the purification of water; as well as certain agricultural chemicals.

As far as future development is concerned, Mr Le Riche said: "Investments will in the first instance be made in our existing companies where we know the odds and secondly in new projects."

The group has extensive plans up its sleeve at Sasol II and the development programme is to a large ent based on local raw materials including feedstocks which will become available from Sasol II. Expansion opportunities which are expected to occur in products and markets that will integrate well with the group's existing activities, are considered first.

The group's R300-million plus development programme is designed in such a way that it will not jeopardise short to medium-term profit and dividend growth, said Mr Le Riche. To avoid cutting back on some major growth opportunities which would otherwise strain resources, the group policy remains to embark on joint ventures in a number of fields with international chemical companies and others as partners. The most recent being Agbro, the joint project with Koor of Israel at Berlin, East London, for the production of Atrazine a weedkiller used extensively in maize production, as well as the Coalplex project with AE & CI.

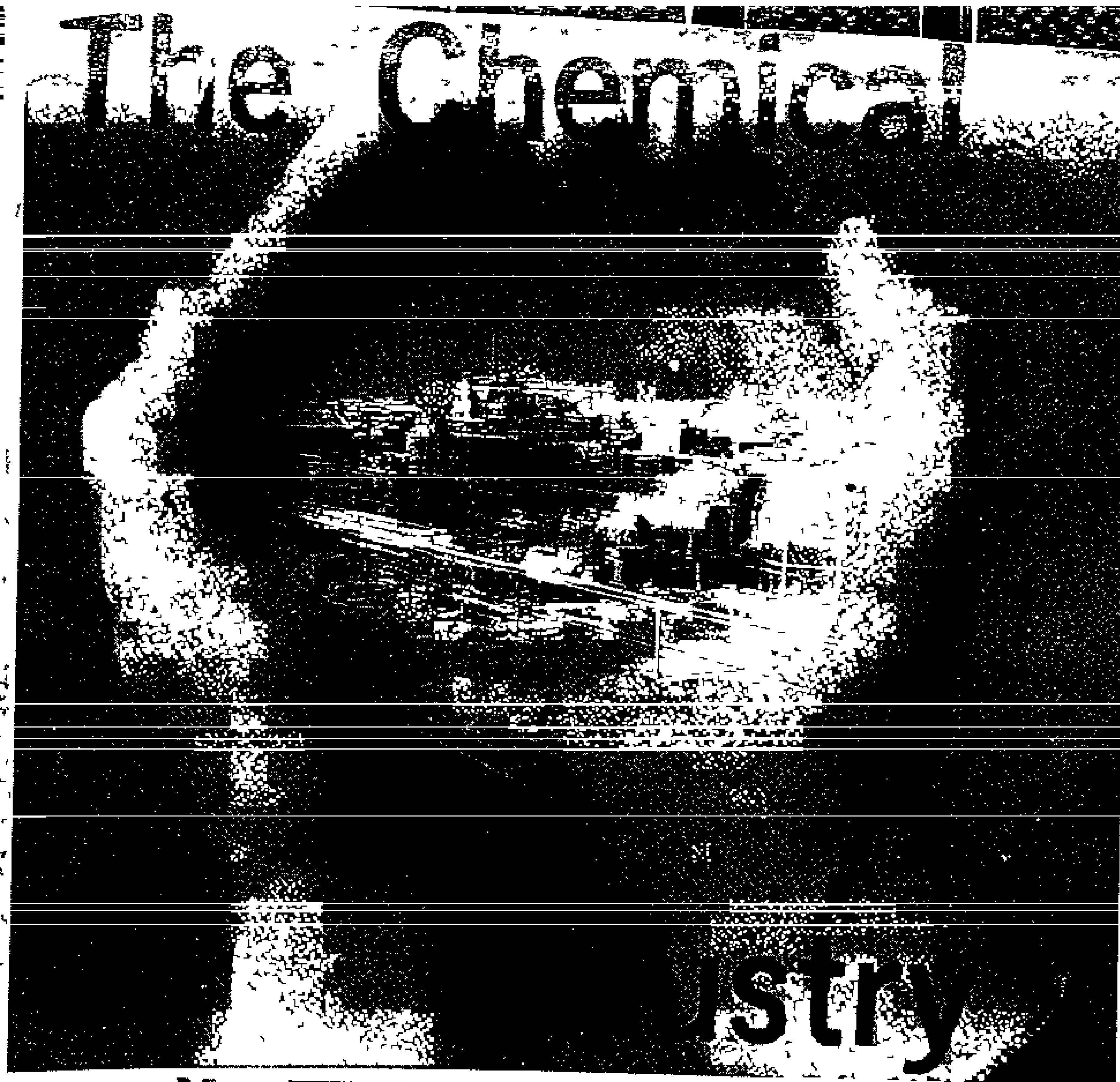
SHELL CHEMICALS

SHELL CHEMICALS has a R50-million market in South Africa — 60 per cent of which consists of imported chemicals.

Managing Director Mr Stuart Squires says the company's objective in the next five years is to ensure 75 per cent of its market is through local manufacture, and predicts sales of R120-million by current values.

Shell Chemicals sales in 1975 were made up in the following constituents: 35 per cent in industrial chemicals, 35 per cent in plastics and resins, 25 per cent in agro-chemicals and 5 per cent in consumer and allied products.

Mr Squires says the company's growth has tripled in the past three years. He predicts a further threefold growth within the next six years.



R2 500-m boost for SA chemical industry

R.D.M. 27/1/76

RDM 27/1/76

(1) 183
(2) ~~260 B~~
(3) ~~78A~~

CLIVE EMDON

DEVELOPMENTS of the order of R2 500-million in the ten years till 1985 will give South African chemicals industry a huge new dimension.

In the main these developments are geared to making South Africa self-sufficient and cut the huge R700-million in foreign exchange in chemicals and allied products imported annually.

The impetus for this development will be provided by the Sasol II plant. With estimated costs of R1 021-million (in mid-1974), the projected manufacture of chemicals and chemical feedstocks from this plant will be:

	Tons per annum
Ethylene	160 000
Chemicals	50 000
Ammonia	100 000
Sulphur	75 000
Tar Products	200 000

AE & CI has a R1 000-million development programme much of which is geared to receiving feedstocks from Sasol II. Its main projects will be:

- The Coalplex project — for the production of 100 000 tons of PVC a year from coal derivative
- An ethylene from coal project based on a Mobil invention which besides producing petrol as a by-product will provide a wide range of products and feedstocks.
- A polyethylene plant by 1981 to provide some 140 000 tons a year.

Sentrachem has a development programme of more than R300-million in the next five to six years — also geared in the main to feedstocks from Sasol II.

The group has a 40 per cent share in the Coalplex project, and is presently involved in foreward planning of its own PVC project (to have minority AE & CI holding) to be known as the Carpa Project — and planned to be every bit as big as the Coalplex project.

It will come on stream after Sasol II in the early 1980s.

Sentrachem is planning a degradable soft detergents plant at Sasolburg to produce 50 000 tons of alkalate a year — a non-polluting soaper for household and industrial detergents. The company expects a R30-million a year saving on imports once the plant is on stream.

Other new developments, announced this week, are:

- Shell Chemicals has just had approval from the New Industries Committee to build a R1½-million agro-chemicals plant (herbicides) in the Transvaal, which will be based essentially on indigenous feedstocks.

The company plans to get this on stream by the end of 1977. The plant will produce 1 000 tons of herbicide a year, directed mainly at the sugar industry, with exports in Southern Africa. The manufacture should save an estimated R2-million a year on imports.

- Shell Chemicals is planning a R5-million hydrocarbons aromatic solvents plant to come on stream by the end of 1977. At present most hydrocarbons and aromatics used in South Africa are imported. Mobil currently produce some 30 000 tons a year and Shell sees immediate scope for 50 000 tons a year, and forecasts South Africa's requirements by 1980 will be 100 000 tons a year.
- Shell Chemicals is extending its Durban hypoxy resins plant to the tune of R500 000 by April which will give it production of 4 400 tons a year with a R7-million turnover.
- Sentrachem and Shell Chemicals, with a 75:25 per cent ratio holding, jointly produce 10 000 tons of polystyrenes a year. They plan expansions which will provide another 15 000 tons a year capacity filling all the country's requirements. Stockfeeds will have to be imported until Sasol II comes on line.
- Unifoam, a wholly owned Shell Chemicals subsidiary, is planning a new R500 000 blocks, panels and laminates factory at Roodekop

Sasol II will employ 4 000

Philip Peters working on the air separation plant at the inner core of the massive Ammonia 4 plant at Modderfontein. The plant is part of a R100-million nitrogen project and produces 1 000 tons of ammonia a day.

THE SASOL II project which will employ total manpower of 4 000 and use 12-million tons of coal a year will provide the chemicals industry with a huge new boost in feed-stocks.

Sited in the eastern highveld 15 kms east of Evander, the mid-1974 estimates of the cost of the project, excluding operational capital interest during construction, townships and housing, was R1 021-million.

The project will be financed from the Strategic Oil Fund, export credit facilities and appropriations by Parliament.

The Sasol II complex will produce the following range of products:

- Gasoline, jet fuel, diesel, fuel oil, LPG
- Gasification byproducts such as creosote, pitch, crude tar acids, ammonia, sulphur
- Ethylene
- Alcohols from C1 to C6+
- Acetone and MEK
- Possibly organic acids

Many more products are of course recoverable and the range of products may therefore be extended in future.

As is the case everywhere in the world, this project has had to take into account environmental considerations. As the selected plant side is only about 10 kilometres from the main watershed and the streams in the vicinity are therefore very small, the plant is being designed to have zero liquid effluent.

The different treating facilities are still being designed, but it is already clear that the following steps will be involved:

- Biological treatment of gasification and synthesis water after recovery of water soluble products.
- Treated water from the biological plant will be thermally sterilised and used together with boiler blowdown as makeup in the cooling water circuit.
- Blowdown from the cooling water circuit will be used as makeup in the ash handling circuit.
- A purge stream from ash handling will be given a hot lime-soda softening treatment to remove hardness and will be returned to cooling water and a second purge stream may be evaporated using waste heat, in order to purge sodium from the circuit and produce boiler feed-water.

FM. 6/2/76

top talk

Multinational money maker

"I'm out to create wealth," jokes big, avuncular Leslie Smith (57), chairman of BOC International (British Oxygen), the group which holds a 60% stake in African Oxygen

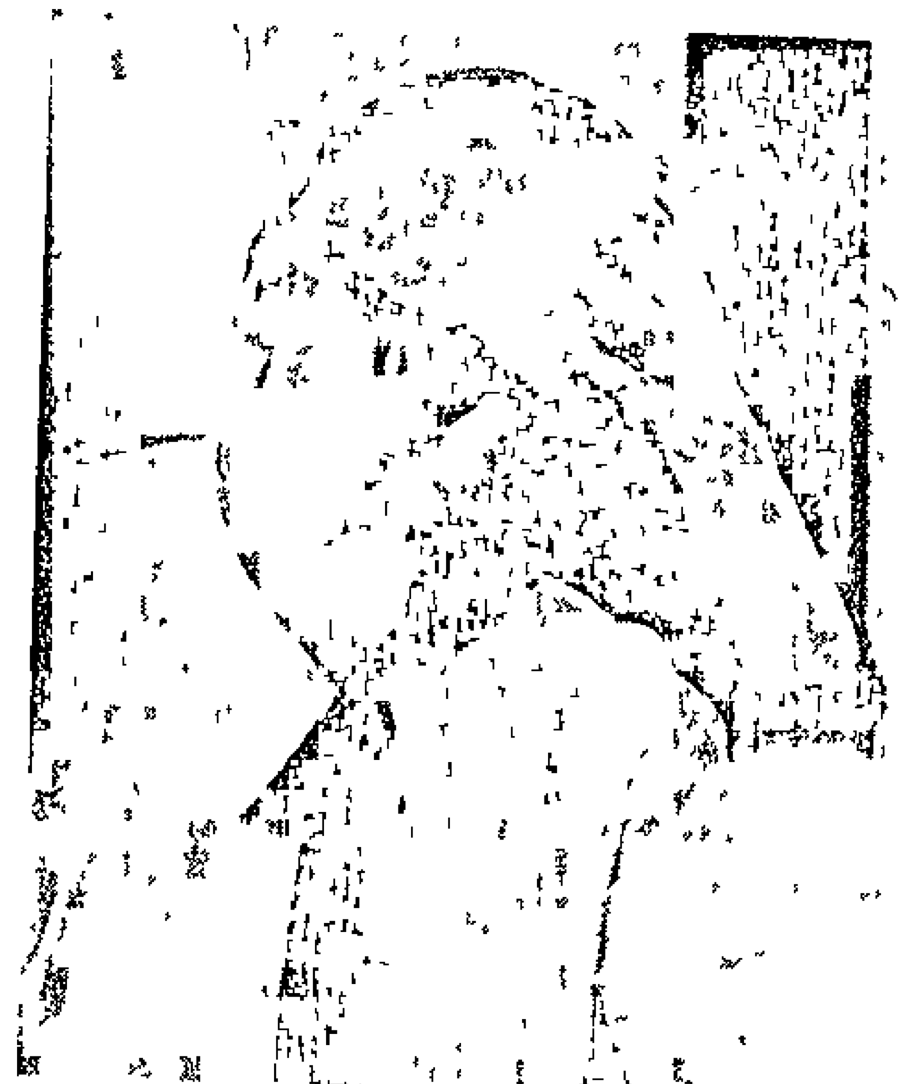
Smith hails from London — "I'm as near to a Cockney as dammit" — trained as an accountant and joined BOC in 1956 Thirteen years later he was appointed group MD. Today, exuding confidence and good humour, he claims his accounting skills have long been forgotten

Underneath the bonhomie he's a hard-nosed financial strategist who has led the UK-based multinational (based on industrial gases and operating in 37 countries) into climbing profits since becoming chief executive in 1972

Group profits for 1975 rose 38% to a high of R82m before tax on a turnover of R854m And this at a time when UK-based industry profits are generally lagging

Though Afrox's profit performance — R10m, 21% up on 1974 on a turnover of R121m — did not fully match group performance, Smith declares himself not unhappy

"An exchange loss on devaluation cost us R1 067 000 Redundant stock was also cleared out and some



Leslie Smith . . . Internationalising British Oxygen

products were phased out But with the mine and silicon smelters near Pietersburg fully operational this year the profit outlook is more encouraging for 1976 "

Smith is in Johannesburg to chair the first board meeting of BOC International outside the UK Purpose of the exercise is to enable the board members representing the group's interests in South-East Asia, the Pacific, America, India, Europe and Australia, to get a thorough understanding of local current economic, political, social and general business matters.

This is all part of Smith's brainchild of "truly internationalising" the group. Meetings for the future are planned in Australia and the US. Smith sees BOC International as no longer merely a British company with overseas interests but as a London-based international which includes a large investment in the UK.

Smith wants to see each local operation achieve total integration with the economic, social and political interests of the host countries. "And," says Smith, "an operating company's first responsibility is to its host country and second to the group."

What he wants ultimately for the group is a truly international financing operation. "Raising capital in Johannesburg or Sydney or New York for the international rather than the localised operation. This capital can be spread in terms of risk and gain. Present national financial strictures make this no more than a pipe dream at present."

(1) ~~66~~

(2) (188)

~~(1) 103~~

(2) 183

RDM 11/2/76

Seaweed factory

BUTTERWORTH in the Transkei has been chosen as the site for Southern Africa's first seaweed processing factory

A contract has been signed between the Xhosa Development Corporation and Taurus Chemical Manufacturing Co of Randburg.

Taurus chemicals has negotiated with an overseas scientist to provide technical know-how to extract algenic acid and other algenates from seaweed

Similar plants are in operation in Europe and America

Taurus Chemicals is constructing a pilot plant to adapt the European process, and the extraction plant should be in production in early 1977

The contract involves an investment of more than R1-million and will provide jobs for about 200 Xhosas

Algenic acid and its salts are used in the manufacture of margarine, beer, all powdered soft drinks, lubricating grease, solid fuel, cosmetic preparation and a wide variety of industrial processes.

Seaweed will be shipped to the Transkei from the West Coast of South Africa

---

...er

.../76

...to

...wn

'Lever Bros' ...

... grounds of race and we have Africans in management at some of our factories.'

He emphasised that it was only the process of manufacturing Sunlight Soap in Cape Town that was being closed down.

The soap will now be made only at a larger factory in Durban, as part of a rationalisation process.

'Economies of scale have unfortunately made this necessary,' he explained. 'But there is no need for any of the company's other employees in the Cape to panic. Their jobs are not in danger.'

No date has been fixed for the final closure of the factory but 20 African labourers will finish work ...

183

DD 18/12/76.

Chemical companies in Supreme Court battle

EAST LONDON — Chem-Con (Pty) and its managing director, Mr Peter Roger Lund, will appear before the Supreme Court in Grahamstown next Thursday to fight an interdict restraining them from selling, distributing or manufacturing certain chemical speciality products.

The action was brought against Chem-Con and Mr Lund by Chemserve (Pty) who claimed before the court that Chem-Con was in unlawful competition in the highly competitive chemical speciality product field

Chemserve manufactures and distributes chemicals for the food and beverage industry, for water treatment, industrial cleaning, laundry and textile, metal treatment and chemical cleaning equipment

In his affidavit to the court, Mr C H Heine, Chemserve's branch manager for the Eastern Cape, said chemical production was a competitive field of business and the formulae used by manufacturers were highly guarded secrets

Mr Heine said Mr Lund had been employed by Chemserve as the area sales manager in East London before he resigned, and had told him he did not intend to trade in opposition to Chemserve

Later, when he went to visit Mr Lund, Mr Heine said he saw Mr Lund was making chemical specialities.

Mr Heine said the production supervisor of Chemserve's factory in Port Elizabeth, Mr C H Price, had told him Mr Lund had approached him to get certain formulae

"To the best of my knowledge, Chemserve is the only company in South Africa which has the formulae for eight of the products," Mr Heine said in his affidavit

He said present and potential customers of Chemserve had been interfered with and Mr Lund and Chem-Con should be restrained from trading because Chemserve had already suffered irreparable harm through the loss of customers valued at R3 000 a month.

The court was also asked to prevent Mr Lund from contacting Chemserve's employees to obtain formulae as these secrets would then become public property

In his affidavit, Mr Price said he had tape recorded several telephone conversations with Mr Lund after he had been instructed to make contact with Mr Lund to find out exactly what his intentions were

In the taped conversations, Mr Lund had asked for certain formulae and after his suggestion that Mr Price would be rewarded, Mr Price had asked for R150 Mr Lund eventually sent him a cheque for this amount, but the cheque was not cashed

In a replying affidavit, Mr Lund for Chem-Con (Pty) Ltd said in 1963 he had been employed as factory supervisor for Chemserve and had access to all the formulae necessary for the blending of the chemical specialities sold by Chemserve He was later transferred into the sales field and came to East London

In 1968 Mr Lund said Chemserve had decided for security purposes that employees should sign a document acknowledging the confidential nature of the work and undertaking not to use this this information other than for the company, but this was after he had been production manager

Mr Lund said he had made no notes of the various formulae and as they were involved, there was no question of having committed them to memory.

Mr Lund said he denied that Mr Heine should have been surprised to learn he was making and selling chemical preparations as Mr Heine had been made aware of this at least two weeks before Mr Lund left Chemserve

Mr Lund said he admitted he had approached Chemserve's customers, but denied he had used unfair means to entice the customers away

The products supplied to Wilson Rowntree and Hoover were not the only products of their kind, Mr Lund said There were at least 30 companies in South Africa who could supply similar products

The general ingredients of the chemicals were of public knowledge, the secret lay in the precise proportions of the constituents on which depended the efficiency of the compound

Mr Lund denied there was anything wrong with his conduct and said if Chemserve had suffered any loss it was as a result of ordinary fair competition

On the taped telephone conversations, Mr Lund said they underlined that he did not know any of Chemserve's chemical formulae and that he had only asked Mr Price for help of a general nature for which he would be prepared to do him a favour in return He denied he tried to bribe Mr Price into parting with any confidential information

The court altered its original temporary order which restrained Chem-Con and Mr Lund from carrying on business in any manner in opposition to Chemserve to restraining the company and Mr Lund from using any confidential information acquired from Chemserve. — DDR

250

Cape Times 10/1/77

Oil companies should merge, says Roelofse

Own Correspondent

PRETORIA. – South Africa's "Ralph Nader", Mr Eugene Roelofse, yesterday called on the Minister of Economic Affairs, Mr J C Heunis, to force the country's petrol companies to "nationalize" into a one brand, time- and cost-saving co-operative to fight the fuel crisis.

At the same time, in an interview, Mr Roelofse called on the State to make the oil companies disclose their balance sheets – "to prove to us their claims that they are not making excessive profits"

Furthermore, he said, the companies should be made to disclose just how much they were paying out, in terms of the Republic's valuable and diminishing foreign funds, in profits to overseas shareholders.

"The oil industry in this country needs a good hard look at. If they are having such a tough time of things, as they keep telling us, then they must tell us all about it and show their figures.

"If they are really having a hard time and prove it to us, the consumers, they would get our confidence and the air as a whole would be cleared.

"It is not enough for the Minister of Economic Affairs to tell us blandly and simply every time there is a petrol price increase that the companies are 'not making too much profit'.

"Ministers have been proved in the past to be wrong on many occasions," said Mr Roelofse.

Mr Roelofse made his points in an interview on the eve of yet a further fuel price increase today; and on the eve of kicking off a dynamic new consumer protection organization sponsored by the South African Council of Churches.

He said the time was past for the petrol companies to receive the same treatment as any other company. The profitability of oil had become a fundamental consumer issue, not so much because of the individual's use of his private car, but because it affected every single aspect of the country's cost of living.

'Astronomical'

The time had come for the companies to come into the open and "tell us just how much of our foreign exchange currency goes into the pockets of overseas shareholders. And I bet it's astronomical," he said.

"The time has come for all our fuel to be put into one kitty – into one tank, if you like.

"Branding must be abolished, eliminating vast extra expenditure – for which the consumer pays – on advertising, promotions and duplicating of supply and delivery services.

"The purpose of advertising is to encourage greater usage of a product. This is the last thing we need on the fuel front – but vast sums still go on advertising."

He said that if there were any difference between different brands of petrol it was so small that to the average motorist it meant nothing.

'Allocated zones'

"Rather should the companies be forced into one co-operative, allocated zones in which to operate in, and thus eliminate expensive duplication. Imagine the savings if this were done," he said.

There was no need for the State itself to take over petrol marketing. This would be unwise, with the State's cumbersome and bureaucratic machinery leading to dead ends, as had been proved in the marketing of cheese and butter.

But, Mr Roelofse added jokingly: "On the other hand it might be a good thing if the Government did. Then we might get a surplus of petrol."

There was not the slightest reason why the petrol companies should still compete with each other. Many millions of rands were going down the drain as a result.

Meanwhile the morale of the user could be boosted tremendously, and his sympathy for the "plight" of the oil companies won, if the companies "play open cards with us and show us that in fact excessive profits are not being made."

183

hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeerfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.

J. A VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*, jg. 7, nr. 1, 1967, pp. 328–342

J. DU P. SCHOLTZ, *Taalhist. opstelle*, pp. 162–168.

J. L. PAUWELS, „De volgorde van verbogen verbale vormen in het Nederlands", in *Dietse studies*, pp. 105–110.

9.5 Slotopmerkings

In hierdie beknopte oorsig van die wording van die Afrikaanse taal kon net op die mees opvallende kenmerke van die woordeskat, klank- en vormstelsel, en van die sinsbou gewys word. Talle van die fyner besonderhede van die Afrikaanse taalstruktuur kon uit die aard van die saak nie ter sprake kom nie; maar uit die verskynsels wat wel bespreek is, blyk al duidelik dat Afrikaans nie eensklaps ontstaan het nie. 'n Tydperk van minstens 200 jaar was nodig om die Afrikaanse taalstruktuur te laat ontwikkel. In dié ontwikkelingsproses het baie faktore tot die veranderings op die gebied van die woordeskat, die fonologiese en morfologiese struktuur, en die sinsbou bygedra. Wanneer ons ons bronne versigtig bestudeer, sien ons dat nie die een of ander ... spesifieke faktor vir die wording van Afri- ... taal die produk

1. Teorieë oor die ontstaan van Afrikaans

Vroeer is daar wel aan die een of ander beslissende taalinvloed gedink Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teoriee oor die ontstaan van Afrikaans Th Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M de Vries en J te Winkel, wat die *Frans-teorie* voorstaan Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D C Hesseling het die teorie in 1897 al weerlê In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het, hy dink aan die een kant aan Duitse invloed, aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrikaans die aandag gevestig het. D C Hesseling het die gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde werk *Het Afrikaansch* (1899) waarin hy sy *Maleis-Portugees-teorie* uiteengesit het In teenstelling met die vorige teoriee was Hesseling s'n die eerste wat werklik wetenskaplik verantwoord was. Volgens Hesseling moes daar binne die eerste dertig jaar van die volksplanting 'n skielike botsing van tale aan die Kaap plaasgevind het, nl. 'n botsing tussen die 17de-eeuse Nederlands van die vryburgers, soldate en amptenare en die taal van die Oosterse slawe wat Maleis en 'n ...m van gebroke Portugees gepraat het, of 'n vermenging van albei („Maleis- ...") ... daarna het 'n groot aantal slawe wat gebroke ... sou volgens Hesseling 'n ... het wat ... 'n vinnige ... esultaat was 'n sterk ver- ...matika Wanneer 'n kul- ... 'n botsing met 'n sosiaal ...istiese reduksie, struktuur- ...praat 'n mens van kreolise- ... die tipiese kenmerke van ... kom hy tot die konklusie ...erlands wat halfpad bly staan net om 'n kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

Senchem beats inflation

7/1/71

By CHRIS CAIRNCROSS
Industrial Editor

CHEMICAL manufacturer Sentrachem has kept profit growth marginally ahead of the inflation ... in the six months to ... end of December, 197... The interim report says distributable profits were R8 371 000 — 12,7 per cent above the corresponding period in 1975

This was ... on a 5,9 per cent inc... turnover to R77 452 0...

Because ... this subdued performance and the continued dullness of the economy, the company ... pegged the dividend at 6c ... seems that shareholders ... expect this conservative ... proach to be repeated at ... year-end

Sentrachem's chair... Mr J H Smit, said in the annual report it was becoming progressively more important that companies retain sufficiently large portion ... profits to finance their activities

Sentrachem's interi... shows a drop in earnings 15,3c compared with the ... in the corresponding months of the previous ye...

This is mainly the result ... the increase in share cap... following the R15-mill... rights issue earlier last ... to provide the additio... equity base for increa... borrowings for the grow... expansion programme

There has also been a s... stantial increase in cap... expenditure, for am... other things the Coalp... project which Sentrachem ... building in partnership wi... AECI

The group expects to ... to maintain the rate ... growth in the second ... the year

56, 153

Big firms back plan for power

The Star's Insight Team

The plan to raise R50 million and more of bank money for electrical reticulation of Soweto was initiated by Roberts Construction and the big electrical firm, Siemens (Pty) Ltd

The Anglo American Corporation was also deeply involved, but it is not clear whether it was in from the outset

An executive director of Anglo American, Dr Zac de Beer, confirmed the involvement of his corporation yesterday

A spokesman for Siemens confirmed his company's involvement

He said "a number of people" had thought of the plan, and Roberts Construction and Siemens had joined forces to get it moving

FINANCING

"We realised financing was necessary, and the banks were contacted

"What otherwise would have taken years, will now be achieved much faster," he said

In addition to the obvious benefits to Soweto, the scheme could be the "ignition" for the revival of other sectors of the economy It would also be a pilot project" for other townships

CONFIRMED

Roberts Construction also confirmed the plan and its involvement A spokesman said feasibility studies, costing and technical aspects were now complete Detailed reports had been sent to the Government

The companies moved on the scheme last July — only weeks after the chairman of the West Rand Bantu Affairs Board, Mr Manie Mulder, announced that it was intended to supply Soweto with electricity.

Mr Mulder was not available for comment but a board spokesman said he was to fly to Cape Town next week for talks at a high-level.

The Star's Insight Team has established that Siemens and Roberts approached five major banks for loans in July.

CO-OPERATION

The approach was certainly in co-operation with the West Rand Bantu Affairs Board (possibly in its name) and probably had the backing of the Anglo American Corporation

Four of the banks agreed "in principle" to make the loans (amounting to R52-million) providing they were guaranteed by the Government. These were Barclays National, The Standard, Volkskas and Nedbank.

The fifth bank, Trust, insisted that an attempt be made to raise an overseas loan and that, if this failed, the bank loans should be outside their normal lending limits (as governed by the ratio of loans to liquid assets.)

Trust was then quietly dropped from the scheme — at any rate it heard no more about it.

The four banks were all equally involved in getting the scheme off the ground Barclays is, however, leading the negotiations with the Government

183

Man — Chemicals

Chemical industry agreement gazetted

Pretoria Bureau

The new agreement between employers and trade unions for the chemical manufacturing industry in the Witwatersrand and Pretoria will take effect from March 14, according to a notice in the latest Government Gazette.

Remuneration, hours of work, annual leave and public holidays, sick leave, termination of employment and insurance of employees' personal effects are among the matters covered in the agreement.

Other items in the Gazette included —

- Elliot Machine Tools has applied for an increase in the duty on shearing machines (guillotines) and their parts, and Maksal Tubes for an increase in the duty on copper tubes and pipes
- W R Grace Africa has applied for a reduction in the duty on plates, sheets, strip, film and foil of vinylidene chloride polymers and copolymers.
- Unclaimed monies, with amounts ranging from 25c to R3 124,31, due to market agents, abattoir agents, and hides and skins brokers are listed. People seeking to claim payment of these amounts must notify the secretary for agricultural economics and marketing.
- The basic rate for telephone calls between South African and Guatemala is R12,75 for the first three minutes, and R4,25 for each succeeding minute.

FIN MAIL

EXPLOSIVES 25/2/77

Threat to AECI

183

AECI's domination of SA's explosives market since the turn of the century is being challenged by Johannesburg-based National Process Industries — long a thorn in the chemical giant's side

It was NPI which bought the Maputo ammonia terminal some years ago, gaining leverage over imports of ammonia into SA, controlled by AECI And it was NPI which built Swaziland Fertiliser Industries two years ago in an attempt to break into the AECI-Triomf-Fedmis axis, whose government-sanctioned marketing agreement controls SA's fertilisers

Now chairman Oliver Hill has thrown out another firecracker He plans to make a slurry explosive, a water gel developed by Du Pont of the US called *Tovex*, and break into AECI's monopoly in the mining industry

On the face of things NPI has little chance To succeed it must break the contract AECI has with all members of the Chamber of Mines to *exclusively* buy explosives from AECI

The contract was renegotiated in 1974 and runs for a minimum of 10 years. It guarantees AECI prices which allow it an (undisclosed) return on capital which does not vary This means that if the Chamber buys less, prices rise; AECI continues to make the same profit

The contract does allow the Chamber or individual members to test any other explosive on the market — but AECI has first call on supplying any explosive which the Chamber may call for, or an *acceptable* equivalent

Only if Hill can break this contract is his new venture worth considering, but how? He tells the *FM* "I'm confident we can get into the market"

Chamber of Mines President Robin Plumbridge affirms that the contract with AECI "is essentially an exclusive agreement" and, when questioned, adds "It is fair to say that it's very difficult for a newcomer to break into the mining industry as a whole."

Both the Chamber and AECI point out that the agreement has been of tremendous advantage to the mining industry in SA over the years in that SA explosives prices are the lowest in the world, thus helping to keep down mining costs. AECI says, for example, that a comparative price for gelignite-based (such as dynamite) explosives is: US/Canada — R42 per 100 lb, SA R21 (highest grade)

The implication is that NPI will not only have to convince the mining industry that *Tovex* is a technical improvement on currently available slurries (AECI also produces them), but that its product will have a price advantage too

FOR IMMEDI. TE RELEASE

. RESS STATEMENT BY THE HONOURABLE THE MINISTER OF ECONOMIC AFFAIRS IN CONNECTION WITH THE FERTILIZER MANUFACTURING INDUSTRY

In consequence of representations submitted to me for the termination of the market sharing agreement between the two fertilizer manufacturers TRIOMF and FEDMIS I instructed the Board of Trade and Industries in August 1975 to investigate certain aspects regarding the fertilizer manufacturing industry. The Board has completed its investigation and its findings and recommendations have been submitted to me in report no. 1737.

The Board found that the market sharing agreement between the two manufacturers can hardly be regarded to be in the best interest of all the interested parties, particularly the consumers of fertilizers. The Board is however of the opinion that a summary termination of the agreement under present circumstances can have far-reaching and possibly extremely detrimental consequences on the fertilizer industry and on the consumers of fertilizer and recommends that no immediate steps be taken by Government for a compulsory termination of the agreement.

The Board is also of the opinion that entry into the fertilizer manufacturing industry in regard to manufacture as well as distribution is being limited by certain factors and that these limitations create a monopolistic condition which may have serious repercussions to the industry. With a view to this the Board recommends that it be directed to undertake an investigation in terms of the Regulation of Monopolistic Conditions Act into the suppl and distribution of fertilizer in the Republic.

I have decided to accept the Board's recommendations in its report.

My Departments receive complaints from time to time, among others from [illegible] ability of fert[illegible]er in 50 kg packagings to the retail consumer, as well as t[illegible] high prices consumers have to pay for fertilizer in smaller [illegible]tities than 50 kg relative to that of the 50 kg

[illegible]aging /...

packaging which can only be obtained with difficulty from factories and at times from some retailers. With a view to this I have decided that in its investigation the Board should also pay attention to the supply and distribution of fertilizer in packagings of 50 kg and particularly smaller packagings by the retail trade.

On account of the foregoing the Board of Trade and Industries has been directed in terms of Section 3(1)(a) of the Regulation of Monopolistic Conditions Act, No. 24 of 1955, to investigate and report on the supply and distribution of fertilizer in the Republic of South Africa.

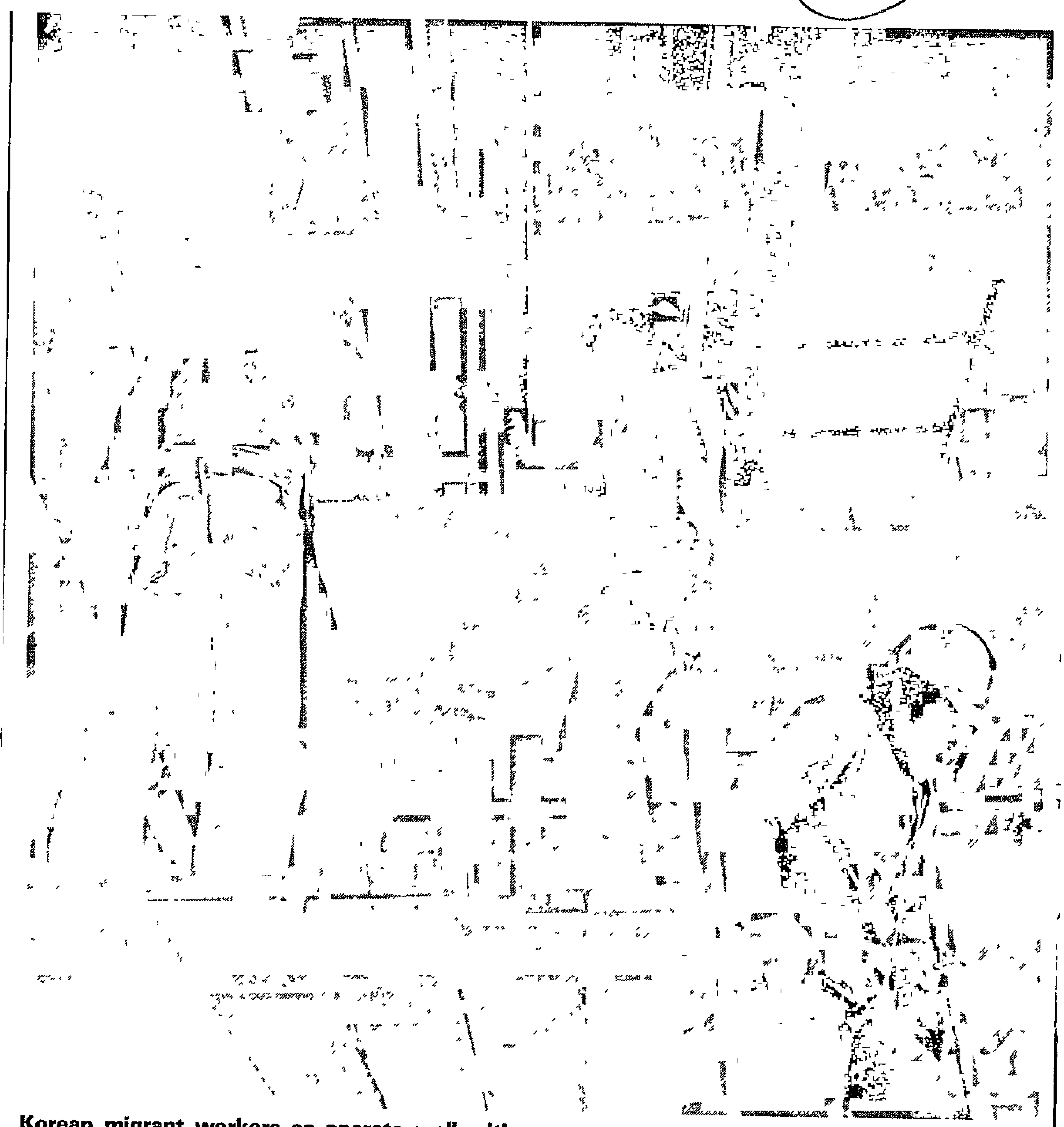
Report No. 1737 of the Board of Trade and Industries was tabled in the House of Assembly and the Senate respectively on 4 and 14 February 1977.

ISSUED BY THE DEPARTMENT OF INFORMATION ON REQUEST OF THE MINISTRY OF ECONOMIC AFFAIRS

CAPE TOWN

9 MAY 1977

Cape Times 5/5/77 (183)



Korean migrant workers co-operate well with other black and white workers on the site in spite of the language barrier.

Refinery project ahead of time

Staff Reporter

THE R117m Caltex oil refinery expansion project in Milnerton is three months ahead of schedule and the completion date has now been brought forward to April, 1978 — due to high work output by a mixed white, black and Korean labour force.

Mr Bert Hyne, the project manager, told the Cape Times during an inspection tour of the site yesterday that motivation among the 1 200-strong site team was so high that lost time due to accidents and poor workmanship was "well below normal".

"The Koreans are an example. They came here as a highly skilled construction team and have been turning out work of a high standard," Mr Hyne said.

Survey

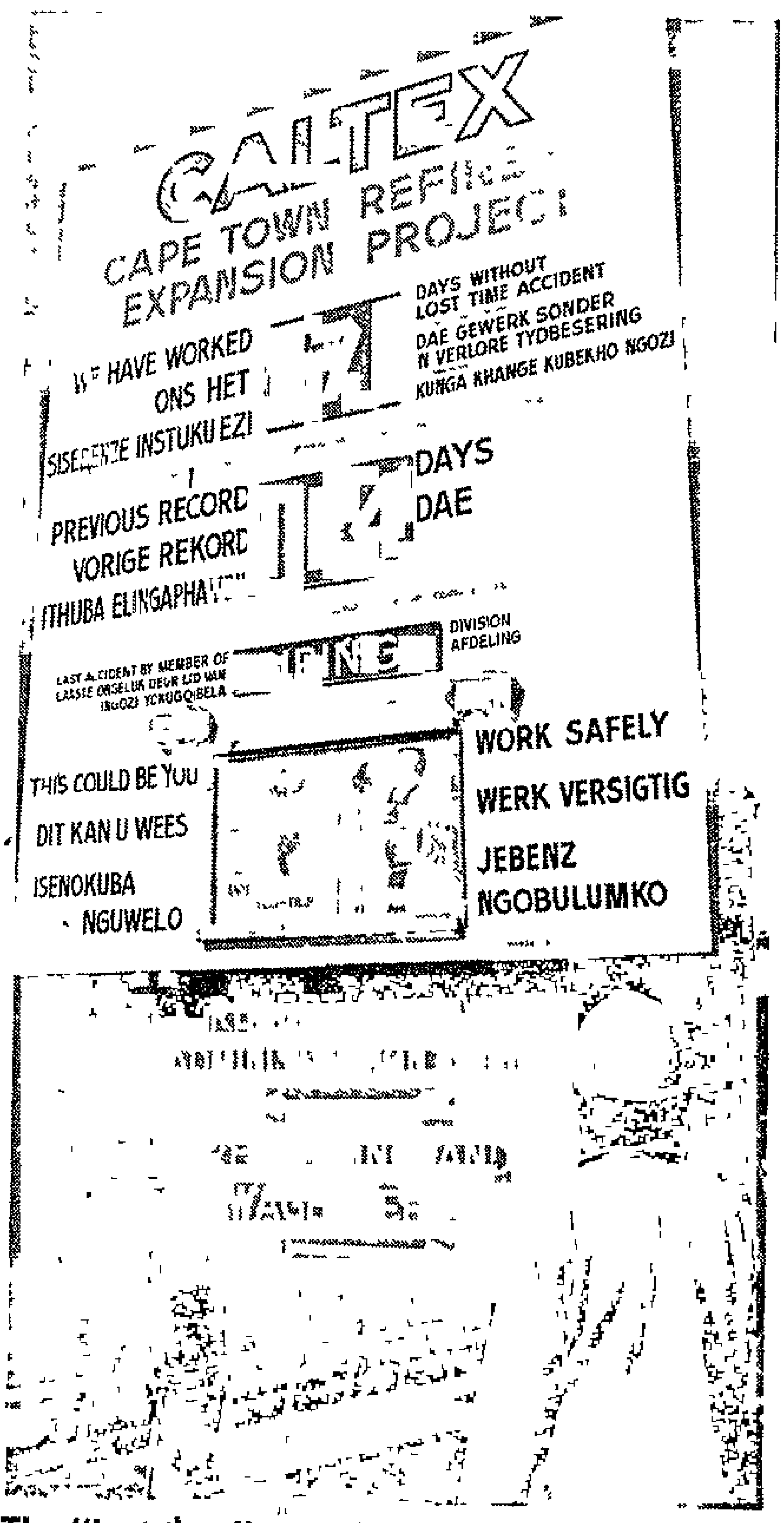
A survey of weld defects, presented at a University of Cape Town symposium earlier this year, rated the project rate on the Milnerton site as less than one percent for machine welds and averaging less than three percent overall

Expected problems with the 200 Koreans quartered on the site "just never happened," according to Mr Hyne. Co-operation between other white and black workers was "of the best, considering the language differences"

"We have permission to bring in 350 Koreans but it unlikely that we will need more than 250 Their output from a 10-hour, six day week is phenomenal," Mr Hyne said.

The Koreans have settled into comfortable prefabricated bungalows on site with a swimming pool, cinema, soccer field and other sports facilities for their own use They are being paid South Africa wage rates and will be repatriated when their contract ends

Part of the refinery extension, a 100 m chimney for flue, is already in use. A steam generating section will start operating within a few weeks to flush and clean each completed section of pipework.



The "lost time" record at the refinery entrance. Only one major accident has occurred on the site. Most accidents are minor hand injuries, say supervisers.

regular farm and domestic employees were included in one figure. The following table shows total payments in kind in the Eastern Cape.

Table: 4 Total annual payments in kind to regular farm labour in the Eastern Cape, selected years 1950-1973 (Rm).

Year	Total	Whites	Coloureds & Asians	Blacks
1949/50+	1,86	0,09	1,77	
1956/57+	2,83			2,53
1964/65	2,23			2,02
1972/73	3,71			3,43

Notes: + 1949/50 an … domestic s … o

Source: Agricultur …

From the table it will … between 1964/65 and 197 … increased by 52%. Alm … payments in kind by 59% … was lower than that of … sed by 66% … same period … increase in … e increase

Average cash wages per … the table below: … resented in … in the

Table: 5 Average ann … Eastern Cap …

Year	Whites	…	C.P.I.
1949/50+	342		69,4
1956/57	871		92,9
1964/65	1 127		110,1
1972/73	2 370		155,6

Notes: + 1949/50 aver … stic servants
C.P.I. = con … 100

Source: Agricultural Censuses; Abstract of Agricultural Statistics, 1976

Average cash wages of farm labourers have increased more rapidly than the consumer price index over both the entire period from 1949/50 to 1972/73

183

FIN. MAIL

INDUSTRIAL CHEMICALS

Anikem's new plant

Anikem's specialised chemicals factory at Umbogintwini, 20 km south of Durban, comes on stream today GM Mike Sander reckons that the new plant will save between R3m and R4m pa in foreign exchange.

"The R2m plant will be able to produce the range of Anikem chemicals with a capacity of between three to five times that of the old plant at Jacobs, near Durban, which has been in production since the mid-Sixties," he says

Anikem is jointly owned by AECI and Nalco Chemical, of the US It was formed in 1968 as a result of merging the companies' joint interests in water treatment Profit from the Jacobs plant has provided much of the funding of the new factory.

In general industry, water problems range from the deposition of solids inside boilers operating at high pressures, to corrosion; the fouling of water cooled equipment, and the treatment of effluent to maintain environmental standards

Anikem also supplies a wide range of chemicals for the control of bacteria, foam, corrosion and deposits in papermaking machinery

In the petroleum industry, the company is involved in process technology, working with the main refineries, Shell, Mobil, Caltex and Natref

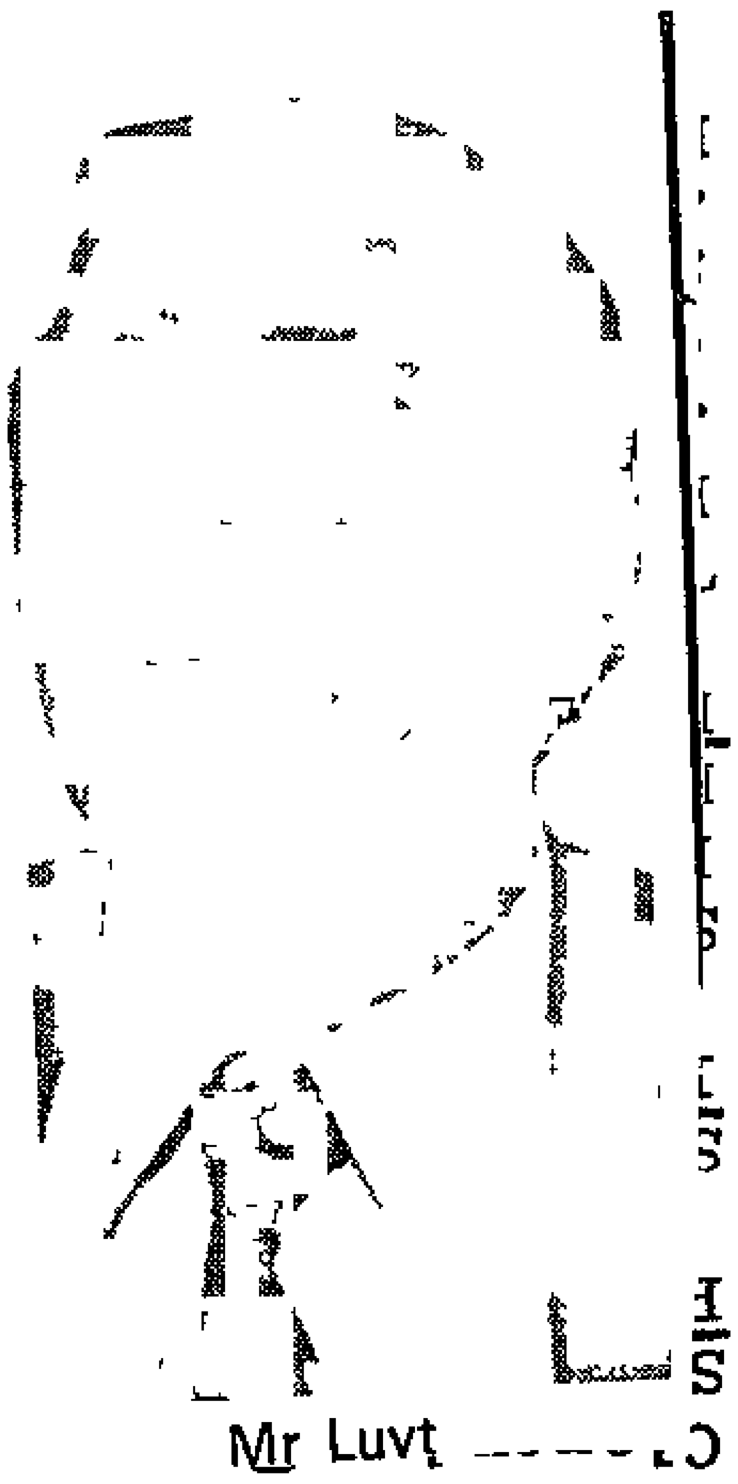
Says Sander "The plant at Umbogintwini has been planned for the ultimate installation of equipment to treble production, without any major capital expenditure"

Facilities at the factory have been provided for handling different and more sophisticated raw materials in order to broaden the range of available products

183

Cape Times 25/5/77

Triomf makes loan arrangements with overseas banks



Mr Luyt

JOHANNESBURG — Triomf has the facilities to meet its on-going funding requirements in maturing repayments on the Richards Bay phosphoric acid plant until the cash flow from an improved market becomes evident, the chairman, Mr Louis Luyt, told the annual meeting yesterday.

He said the company had an immediate amount of R4m for the purpose and he felt that like amounts should be provided by African Explosives, its partner in Richards Bay, in the partnership ratio of 51 percent by Triomf and 40 percent by AECI.

This should be done without any form of capital reconstruction that might lessen management control of the Richards Bay plant in the hands of Triomf.

Using internal South African financing resources was preferable to going to outside sources. Triomf had, nevertheless, arranged loan facilities from overseas banking sources which it could call on, if necessary, to meet its repayment commitments for the next two years.

Mr Luyt said the price of phosphoric acid in Brazil was too low at present as a result of the South African Government's action in allowing another competitor, Fedmis, into this export market which Triomf had been so largely instrumental in developing.

He had no fears of any inquiry by the monopolies authorities into conditions and competition in the industry.

Mr Luyt told a shareholder in answer to a question that the borrowing powers taken by the Triomf directors had been raised from R80m to R140m — Sapa

References

1. W.M. MacMillan, for example, saw the Act as "epoch making", W.M. MacMillan, Complex South Africa, London, 1930, p 122. See also Francis Wilson, "Farming 1866-1966" in Monica Wilson and Leonard Thompson (eds), The Oxford History of South Africa, Volume II, Oxford, The Clarendon Press, 1971, p 127 and Colin Bundy, "The Emergence and Decline of a South African Peasantry", African Affairs, Vol 71, no 258, p 384.
2. For example, Wilson op. cit. p 130;
3. Plaatje can be considered an excellent pamphleteer. In addition to being editor of Koranta ea Becoana and Tsala ea Batho, he also wrote such pamphlets as Some of the Legal Disabilities Suffered by the South African Native, London, 1919 and The Mote and the Beam, New York, 1921.
4. Sol Plaatje, Native Life in South Africa, third edition, London, n.d., p 17
5. Ibid, p
6. The South Africa ... 1912. See Pete ... in South Africa.
7. Wilson, op cit.
8. Ibid p 129
9. This point is not ... for example, argu... influence of the ... W.M. MacMillan, B...
10.
11.
12.

(183)

Mercury 14-6-77

New blow for Luyt plant

Mercury Correspondent

PARIS — Gazoceon, the French company which contracted to ship phosphoric acid for Louis Luyt's Triomf Fertilizer company, is to be put under provisional judicial management.

A senior executive of Gazoceon told me here yesterday that the company applied to the Tribunal de Commerce de Paris (Paris Commercial Court) and it was accepted that an administrateur (provisional judicial manager) would manage the company.

He stressed that the company had not been placed under liquidation.

The executive, Mr. Talhouet, said that the contract with Triomf would go into arbitration.

The original contract was that Gazoceon would buy and ship phosphoric acid for Triomf. The market price was initially well above the contract price. Since then, however, the phosphoric acid market has slumped.

Indemnity

Earlier this year Gazoceon pulled out of the initial contract by agreeing to pay a net million dollar indemnity to Triomf. In recent weeks, Mr. Luyt complained that Gazoceon had not met the initial requirements of the indemnity contract before the expiry date of May 31.

Gazoceon, a shipping conglomerate has suffered acutely from the recession in world shipping.

According to Euro Chemical News it also built gas tankers to deliver gas to the United States. With U.S. import restrictions on gas, the company received another blow.

According to analysts here, Gazoceon must be investigated for three months and if the Court decrees it can be placed on a sound financial footing, it can remain under judical management for another three years.

The Court feels the company can avoid liquidation and there is effectively a moratorium on debts and claims for the first three months and afterwards.

This implies that at least for the next three months, Mr. Luyt will not be able to sue Gazoceon over the indemnity contracts.

Chemical industry prepares for next upturn

Star 15/6/77

183

Grant Rogerson

Although experiencing extremely tough trading conditions, companies operating in South Africa's chemical industry are budgeting for higher sales and profits this year

A survey shows that most companies in the industry are using the lull to get their house in order for the next upturn.

Although not yet evident in South Africa, a bullish trend is already developing in the United States, and to a lesser degree in Europe and the UK

The growth in local chemical company sales and profits is not as dramatic as it was in the boom years, but nevertheless the situation has been encouraging during the past 12 to 18 months

STRUGGLED

Some sectors have done better than others Industrial and metallurgical chemicals and explosives are reasonably bouyant, while fertilisers, agricultural chemicals, plastic and rubber have struggled

Generally, there has been a tightening of credit, a continual rise in the price of raw materials, as well as increased transport and power costs. In order to cope, companies are working to tighter margins, cutting down on their overheads wherever possible.

On the labour front, there have been no severe cut-backs, but this is understandable for the industry is basically a capital intensive one A new agreement between employers and trade unions for the industry in the Witwatersrand / Pretoria area has just been gazetted which offers employees an improvement in remuneration, hours of work, annual and sick leave and public holidays

Blacks, are likely to further benefit through various schemes being undertaken by many companies AECI, for instance, is stepping up training and has committed itself to developing and using employees to the limit of their potential In addition the company has made special efforts to improve the accommodation and housing of its black workers and has quadrupled its minimum rates of pay for them over the past five years

The lowest paid black worker is currently earning R145 a month, while the average worker earns R218 a month — way above the JCC's minimum living level of R126,95.

The availability of adequately qualified staff still remains a problem in the industry, however, as does the artisan sector where more and more white apprentices are being drawn away into more lucrative occupations elsewhere.

INVESTMENT

The industry feels that the supply of adequately trained journeymen for the future will be hopelessly inadequate unless a start can be made soon on the training of black apprentices

Generally, most plants in the industry appear to be working to capacity with additional output destined for foreign markets Imports are being replaced wherever possible which is borne out by an estimated 10 percent drop in imported chemical goods during the past 12 months

Investment too, has shown a drop and is not likely to be stepped up to any large extent until the mid-1980s Most of the large expansion programmes under way at present were budgeted for years ago Smaller projects — between R1m and R5m — are expected to continue.

Exchange rates

	Buying	Selling
USA	1,1529	1,1471
Canada	1,2250	1 2070
Belgium	41,70	41,10
Switzerland	2,8870	2,8485
France	5,7255	5 6515
Italy	1026,5	1013,0
Netherlands	2,8620	2,8235
West Germany	2 7345	2 6980
Sweden	5,1155	5,0485
Norway	[illegible] 096	6 015
Denmark	6 988	6,985
Austria	19 45	19,15
Portugal	45,55	43,80
Japan	314,5	310,0
Spain	80,10	79,00
Malawi	1,0530	1,0275
Australia	1,0465	1,0275
New Zealand	1,2055	1,1790
Hong Kong	5 434	5,361
Fin B Frcs	41 80	41,10

The sterling rate is quoted in terms of rand to £100 The buying rate is 148,5185 and the selling rate 150 4890

The Rhodesian dollar rate to the rand is fixed at 0,7500 buying and 0,7425 selling

FIN. MAIL 17/6/77 (183)

Has Luyt's link gone bust?

On Tuesday, Gazocean, Triomf's buyer and shipper of phosphoric acid, announced that its entire management had resigned. As a consequence, the Paris Chamber of Commerce has appointed a judicial administrator, Maitre Jaques Pesson, to run the Paris-based company while its legal tangle with Triomf is being unravelled.

In short, the apparent deadlock can only be resolved in one of four ways·

- Gazocean can gain breathing space by paying the first Triomf bill (around $3m) presented last Friday under the terms of the original "take or pay" contract,
- It can settle for arbitration provided for under SA law, under the rules of procedure of the International Chamber of Commerce;
- It can send a delegation to SA and attempt to persuade Triomf to accept a revised deal; or
- After a reasonable period of time, Triomf can apply for Gazocean's liquidation in the event of non-payment of the $3m bill presented last Friday

As regards settling the Triomf bill, Vincent de Bailliencourt, the head of Gazocean's legal department, denies that his company has received any notice from SA that payment is due. However, the *FM* is quite satisfied that Triomf *did* bill Gazocean on Friday last and preceded that demand with a notice of claim on June 2.

And as regards the second and third alternatives, Triomf has received no notice of impending arbitration nor does it expect a Gazocean delegation in the next few days. The *FM* learns, though, that the French company has suggested a meeting while, on the subject of timing, De Bailliencourt says that "it depends on what the legal administrator decides He's the man who will be taking all the decisions from now on," he says.

Meantime, Triomf is adamant that bills will be presented every time there's a shipment of phosphoric acid from its R100m plant at Richards Bay. The most recent shipment was a 7 500 t load last weekend destined for Japan and paid for with a letter of credit fob Richards Bay

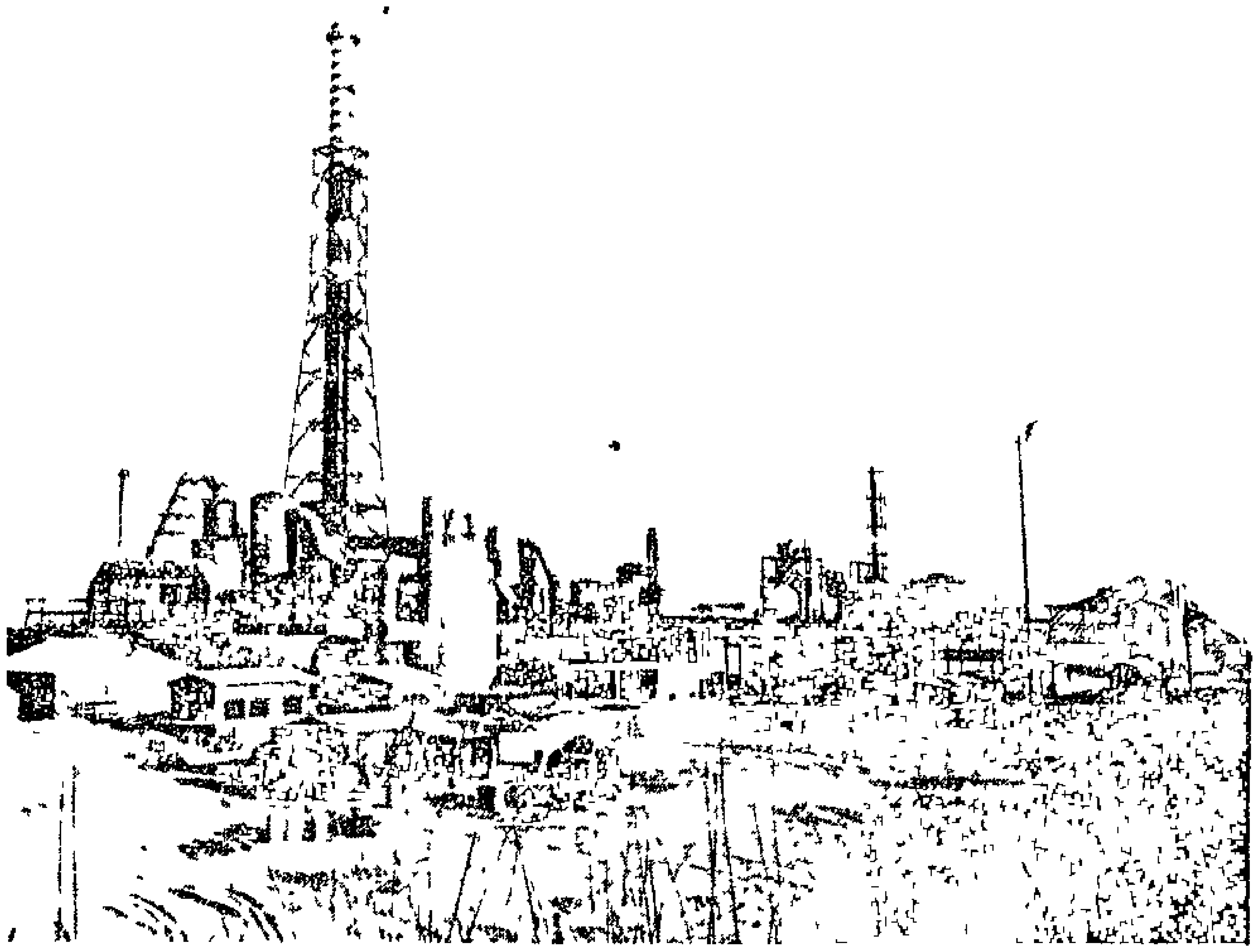
The *FM* also understands that a further two shipments are earmarked for later this month with a third, and much larger shipment, scheduled for the beginning of next month.

In Paris, De Bailliencourt says that "there has never been any question of the French government putting any money into Gazocean, either now or in the past". Further, and in spite of *FM* information to the contrary, De Bailliencourt insists that no agreement of this type has been linked to Gazocean pulling out of its deal with Triomf

Either way the French Company *is* strapped for cash and somebody must be picking up the bill for the current loss making operations French sources suggest that new financial, arrangements, which were scheduled to take effect on June 1, were forestalled

Provision was made, the *FM* understands, for the injection of 50m francs of fresh capital into Gazocean by its shareholders. But this depended, runs an oblique Gazocean statement, "on agreement with Triomf"

To confuse the issue, there are rumours that Gazocean intends to file for damages against Triomf for frustration of the marketing contract or contracts Whether or not that rumour is little more than a smokescreen will only become evident in the coming days


Triomf's phosacid plant . will the bills still be met?

SA will soon be whiter than white—industrially

THE OPENING of a third detergent raw materials factory in recent weeks means the industry can supply more than twice the country's current demand.

And the industry is likely to have excess capacity for a few years, says John [illegible], chairman of Alulu Chemicals.

Alulu's R2,5-million KwaZulu factory at Isithebe has been on stream for two weeks. It is capable of producing between 5 000 and 6 000 tons a year of five foaming compounds — important [illegible] ingredients [illegible] cosmetics raw materials.

The opening of the factory follows close on the heels of a major expansion by Alulu's competitor, Marchon Paragon, [illegible] has taken place. Mr [illegible] said the two companies were fully aware of each other's plans but are planning for a growing in demand.

Both competitors are joint ventures between a South African company and a major foreign company. Alulu is a 50:50 venture between local group Chemical Holdings and Alco Chemie of West Germany, while Marchon Paragon is similarly controlled by Paragon Holdings and the British company, Albright & Wilson.

183

Twins agree: black's beautiful

Sunday Times (Business Times)

By TONY KOENDERMAN 3/7/77

AN ADVERTISING campaign cashing in on the ethnic pride of Soweto's blacks has given Twins Pharmaceuticals its "greatest success yet" with a cosmetic for Africans

"We had a hunch that the concept 'black is beautiful' would now catch on in Soweto," says Trevor Goodgoll, whose advertising agency, Goodgoll Said, created the campaign

"Research said 'no', but we thought people's attitudes towards themselves had changed since the Soweto riots last year. The results vindicated us "

The product, Tanlite, is promoted with the slogan· "For the Young, the Black and the Beautiful."

Any suggestion that it lightens the skin is banished from the text of the ad. Instead, we are told, Tanlite gives a look of "golden smooth beauty."

FIN MAIL 8/7/77

183

CROP PROTECTION

Exit Triomf

Triomf's decision to partially withdraw from the R60m-R65m a year (retail) crop protection market cannot have been taken lightly.

For a start the demise of Triomf Crop Protection means the retrenchment of 30 staff. Market sources, though, suggest that many will be joining the Bayer group. It also means surrendering top of the log status (with an estimated 25%-28% market share) in the market place and leaving the door open for the seven or so other majors.

Triomf, though, will be keeping some of its options open by continuing with its 51% interest in Farmers Organisation, operating only in Natal, and with its 50% interest in Agritek, operating in the Eastern and Northern lowveld.

Triomf MD Philip Clarke explains the withdrawal as due to current economic circumstances and the unpredictability of the market. It is also doubtless not unconnected with [illegible] trouble [illegible] phosphoric acid division and the [illegible] potential need to [illegible]

The crop protection market now comprises (roughly in descending order of market share) [illegible] B[illegible] [illegible] Vetsak, Fedmis, Shell and Chemfarm. It includes weedkillers ([illegible] of the total), insecticides (34%), [illegible]cides ([illegible]%) and others such as fumigants.

While the [illegible] jockeying for position should make for interesting times in the industry, it's interesting too that Fedmis should come out the [illegible] with its herbicide crop protection [illegible] just as Triomf [illegible]

Crop protection — Triomf's new low-flying role

Natal Mercury 11/7/77

(183)

Explosions at power buildings

RENNES — Explosions rocked the offices of the French Electricity Board in the Breton fishing port of Saint-Malo and destroyed another Electricity Board building in Dinan early yesterday, police said.

The bombs were placed by a local group objecting to the building of nuclear power stations in the area by the board, a statement to a Dinan newspaper claimed.

They followed a similar attack on an Electricity Board building in Rennes last March. — (Sapa-Reuter.)

13/2/72 R. Mercury

Last show

PIETERSBURG — The Empire Theatre in the centre of the town has been gutted by a fire. It is believed that the blaze was caused by an electrical short circuit. — (Sapa)

183

D.D. 15/7/77

Fire scare at cinema

(183)

EAST LONDON — A fire scare was sparked off at a showing of the war drama , A Bridge Too Far, at the Constantia cinema here last night when three fire engines rushed to the cinema after acrid smoke began wafting from behind the screen.

And the smoke was not from the exhaust pipes of the war machines in the film.

While about 120 patrons, oblivious to the potential fire, were spellbound by the film, firemen searched for the source and cause of the smoke, which could be smelt in the foyer.

A fire brigade spokesman said the source of the smoke was apparently an electric motor with a fault

There was no immediate danger so the show went on.

A fire officer was on duty throughout the rest of the show, and a close watch was kept on the premises throughout the night.

A spokesman for the cinema's management said there had been no complaints from patrons who appeared not to have realised anything was amiss.

A search for the fault, which did not affect the showing of the film, will be made this morning. — DDR.

D. D 15/7/77

(1) 183

Monsanto now in Bayer fold

By Tony Koenderman

THE AGRO-CHEM division of Bayer South Africa has taken over sole distributorship rights for Monsanto herbicides in South Africa.

The move should strengthen Bayer's and Monsanto's position in the tough, highly competitive crop protection market which has been thrown wide open by the withdrawal of market leader Triomf Crop Protection.

Triomf, Bayer, Agricura, Fisons and Shell together supply more than 80 per cent of the R65-million annual market

Triomf products will now be marketed through two other subsidiaries operating in limited areas — Farmers Organisation, in Natal, and Agritek, in the Transvaal lowveld areas.

The move follows a profit decline at TCP from R1,5-million to R0,4-million last year.

However, says Monsanto managing director Martin Walsh, "there's definitely money to be made in this market."

What makes it difficult is excess productive capacity, the abundance of producers, and fierce price cutting

Fedmis has recently come into the market, alongside a host of smaller producers including Ciba Geigy, Vetsak, and Cyanamid

BAYER VAT OOR BY TRIOMF

[illegible] 17/2/77

(183)

DIE Agro-Chem-afdeling van Bayer sal in die toekoms as alleenverspreiders van die bekende Monsantoversheidenheid van onkruidverdelgende produkte, Roundup, Lasso en Ramrod, optree

Hierdie reeling volg op die besluit van Triomf-oesbeskermings 'n maatskappy behorende aan die Triomf-groep, om sy werksaamhede op 30 Junie van vanjaar te staak

Monsanto is Suid-Afrika se grootste maatskappy op die gebied van die vervaardiging en verkoop van onkruidverdelgers Dit was ook die eerste maatskappy wat die formulering van onkruidverdelgers in Suid-Afrika onderneem het Dit is by die AECI-fabriek op Umbogintwini gedoen

Die Agro-Chem-afdeling van Bayer Suid-Afrika is een van Suid-Afrika se vooraanstaande fabrikante en verspreiders van spesiale chemiese preparate vir die behandeling van landbou-oeste

Albei maatskappye is internasionale leiers op die gebied van landbou-skeikundige navorsing en is dwarsdeur die wêreld ten nouste aan mekaar verbonde

Die nuwe reeling tree dadelik in werking, en daar word verwag dat daar in die oorgangstydperk geen onderbreking in die kontinuïteit van diens sal wees nie

Die nuwe reeling beteken dat Bayer SA sy handelaarsnetwerk, sy verteenwoordiging en sy dekkendetegniese ondersteuningswerksaamhede sal uitbrei in 'n kwaliteitsdiens tot beskikking van alle kliente

RDM 26/7/77

(185)

GEC lays off 180 workers

Labour Correspondent

GEC Domestic Appliances Pty is to lay off 180 of its 275 hourly-paid staff at its Wadeville factory in Germiston.

Notice of the lay-offs have been given to the staff, who will be given redundancy pay.

This was confirmed yesterday by the general manager of the company, Mr E R O'Neill, who said the Wadeville plant was being closed and moved to Tulisa Park, Johannesburg. There would be a six-month delay before manufacture of major appliances started again.

Mr O'Neill said as many staff of all races as possible would be retained by the company, especially those with long service. All highly-skilled operators would be kept on

A list of the workers who had been made redundant was being circulated among GEC companies to try and find them alternative jobs

Special consideration would be given to staff over the age of 60 who would be given additional benefits

The firm declined to disclose how many monthly paid staff were being paid off.

"My company is most reluctant to make fully trained and skilled workers redundant," said Mr O'Neill, "especially in the present economic climate with its considerable unemployment."

Personnel departments in the GEC group would keep the names, addresses and details of all workers laid off with a view to placing them in the future

Mr O'Neill said the company was moving the factory to the new site because it allowed for future developments of buildings and facilities.

The Wadeville site would be taken over by a GEC-owned company which needed additional space for urgent Government contracts.

29/7/77

Mercury

Illovo Sugar involved

New chemical plant plan

183

Financial Editor

A NEW company is being formed by Illovo Sugar Estates and Sentrachem Ltd., in which each will have equal shares, with the intention of producing a "new generation of chemicals" from sugar and other local raw materials.

This was announced in Durban yesterday by Mr. J. F. P. Tate, chairman of Illovo. Speaking at the company's annual meeting, Mr. Tate said the new range of chemicals would find application in detergents, mining chemicals, foodstuffs and cosmetics in addition to other uses.

The project would involve the use of new technology which had been developed by Tate and Lyle in England. This was available under licence to the Illovo group.

"It is envisaged that after certain technical and financial aspects have been finalised and after the decision to proceed has been taken, a plant to produce the new chemicals could be operational within 15 months."

Mr. Tate said that his company was also investigating other possibilities for improving group profitability. A report would be made to shareholders when these plans had reached a sufficiently advanced stage.

KwaZulu cane

Meanwhile, the group was increasing cane development in those parts of KwaZulu which were in the cane supply areas of the Illovo and Noodsberg mills.

Two new companies had been formed to provide African growers with knowledge, advice, guidance and training.

"The intention is that once these companies are firmly established the group's shareholding will be reduced by the sale of shares to the people of KwaZulu. In addition, the management of the companies will progressively be taken over by KwaZulu personnel.

"The original boards of directors will comprise nominees of the KwaZulu Government and the group. From the outset certain key posts in the companies will be held by Africans."

Board member

MR. JIM ROSS, group development director of Nedsual Insurance Brokers, has joined the boards of the company's Natal and Cape subsidiaries.

183

Factory hit

CIRIE, Italy — Two powerful bombs exploded yesterday outside the IPCA chemical firm, known as the "cancer firm." Many of its workers had died of bladder cancer, allegedly caused by the processing of dyes. (Sapa AP.)

Fair hands are ruling the business roost . . .

Cherry's profits are her first concern . . .

183

Sunday Times (Business Times) 7/8/77

By CATHERINE LURIE

THERE IS no holding back managing director Cherry de Wet. She's already tops in this country in glue and laxatives, running a company with annual sales of several million rands.

A year ago she was appointed managing director of Adhesian Chemicals, a subsidiary of Fedchem in the Federale group, over the heads of a brood of disgruntled males

In the 12 years that she has been with the company — doing everything from driving its trucks to flogging its wares — she's been directly responsible for a considerable increase in its market share

As the only woman selling adhesives, Mrs de Wet, who is 33, feels that she had an edge on any man in the field She believes in equal opportunity among men and women And may the best man or woman win It is probably more difficult for a woman to be accepted until she has shown her worth, says Mrs de Wet

In her job today she is responsible for the sales, production and technical divisions of the company, Once a week she visits the company's factory in Alberton She visits all branches monthly, spread throughout the major cities, and spends six to seven weeks of the year in Europe and America visiting customers, connections and principals She controls a staff of 42 whites and 115 blacks

Her company has the world's largest phenolthphtalein (a substance used in the manufacture of laxatives) plant It is also the world's largest exporter of the product

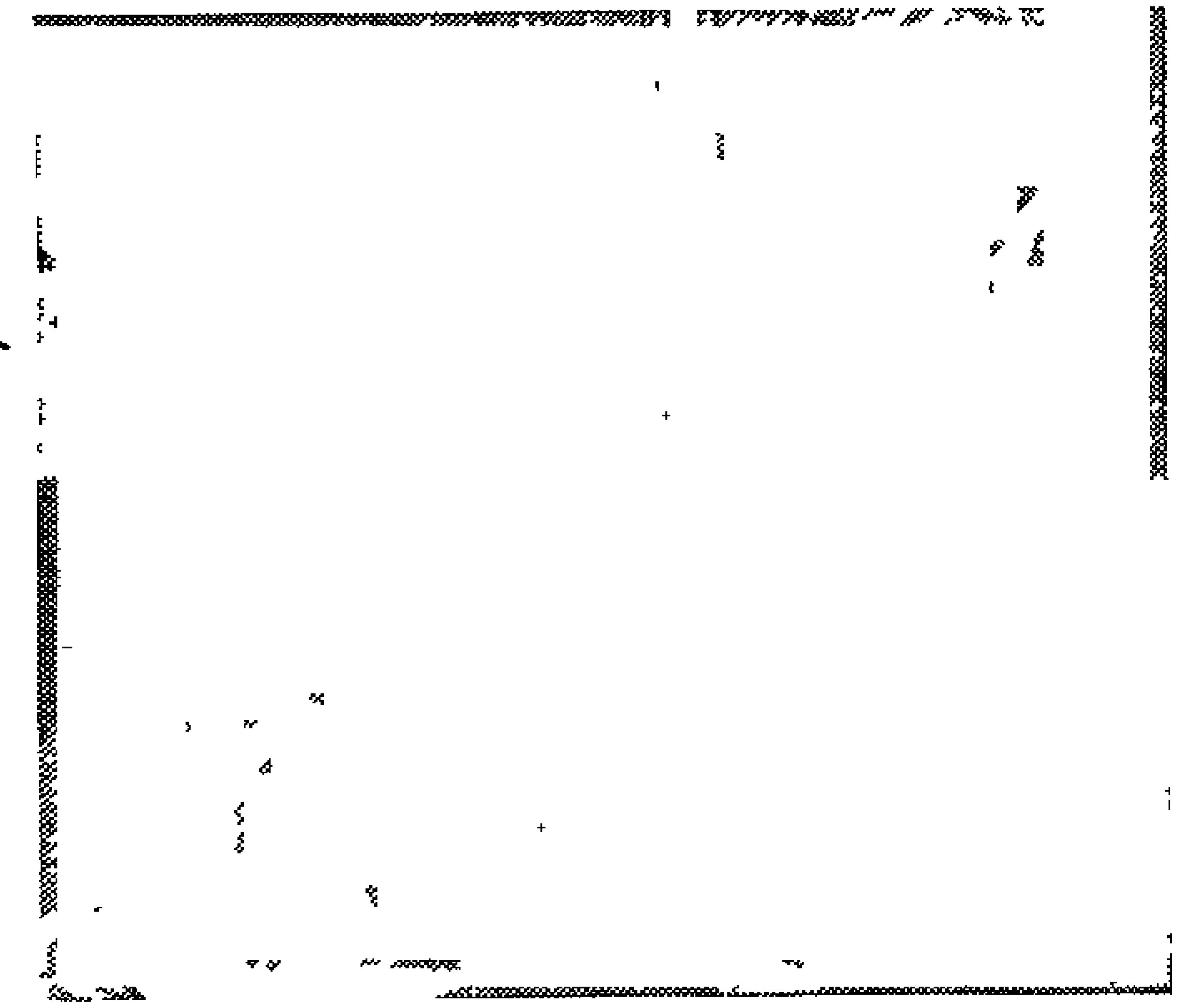
Adhesian Chemicals manufactures industrial adhesives for the motor, shoe, building and packaging industries

Cherry had not hired another woman until as recently as this month She says she was unable to find the right type of woman to cope with the job of a salesman or rather salesperson The type of woman she requires must be down-to-earth, able to relate to all levels in the industry and, most important, to identify a problem and solve it

Being a typical woman, she claims that to her colleagues in Fedchem she is just one of the boys But in her own domain, while she says everyone can have their say, her's is the last word

Before going into laxatives and adhesives she got her early training from Basil Landau, former chief of Leyland who, she says, taught her efficiency and how to make decisions It helped, too, she adds being in the right place at the right time

She says, "In all areas of business you have to be tough Women are a lot more intuitive and have less of a conscience in business" And when it comes to making profits she has no qualms about hiring or firing staff



Cherry de Wet ruling the roost . . . in the brood from left to right are Mr A. L. Aucamp of Fedchem, Mr N. Vercellotti, a director of Adhesian, and Mr J. Cronje, sales manager.

This year Cherry became chairman of NAMA (The National Adhesives Manufacturers Association) Speaking in that capacity she says that the industry has experienced a slowdown and, in consequence, competition has really hotted up

Her company is soon to launch a new product in South Africa An 80 per cent locally built hot melts applicator to be produced at the rate of 15 units a month They will sell at under R2 000 each This product will be used in the packaging industry and will be 25 per cent cheaper than the imported article

As she is constantly travelling and unable to join in regular gym classes, she jogs every day, just like many other business executives

. . . and Jean takes over where Dave left off

By DAVID PINCUS

SOUTHERN SUN, the country's largest hotel chain, this week appointed Jean Bestbier, a former top South African model and account executive, as group manager public relations, promotions and advertising.

Her appointment completes a major management reorganisation designed to streamline operations to give managing director Sol Kerzner more time to devote to the group's operations in the US.

It will also free David Appleton, formerly group advertising and international marketing manager, of his advertising duties He will now be able to devote all his attention to marketing Southern Sun's facilities abroad Southern Sun is a subsidiary of South African Breweries.

According to Mr Kerzner, "Miss Bestbier will be handling a budget of more than R500 000

"This must make her one of the top women executives in South Africa"

Discussing the changes, Mr Kerzner said "Mr Appleton had to be freed of his role as advertising manager to enable him to market both Southern Sun and South Africa more aggressively and more imaginatively overseas

"This is vital, now that we are getting so much bad publicity over there

"This is harming the tourist industry and we, as a group, must make every effort to get tourists to come to South Africa"

"We now have only three executives in control of our marketing," he said "They are Miss Bestbier, Don Piggott, who controls domestic marketing, and Mr Appleton All report directly to me"

Mr Kerzner scorned rumours of his leaving South Africa to settle in the US "I must be mad to go over there when 90 per cent of Southern Sun's assets are in South Africa

"And, I am not retiring, nor am I being shifted to another spot in the SAB group

"I will, of course, have to spend some time every year in the US, where we have gone into a joint venture with an investment bank to sell our management expertise

"Our management style produces a better return on capital than they get in the US That is why the American investment bank joined us

183

Sunday Times (Business Times) 14/8/77

Triomf could lose as much as R15-million

THE recent announcement by AECI that Triomf will not make a profit in the current year will come as no surprise to readers of this column. Triomf's negative cash flow position was spelt out here last May.

But what is not clear, is just how big losses in the current year are likely to be at Triomf

AECI has a 49 per cent interest in the private trading arm — Triomf (Pty), while the other 51 per cent is owned by the quoted Triomf Fertilizer Investments Dividends from the private company form the bulk of the quoted company's earnings So what is good or bad for the private company, will affect the quoted company.

In the last published accounts, which were some weeks late, chairman Louis Luyt said "Considering all factors, Triomf Fertilizer Investments and its subsidiaries foresee no difficulties in producing sufficient cash flow to meet its obligations"

One "factor" that appears to have been overlooked, is the possibility that Triomf could lose about R15-million in its current year

Interest received on funds held in reserve for Richards Bay last year was R5,8-million That cash has now been converted into fixed assets, namely the Richards Bay plant

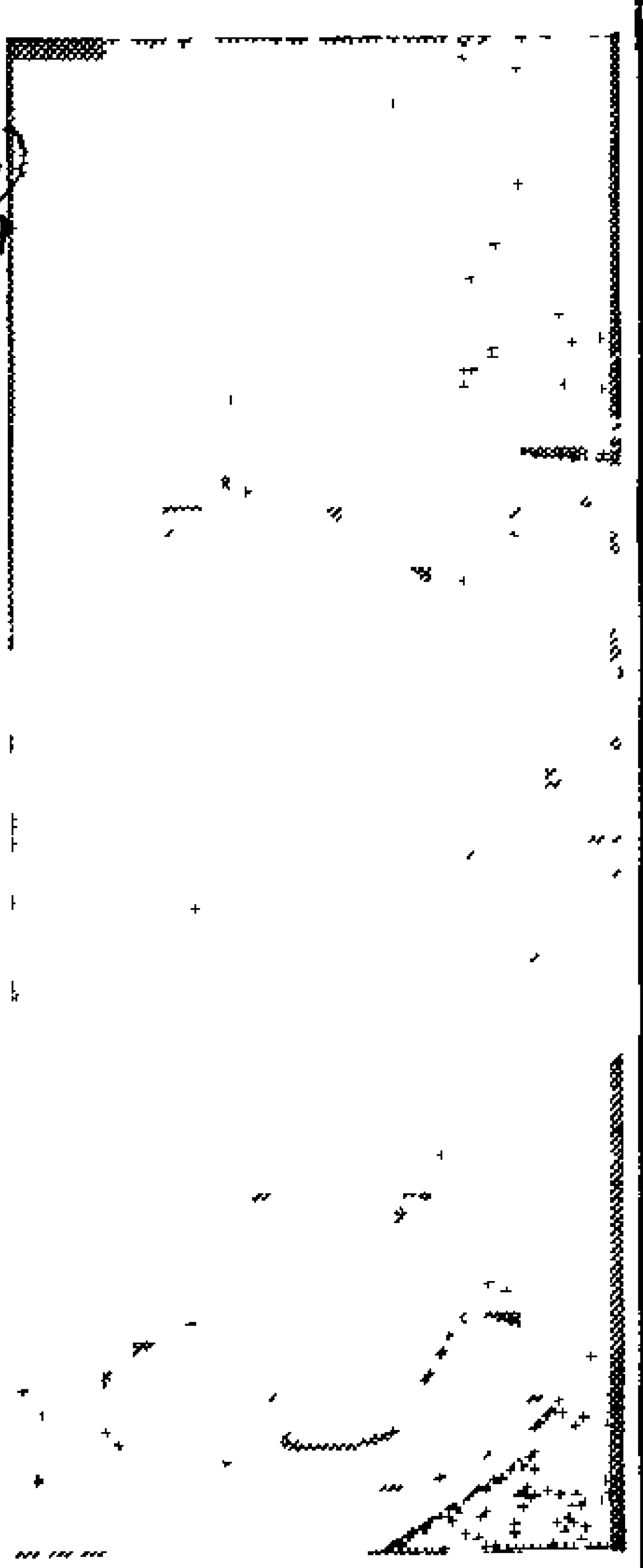
As last year's trading profit was R5,1-million, which included the R5,8-million interest received, the absence of this money will wipe out last year's trading profit

Furthermore, I estimate interest payments will cost Triomf about another R6-million while depreciation is unlikely to be less than R6-million Operating costs look as if they could amount to another R6-million

That's R18-million Assuming profits on phosphoric acid sales are R3-million, the loss is reduced to about R15-million

AECI gives a clue to losses of this magnitude in its recent interim statement It says that its commitment to its 49 per cent shareholding in Triomf should not exceed R15-million And that's after putting up just under R4-million some two months ago

Triomf's shares are standing at 125c It is difficult to justify the price when one considers that Triomf may not be in a position to pay dividends for some time to come.



Louis Luyt . . . appears to have overlooked a "factor".

Exploding a monopoly?

(183) FH

In SA, dynamite in the mines is as traditional as *braaivleis*. Now AECI faces a challenger — and merit should decide

Not since 1923 when Nobel Industries and De Beers merged their explosives companies to form African Explosives Ltd, has there been a serious challenger in the field

Strange that a monopoly should last half a century, especially when the prize is SA's most important industry — mining — and is today worth R120m a year Yet there have been good reasons why the world's explosives giants have kept out of the Republic Firstly, African Explosives & Chemical Industries (as it became in 1946) sells, with very few exceptions, the cheapest explosives in the world Secondly it has a contract with the Chamber of Mines which makes it exclusive supplier to 85% of the country's mines And the current contract runs to 1984

Under such daunting circumstances it's perhaps even stranger that today it has a challenger, a small SA company which is determined to break AECI's stranglehold, using the technical expertise of the mighty US Dupont corporation

Already sparks are flying Using the slogan "Dynamite is dead", National Explosives Pty (a subsidiary of Johannesburg-based National Process Industries, which owns Swaziland Fertiliser Industries, has a terminal at Maputo through which SA imports ammonia shortfalls, and which built Rhodesia's Sable fertiliser complex) claims it will bring a new type of explosive — *Tovex* — on to the market by March next year which is better and safer than dynamite

Since the latter accounts for 40% of the explosives market, AECI is not a little upset

Stung by such near heresy, AECI has countered with a series of ads and a number of published articles which retort, in a nutshell, "Dynamite (and our full range of explosives) is very much alive and well and blasting away quite nicely in SA's mines"

On the face of things *Tovex* is an expensive product (next page) and AECI surely should have no fear of competition Not so, says National Explosives' bouncy chairman Oliver Hill. "It's what we can make it for in SA that counts," he says "And we'll be competitively priced"

Competitive he'd better be, for price counts virtually above all with the mining industry But how does Hill account for the high cost of Dupont's *Tovex* in the US? "You're talking selling prices," he grins "I'm talking about manufacturing cost"

The basic raw material Hill has aplenty — ammonium nitrate from his Swaziland Fertilisers' plant near Manzini, erected just over two years ago when National Process Industries tried to break into SA's neatly-parceled fertiliser industry, controlled by Triomf (in which AECI is a major shareholder and raw materials supplier) and Fedmis

At that time AECI strongly opposed Swazi fertilisers' being sold in SA and Hill's project has been battling ever since So the ammonium nitrate he'd hoped to spread across the mealie fields of the Transvaal is now destined for his new explosives plant Perhaps, as one wag put it this week, it would have been better had AECI let Hill grow on them

Hill says he is building a monomethylamine nitrate plant (capacity 35 000 t/year) which will be skid-mounted and thus portable He'll import monomethylamine for the first year or two but is confident of supplies in the future from a "local chemical plant" Nitric acid he'll

Hill . famous last words?

(b) Strike ..!! Attempt to outline both the conditions on ... micro-level leading to strikes and evaluate the role of collective bargaining in terms of its contribution to ...

Garfield, S. & Whyte, W.F.: "The Collective Bargaining Process: a Human Relations Analysis" Human Organisation No. 1, 28-32
Kornhauser, [illegible]: "Industrial Conflict"
Smock, D.R.: "Conflict and Control in an African Trade Union"
Warner, W.L. & Low, J.O.: "The Social System of the Modern Factory"

(c) Migrant Labour:- evaluate the special social problems connected with this institution

Castles, Kosack & Godula: "Immigrant Workers & Class Structure in Western Europe"
Gordon, R.J.: "Mines, Masters and Migrants"
Wilson, F.: "Migrant Labour"

(d) On the basis of your reading so far, generate a general code of ethics for the industrial ethnologist

Baron, P.: "The Political Economy of Growth"
Cochrane, G.: "Development Anthropology"
Foster, G.M.: "Applied Anthropology"
Gough Aberle, K.: "Anthropology and the Third World. Der Rote Fetisch. Nummer null Januar 74 Heidelberg
Weber, M.: "Objectivity in Social Science" in Brodbeck, M.: "Readings in the Philosophy of the Social Sciences.

get locally (AECI incidentally is to increase its capacity by building a R20m, 600 t/day nitric acid plant to supply the entire needs of the country, according to a recent announcement)

The actual site of his *Tovex* plant he's keeping secret, although the *FM* believes it'll be somewhere on the West Rand Total cost of the project, says Hill, including buying land, is in the region of R3m Production will start next March

Even if Hill can match AECI's prices — "our product is most competitive against dynamite," he claims — he still faces two seemingly insurmountable obstacles

- He has to persuade the mines of the cost effectiveness of *Tovex* and guarantee US supply position, and he must
- Find a way through the Chamber of Mines contract

The first might not be so difficult Hill says that a number of mining houses are interested The contract's another matter But it does give a mine the right to experiment, subject to the consent of the Chamber, with a new explosive Furthermore, AECI can be requested to supply a new explosive and, if unwilling or unable to do so (or to supply another explosive which the Chamber agrees is a technical equivalent), the mine can go ahead and secure its supplies

There's a hitch, though AECI can't be required to meet the price offered by another supplier if that price is less than the formula price applicable to other explosives regularly supplied by AECI

Hill now wants the Chamber of Mines to carry out tests on *Tovex*, or at least to give its consent to those mining groups which have requested permission to test the product Lonrho is one Says chief executive Sid Newman "We are still waiting to hear from the Chamber" The Chamber, meanwhile, says "it's under consideration"

Other mining companies tell the *FM* "Privately we're very interested in *Tovex*, but we're going to wait and see what the Chamber does"

AECI, meanwhile, is in a difficult position It does have a monopoly on explosives and it does have an apparently cast-iron contract with the Chamber guaranteeing it a 17,5% return on capital But explosives division manager Tony Heugh shudders at the monopoly tag "We prefer to call ourselves captive suppliers," he says

"Our contract with the Chamber isn't one sided," he explains "All explosives are based on ammonia and the mines pre-empt ammonia supplies and supplies of ammonium nitrate from AECI It undertakes to keep a month's stock of explosives for the Chamber and to keep at least two factories going — all for security of supply We also undertake to find ammonia should anything go wrong with local production

"These are all clauses which restrict our commercial freedom — so we expect at the same time some assurance that we will get first crack at the whip"

National Explosives argues that it aims only at producing 20 000 t a year (initially), which is a small percentage of the dynamite market it intends to attack. That doesn't seem a lot. But surely the crux of the matter is simply this. if *Tovex* is a better explosive than its competitors it should be put to the test and if successful should be bought by the mines. If it isn't, the mines won't buy it anyway.

TABLE 1

Period	Geological System		
Cretaceous	Karoo		Kimberlite pipes
Jurassic		Stormberg	4 Drakensberg Volcanics
			3 Cave Sandstone
Upper Triassic			2 Molteno Red Beds
			1 Molteno Sandstones
Lower Triassic		Beaufort	3 Upper Stage

The following volumes are suggested as providing a broad background to the region and you should try to read the relevant portions before the exam. in addition to revising the specific material that you have covered.

EAST AFRICAN OPTION

Shorter, A. : East African Societies
Mair, L. : ~~Primitive Government~~
" " : African Societies
Oberg, Wagner, Evans Pritchard: Articles in African Political Systems and in African Systems of Kinship and Marriage
Richards, A.I.: East African Chiefs
Middleton & Tait: Tribes without Rulers
Huntingford, G.W.B.: The Northern, Central and Southern Nilo-Hamites (Ethnographic Survey)
Middleton & Winter: Witchcraft and Sorcery in East Africa.

CHEMICALS FM 12/8/77

Coming the old acid (183)

It looks as if SA could soon be awash in sulphuric acid Two Anglo ventures next year -- reclaiming slimes dams at Ergo and President Brand — will bring onto the market another 460 000 t and 360 000 t respectively

Mines are pretty shy about disclosing how much sulphuric acid they produce, but do confess to consuming 110 000 t last year in mineral processing

Sulphuric acid producers other than the mines include AECI's plants at Modderfontein, Durban and Somerset West which produce some 400 000 t yearly and the two fertiliser giants, Triomf and Fedmis, who at Potchefstroom, Phalaborwa and Sasol produce 300 000 t and 230 000 t respectively Another producer is Zinc Corp at Springs, producing around 100 000 t of which 60% goes to Iscor

Apart from fertiliser manufacture and animal feeds supplement other uses for the acid are for the production of chemicals, minerals refining and water treatments as well as the manufacture of titanium dioxide, for car batteries and for laboratory purposes High strength acid, which is called oleum, goes in soap making and explosive manufacture

There are generally three prices for sulphuric acid The in-house price for fertiliser manufacture, the mines price with a floor of around R22/t from Acid Distribution committee, and higher prices for industrial acid which ranges, according to purity from R30-R80/t

But when the Anglo venture gets going it looks as if prices could get very competitive

(147)

Big firms in Vaal Triangle need artisans

By S J WROTTESLEY

THREE big firms in the Vaal Triangle said through spokesmen yesterday that they were short of workers and had recruiting staff out in force

They were answering claims that many of their white workers — mostly immigrants from Britain — had been laid off because of the economic climate

The businesses are the Iron and Steel Corporation (Iscor) in Vanderbijlpark, African Explosives and Chemical Industries (AECI) in Sasolburg, and Vereeniging Corporation (Vecor) in Vereeniging

It has been claimed by Vaal Triangle residents that many immigrant workers had been laid off by the companies.

Mr G J de Swart, personnel manager for Iscor, said that he had heard of the claims and that the corporation had conducted an investigation

He said that a survival curve was made for Iscor workers every January and their positions with the company assessed monthly

He reported that the immigrants stayed with the firm longer than local workers and that, when their staff left, it was usually to other firms in South Africa

Mr De Swart said: "Iscor, however, is desperately short of artisan staff. The number leaving last year was about 20% and it increased at the beginning of this year to about 26%. It is declining now and we are investigating the reasons

"We are not desperately short but we can't get enough artisans Few immigrants have left because of the recent unrest but most feel they should stick it out because they are getting good wages in South Africa and should give something in return"

Mr G J van Zyl, personnel manager of AECI, said there where no redundancies at their Sasolburg branch and that they were recruiting black and white workers all the time

A spokesman for Vecor, Mr W S van der Bergh, said that they too were recruiting, especially artisans, and there had been no redundancies at their metal-rolling works

Triomf: We'll take delisting fight to court

183

Sunday Times (Business Times) 21/8/77

By JEREMY WOODS

Chris Freemantle

LOUIS LUYT's troubled fertilizer group, Triomf, is to fight the Johannesburg Stock Exchange to the courts, if necessary, in its efforts to have its shares delisted.

Its application, unprecedented in South African financial history, prompted a sharp statement from JSE president Chris Freemantle on Thursday. He said the JSE committee would "resist in principle a termination of the Triomf listing."

A senior committee member told Business Times the application, due for consideration at next Tuesday's committee meeting, stands "no chance" of getting the JSE stamp of approval.

"If that is the case," said Triomf managing director Kobus Becker, "we will fight that decision as far as we have to, even if it means going to court So far as I am concerned, we have lodged our application to delist the shares and we stand by it. Certainly, we won't drop it"

He added: "The board members of Triomf, who represent more than 75 per cent of the ordinary shares, have decided that it would be in the best interests of the company to have the shares delisted. The formal decision will be taken by shareholders at a meeting shortly. As this decision only needs the approval of 75 per cent of Triomf shareholders, I don't think it's going to be such a tough job to get it through"

Mr Becker said that if the decision to delist was wanted by shareholders, then he could not see how the JSE committee could stop it.

Asked if the decision to apply for a delisting was motivated by a desire to take the company out of the public spotlight before the next set of interim figures are announced shortly, Mr Becker said. "Absolutely not. You can't go underground like that. Even if we delist, Triomf will still be a public company and have to declare its figures."

If the Triomf attempt to delist is successful, it is being said in business circles that it would undermine the whole purpose of having a stock market where members of the public who invest in quoted companies can buy and sell shares.

Furthermore, top businessmen I spoke to on Friday did not consider that adverse publicity or a sensitive share price were valid reasons to delist a share.

(183)

New twist in Luyt-JSE conflict

Sunday Times

By STEPHEN MULHOLLAND
Business Editor 21/8/77

THE confrontation between the Johannesburg Stock Exchange and fertiliser magnate Louis Luyt is taking a dramatic new turn

It is understood that the committee of the JSE may refuse to relist the shares in the Luyt family's Landbou-Chemiese Beleggings if Mr Luyt persists in his bid to have Triomf Investments shares permanently delisted.

In a move unprecedented in South African financial history, Triomf announced this week that it would take action to remove the shares of the company from trading on the JSE.

However, it was indicated that the shares in Landbou, the bulk of whose interests comprises shares in Triomf, would continue to be listed.

A large proportion of the Luyt family's millions of shares in Triomf is held in Landbou

Should Landbou be denied its listing, its value as, for example, collateral against loans, would be seriously diminished

As reported in Business Times today, Triomf intends to take the matter of its delisting to the courts, if necessary, in its conflict with the JSE.

A JSE committee spokesman refused to comment

183

Sunday Times

Courtesy pays—to tune of R62m

(Business Times) 21/8/77

By TONY KOENDERMAN

TREK PETROLEUM has continued to lure customers away from the major international oil companies. In the first half of the year turnover jumped 23 per cent to R62-million.

Against an overall decline of just over 2 per cent in consumption of petrol and other oil-based products compared with the first half of 1976, Trek increased volume sales by 6 per cent.

An important contributor to this growth was the increase of 16 per cent in sales to wholesale customers — companies and organisations which buy in bulk.

General manager Sarel Steyn places high emphasis on the productivity and teamwork of company employees who made the gains possible with no increase in staff.

Trek has carved a niche for itself as a company which woos customers with the quality of its service. Mr Steyn says it is prompt attention to customers that has fostered the growth in wholesale business.

The number of filling stations is being boosted from 241 at the end of last year to 250 this year, and turnover for the year is expected to rise to R126-million(R105-million).

Mr Steyn says sales of petrol have risen at service stations in industrial areas, city centres and suburbs, but have fallen in country areas.

Because Government quotas for new service stations have been frozen until the end of 1980, instead of being reviewed next year, oil companies are having to be much more selective about the siting of new stations, he said.

Trek is still a long way behind the big five (Mobil, Caltex, Shell, BP and Total) in market penetration.

Groter sê vir Luyt

Sake-Rapport 28/8/77

(183)

Deur WILLEM LAUBSCHER

DIE drama om die notering van Triomf-Kunsmisbeleggings vandeesweek kom eintlik net op één ding neer. Dit is dat mnr. Louis Luyt, Triomf se voorsitter, nie langer bereid is om persoonlike geld in die maatskappy te stoot sonder om groter beheer in die maatskappy te hê nie.

Wat hy dus eintlik van die Johannesburgse Effektebeurs gevra het, is om 'n uitgifte sonder prospektus te kon doen. Eers is gesê nee, dit moet 'n regte-uitgifte wees. Daarvoor het mnr. Luyt en sy direksie nie kans gesien nie. Toe vra hulle om denotering, met 76 persent van die aandeelhouers agter hulle.

Aangesien wetlik net 51 persent se instemming vir 'n denotering nodig is, had die Beurskomitee geen ander keuse as om tot mnr. Luyt se oorspronklike versoek in te stem nie.

Wat in effek nou gaan gebeur, is dat 'n uitgifte van nuwe aandele vir 28 Februarie 1978 beplan word. Met daardie uitgifte kan die persentasie-aandeelhouding van die Louis Luyt-Groeptrust (sy en sy gesin se persoonlike aandeelhouding in die genoteerde Triomf) opgeskuif word van die bestaande sowat 30 persent tot nagenoeg 70 persent.

Dit sou beteken 'n uitgifte van plus-minus 1 vir 1, teen nie minder nie as die Beursprys op 28 Februarie.

Triomf se gemagtigde aandelekapitaal bestaan op die oomblik uit R15 miljoen gewone aandele van R1 elk. Uitgereik is net 7 miljoen R-aandele. Mnr. Luyt se plan om sy persoonlike aandeelhouding tot nagenoeg 70 persent op te stoot, sou beteken die uitreik van 'n verdere 7 miljoen aandele. Die koste hiervoor teen sy huidige Beursprys sal R9 miljoen beloop. Ander Triomf-aandeelhouers sal op dieselfde grondslag aandele kan opneem as hulle wil.

Dié syfer strook ook omtrent net met die bedrag wat Triomf en AECI, sy vennoot op Richardsbaai, in die komende maande sal moet stort om Richardsbaai aan die gang te hou.

Dat dit 'n taai tyd is wat Triomf en sy mededingers in die kunsmis- en fosforsuurbedryf op die oomblik deurmaak, is gewis. Maar Louis Luyt se rug is weg van die muur. Hy is nou aan't vorentoe storm. Sy eerste versperring in die pad, die Effektebeurs se aanvanklike houding, is reeds uit die weg.

Vorentoe lê twee arbitrasies voor, vir eise teen Bamangwato Concessions oor die lewering van swawel en teen Gazoceon van Frankryk vir beweerde kontrakbreuk met die verkoop van Richardsbaai se fosforsuur.

Daar is van Triomf se mense wat meen dié sake kan dalk vóór die einde van die jaar of vroeg in die nuwe jaar uitgepluis wees, met meer as die nodige miljone in Triomf se sak.

Geloof alleen is deesdae in die knellende ekonomie nie genoeg om die harnas te versterk nie. Van daar die skuif met 'n verdere uitreiking van aandele — maar met 'n versterking van mnr. Luyt se belange.

Sake-Rapport 28/8/77 (44) (183)

IMPALA

Impala Plastics, 'n filiaal van die Sentrachem-groep, het aangekondig dat hy 'n nuwe fabriekskompleks teen 'n koste van R½-miljoen in die Rosslyn-grensnywerheidsgebied naby Pretoria gaan oprig Die kompleks behoort eersdaags voltooi te wees en sal die bestaande fabriek in Rosslyn vervang

Impala is Suid-Afrika se grootste vervaardiger van poli-olefienpype wat hoofsaaklik vir nywerheids-, myn- en landboudoeleindes, asook deur munisipaliteite gebruik word

Behind the Triomf deal

183

One of the reasons for the sudden withdrawal of the application to delist the shares of Triomf Fertilizer Investments was the fact that the Board realised the shares could be traded freely, even if the application was successful

Apparently, it was pointed out to the board of Triomf Investments that there was a possibility that the Johannesburg Stock Exchange committee could allow dealings in unlisted securities, or a security that had been delisted.

This precedent has already been set on the London Stock Exchange.

By JEREMY WOODS

When it became clear to the Triomf board that their shares could be traded freely, even if they were delisted, the application to delist was withdrawn because there was nothing to be gained.

The JSE committee had opposed in principle the application to delist Triomf's shares as it felt minorites' right to deal was sacrosanct

It is believed that considerable pressure was brought to bear on Triomf on moral grounds

Sunday Times (Business Times) 28/8/77

AECI

Tougher times bite hard

(183) RDM 5/8/77

The sharp decline in profit margins at AECI reflects just how tough trading conditions have been throughout the economy these past six months Except for explosives and fertilisers, which serve agriculture and mining, the two areas of the economy largely untouched by the recession, sales volumes were lower In particular, in the building, furniture, motor and textile industries

AECI's Marvin . . . keeping faith with shareholders

Although as a whole pre-tax profits were marginally higher at R25,2m, overall margins were down from 12% to 8,7% on sales of R288m The latest figures include SA Nylon Spinners (SANS) for the first time This contributed R40m to turnover but probably nothing to profits as it continues to operate at barely 50% of capacity Ignoring SANS a more accurate comparison would be a decline in pre tax margins from 12% to 10%, although the current figures do include higher financing costs for Coalplex which are not being capitalised

Coalplex is still within budget and all plants in the complex are expected to be in production before the end of the year This should ensure that no tax is paid this year so the tax deduction of R8 7m is effectively a cash flow item

At the attributable level, the decline in earnings is severe — down a third from 14,8c to 9,4c, entirely due to the increased shares in issue as a result of last year's rights issue The interim has been maintained at 9c despite the virtual disappearance of cover For the full year, profits are expected to be similar to last year, which suggests earnings of around 22c, and, judging by the interim, AECI will keep faith with institutions who took up the rights, and maintain the final as well

A major factor in the second half figures will be the performance of No 4 Ammonia plant This is coming right, but the first half included a substantial loss as the plant was shut down for a complete overhaul The second half is also traditionally the stronger period and, all going well, it could become an important profit contributor And as it swings from loss into profit, this will have an exaggerated effect on overall profit

More about Triomf

The AECI interim includes some straight talking about Triomf Triomf Fertilizer (Pty) "will trade at a loss for the year" and even after the additional R8m that has been injected "it is probable that the shareholders will have to inject further funds" "Even if prices remain at the present depressed levels over the new few years and without allowing for any revenue that may accrue to Triomf from current litigation, AECI's additional commitment in this regard is not expected to exceed R15m" That presumably includes a worst possible scenario, including the short term capital repayments and even a temporary close down of the facility

In this game, length is strength AECI has the length to see it through Whether Luyt/Triomf can match it rand for rand awaits the next, apparently inevitable, call for funds Overall, however, AECI believes that the phosphoric acid market will improve "in the years ahead", and that the "project will be viable"

Meanwhile, AECI is planning further expansion of its nitric acid facilities at Modderfontein At a cost of about R20m, a 208 000 t/year plant will be constructed to balance the capacities of the ammonia and associated conversion plants This should provide the capacity to satisfy demand for explosives and nitrogenous fertilisers "for some years"

Prospects are very much a function of economic activity as profits are extremely volume sensitive Also for 1978/79 at least, there will be start up losses at Coalplex to contend with as it is not budgeted to reach break even capacity in the first year or two of operations. For the meanwhile, AECI should be regarded as a fixed interest stock and for the short-term the 200c price appears on the optimistic side

Richard Stuart

(183)
FM 9/9/77

PLASTICS

Waiting for the upturn

If and when the economy picks up, one of the star performers should be the plastics industry Enormous technological strides have been made resulting in an ever-increasing number of uses to which plastics can be put

At present, however, the industry is floundering along in line with the economy

Optimism for the future was voiced by Minister of Economic Affairs, Chris Heunis, in an address to the industry at a conference entitled "Plastics in the Service of Man". Heunis expects that the demand for plastics "will recover and that it will grow at between 8%-12% a year during the next five to 10 years."

The use of plastic raw material has developed phenomenally in SA during the last 30 years (see graph). Present usage is estimated at 350 000 t a year which represents about 14 kg a head of the total population, though this is still way below the 65 kg a head in the US

At present the industry employs 25 000 workers. Total capital investment is about R250m and the value of output is around R300m a year

Up to 90% of SA's plastic requirements are processed locally Most of the raw material is supplied by Sasol for the two major processors, AECI and Sentrachem who then supply polyethylene polystyrene PVC and other forms of plastic to a large number of convertors who manufacture plastic products

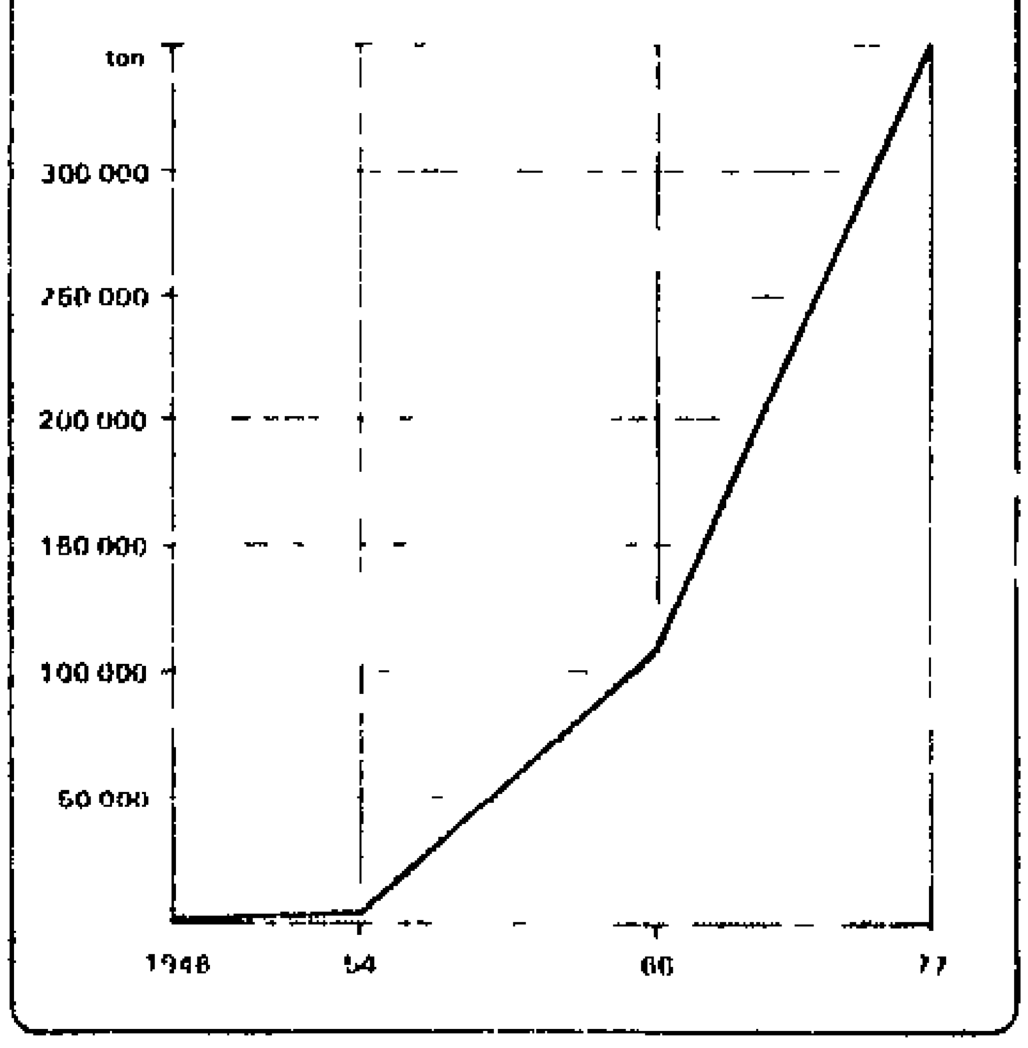
There are a vast number of areas for growth ranging from packaging to building In addition the potential of the plastics recycling industry is still largely untapped

Heunis stresses the need for recycling in order to avoid pollution and waste In 1975 only 12% of the 130 000 t of recyclable plastics waste was recycled and Heunis anticipates a growth rate of "at least 12.5% a year during the next five years

Among the many wide ranging papers delivered at the plastics conference was one discussing the role of conservation and recycling The speaker, Dave Turner from AECI, concludes "Plastics recycling at the moment occurs because there is a profit motive If a much greater degree of recycling is deemed necessary, it will require government intervention to initiate such programmes Conservation is unlikely to be initiated by the private sector and will also require government intervention if justified"

However he also points out "that plastics should not be isolated for purposes of recycling and conservation policies which might be implemented by government, as they only account for 5% of oil consumption and less than 5% of solid wastes

USE OF PLASTIC RAW MATERIAL IN SA



A problem exists in the industry with regard to the price of plastics purchased by convertors Arthur Buhrlen, chairman of the Plastics Institute of SA which serves as the research and education arm of the Plastics Federation of SA, points to the high price of locally produced plastics (for example polyethylene polystyrene and PVC) which is 30% above overseas prices

Deputy manager of the plastics division at AECI, Philip Versfeld comments "The price in SA is comparatively high now because overseas producing countries are underutilised and are exporting at extremely low prices In 1973 the situation was reversed and SA prices were lower than world prices which indicates the cyclical nature of this problem In addition, considering the strategic need for a local manufacturing industry there is a clear justification for protecting SA producers"

Reviewing prospects for the industry, Versfeld sees most potential in the building sector "When the building industry recovers there will be a marked increase in demand for plastics because of the extensive use of plastics in modern building construction Plastics are used to manufacture pipes, cables, flooring, gutters and even window frames"

Versfeld sums up the situation "It's purely a problem of demand which varies according to the state of the economy But, when the economy moves, plastics will be out in front"

Steady growth for plastics

RDM 20/9/77

183

LONDON — World consumption of the major commodity plastics should grow at an average annual rate of 9% in the next 10 years, according to the plastics division of Imperial Chemical Industries

Such a rate of growth, expected to be higher in the earlier years — about 10% until 1982, and falling to 8% in the mid-1980s — will mean an investment in countries outside the Eastern bloc of the $5-billion a year (in terms of the present purchasing power of the dollar), says Dr A H Willbourn, ICI plastics division director research and development

He told the Interplas Conference in Birmingham that plastics production outside the communist bloc would increase from 28-million tons last year to 71-million tons in 1987

That was a growth rate of some 9% a year compared with the average annual growth rate of nearly 13% in the previous decade, which had peaked to 20% in the early 1970s before collapsing in 1974/75 in the wake of the oil problem

In spite of the continued appearance and development of speciality plastics, the five major commodity plastics — low-density polyethylene, high-density polyethylene, polypropylene, polystyrene and copolymers such as ABS, and polyvinyl chloride — were expected to continue to account for about 95% by tonnage of all the thermoplastics production

All the growth rates predicted by Dr Willbourn are considerably lower than those achieved in the past decade, but they still indicate that thermoplastics, which account for most of plastics production, will remain one of the chemical industry's major growth areas

The consumption of thermoplastics in Western Europe is expected to grow from 10 500 000 tons last year to 23 600 000 tons in 1987 If present government policies prosper, the growth rate of plastics in Britain should outstrip that of many competitors over the next 10 years, as to date British plastics per capita consumption has lagged well behind most industrialised countries

Last year, Britain used 24 kg of thermoplastics a head of the population against 27 kg in Italy, 32 kg in France, and 42 kg in West Germany

The fastest growing of the commodity plastics for the future is expected to be polypropylene with an average growth rate of 13% over the next 10 years

According to Dr Willbourn, the considerable excess of production capacity in some countries, particularly for low-density polyethylene and polystyrene, which followed the recession of 1974, will take some years to correct

He suggests that present production capacity in the free world may be 35-million tons, considerably in excess of the 1976 consumption of around 28-million tons

But to achieve the forecasts for 1987, further capacity of 40-million tons must be available by the late 1980s, together with investment in raw materials, chiefly crackers, and in processing equipment

Mr Charles Doscher, commercial vice-president of Dow Chemical Europe, said the industry was suffering from reduced growth and overcapacity along with problems on pricing and increased costs Cracker use in the second half of 1977 had fallen back to 75% of capacity in Western Europe

Mr D Pownall, Shell UK manager of North Sea gases co-ordination, spelled out the drawbacks of the heavier North Sea gases — ethane, butane and propane — as feedstocks for the petrochemical industry

The gases, looked at in the light of a need for security of supply at competitive prices, were less attractive than liquid feedstocks, he told the conference

"The cost of taking a wrong decision is simply too high for any processor to be able to run a risk on availability"

Doubts over the timespan of available feedstock were particularly important where the North Sea was concerned — Financial Times

---

THE INFANT-INDUSTRY ARGUMENT

in the form of a debate between

MR PROTECTIONIST AND MR FREE TRADER

Mr Free Trader It is obvious, thus, as illustrated by Ricardo's Theory of Comparative Advantage that free trade between nations will inevitably promote the ... welfare (or, at any rate, increase its gross product) and all the participant countries will share in the general improvement.

Mr Protectionist Free trade will, no doubt, secure these benefits in the short run. In the long ... relatively less developed countries may be better served by temporarily protecting their infant industries ...

These ... protection ... infant industries for a limited period of time. It is difficult to know whether, in the long-run, the welfare of the world will thereby be improved, but from the nationalist viewpoint of the relatively less developed country, there can be no doubt that such a course is at times desirable.

Mr Free Trader That is all very well! Obviously, economies of scale and time are important in the real world, but why should that necessitate state intervention and protection as suggested above? Why should society bear the burden of the anticipated loss until the infant grows up (if it ever does)? Surely the infant can budget for his own loss during the first few years of operation. Ultimately, if the new venture is at all worthwhile, the erstwhile infant will make a profit and survive. Until then, let him pay for his own loss! If he lacks sufficient capital to endure a prolonged period of losses, let him borrow the capital!

Mr Protectionist: That's easier said than done! If we possessed perfect knowledge and information, if all the capital markets were perfect and if there were no such thing as externalities, your objection would be fully justified. However, as you know, this is not the case!

Firstly, entrepreneurs, particularly those in infant industries and in less developed countries, often fail to recognise the full potentialities of their sphere of activity. For this reasons, they refrain from initiating many ventures that ought to be pursued.

Mr Free Trader. Who is to say that politicians, civil servants and Government technocrats know any better? Perhaps they find it easier to risk the taxpayers' money since it is not their own. Private entrepreneurs are understandably ... money on ...

... point is that lenders of capital suffer from the same abovementioned disabilities, but even more so. The capital market is excessively biased against untested projects, against very long term investments that yield no net return or a negative net return for long initial periods, against projects that cannot be proven in a step-by-step fashion, but can be undertaken only in giant strides (indivisibilities), against infants per se.

Mr Free Trader: The solution is to perfect the capital market.

Mr Protectionist. Impossible! In less developed countries, the local capital market is hopelessly inadequate and foreign capital markets may have additional biases. Naturally, one should try to improve and develop the capital market wherever possible, but even the most developed and sophisticated markets are likely to retain some of the biases listed above.

MANUFACTURING.

CHEMICALS PRODUCTS.

OCT. — ~~NOV.~~ DEC. 77.

FEB — DEC. 78.

MARK LIST• ENGLISH II

TRIOMF BREEK DEUR

Paper:

812 TOLL JE MISS
813 TORRIS MI MR
814 TORRISON JK
815 MURRAY-HUDSON
816 NOTCUTT R J MR
817 PARKER GC MR
818 PARKIN JH MI
819 PITT RA MISS

Nuwe proses met suur

Sake-Rapport 2/10/77

183

Deur WILLEM LAUBSCHER

'n NUWE, vinniger en goedkoper metode om die onsuiwerheid uit fosforsuur te haal en sy konsentrasie tot 70% en meer te verhoog, is Vrydag wêreldwyd deur Triomf-Kunsmis gepatenteer. Dis 'n deurbraak soos min, het mnr. Louis Luyt, voorsitter van Triomf, gister aan Sake-RAPPORT gesê.

Net vier mense in die Triomf-groep het voor Donderdag van die uitvinding geweet — mnr. Luyt, die twee uitvinders en 'n vierde man Van die senior amptenare het Donderdag daarvan gehoor Die ander Triomf-mense, wie ook direkteure, sal vandag in RAPPORT die eerste keer daarvan lees

Triomf en sy SA mededinger, Fedmis, het tot dusver fosforsuur met 'n konsentrasie van 54 persent gemaak en uitgevoer Om die graad hoer te kry, was te duur en het tegniese probleme opgelewer

Drie maande gelede het mnr Kobus Gerber, bestuurder van die Triomf-fabriek op Potchefstroom, en dr Charlie Williams, hoof van die laboratorium daar, opdrag van mnr Luyt gekry om 'n formule vir die deurbraak te vind Hulle het feitlik dag en nag in die grootste geheimhoudin[g] gespook en gesparte[l] Toetsresultate en gevol[g]trekkings is in die grootst[e] geheimhouding na mn[r] Luyt se huis gebring.

Maar nou is hulle tevred[e] dat dit werk en wêreldwy[d]

opslae sal maak En Vrydag is die voorlopige patentregte op die proses wêreldwyd geregistreer

Mnr Luyt sê die koste waarteen Texas Gulf en Occidental, die enigste twee maatskappye in die wêreld wat sover hy weet superfosforsuur (d w s met 'n konsentrasie van 70 persent) vervaardig, beloop 35 dollar per ton Syne sal so te sê niks kos nie, want die middels wat uit die suiweringsproses agterbly, kan òf verkoop òf deur Triomf se ander afdelings gebruik

duur is en almal ter wêreld dit nie so kan verfyn nie, is daar geen groot aanbod van superfosforsuur nie Die vraag is egter daar

Die Russe wil bv van einde 1978 sowat anderhalf miljoen ton per jaar hê Occidental sal dit lewer Maar Occidental se aanleg, wat nog nie heeltemal voltooi is nie, sal glo maar eenderde van die Russe se bestelling kan uitvoer

Vervolg op bl. 3, kol 9

Triomf

Vervolg van bl. 1

Daar is juis van die Amerikaanse suur nou op pad na Triomf se laboratoriums sodat die Yanks kan sien of Triomf die ding kan doen

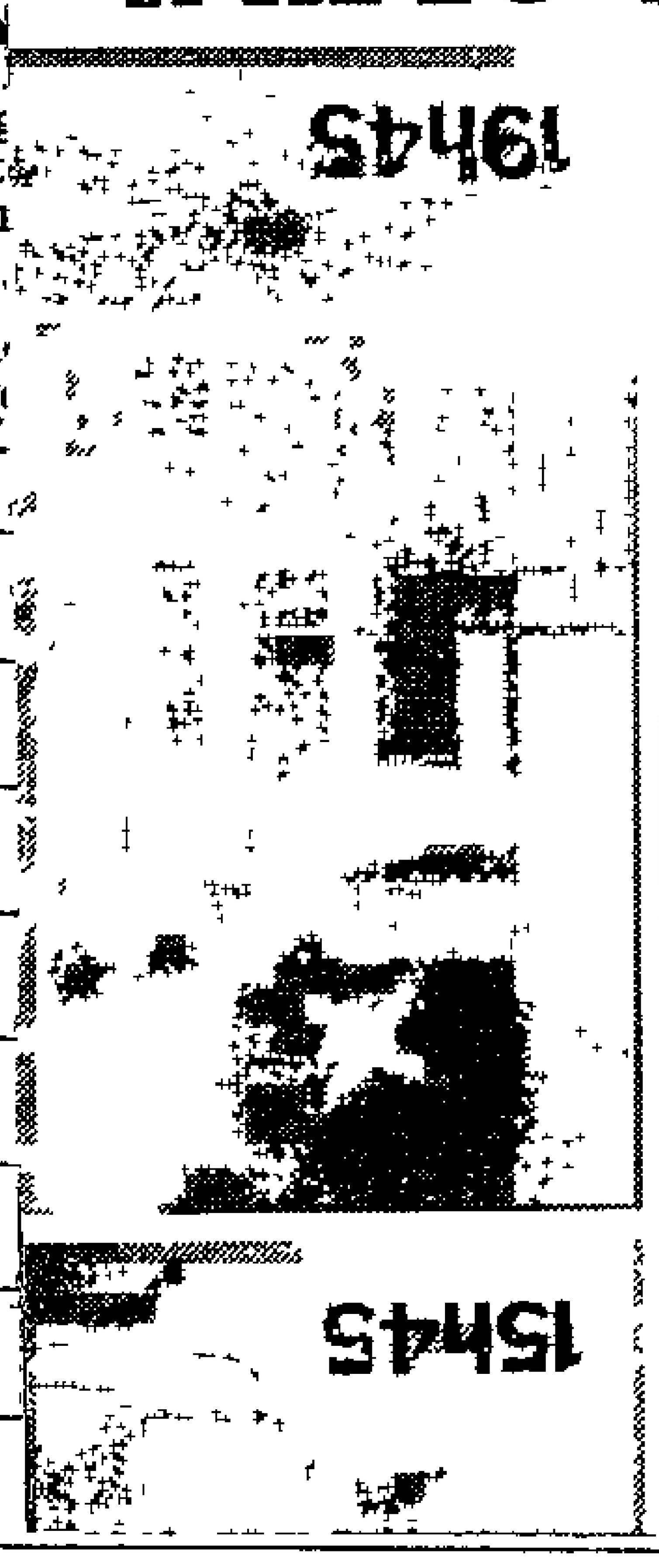
Mnr Luyt en sy manne het geen twyfel nie Daarvoor het hulle eers deeglik proewe geneem voordat hulle hul kop uitgesteek het

Die voordele van die nuwe uitvinding is volgens mnr Luyt drieledig

- Vir eers sal die skeepsvervoer van die meer gekonsentreerde suur per eenheid goedkoper uitwerk.

Die suiwerder suur hoef nie in verhitte tenks vervoer te word ten einde klontvorming te vermy nie ('n Monster gesuiwerde fosforsuur staan al agt dae in mnr Luyt se kantoor — en daar is nog geen afsaksel gevorm nie)

- Die premie op sy prys teenoor die bestaande kan Triomf uit sy probleme ruk en weer op 'n winspad plaas



837 RUSSELL CHRISTOPH. R MR
838 RUSSELL PHOEBE MISS
839 RUTH DJ MISS

EVERITE (183) FH 7/10/77

Plastics problems

Activities: *Manufacturer and supplier of products for the building industry, most of which are asbestos cement based, while complementary products are manufactured from plastics, pitch fibre and wood fibre cement. The Swiss Eternit group is the major shareholder*

Chairman. *E. J. Schmidheiny, managing director H. Thoem*

Capital structure: *16,2m ordinaries of 100c each. Market capitalisation R26,7m*

Financial: *Year to June 30 1977. Borrowings long and medium term, R3m, net short term, R5,6m. Debt equity ratio 14,4%. Current ratio 2,3. Net cash flow R6m. Capital commitments R4,5m*

Share market: *Price 165c (1976-77 high, 190c, low, 140c, trading volume last quarter, 114 000 shares). Yields 17% on earnings, 9,1% on dividend. Cover 1,9. PE ratio 5,9*

The decline in turnover, while forecast at the interim stage, was more severe than expected.

Price increases did not keep pace with

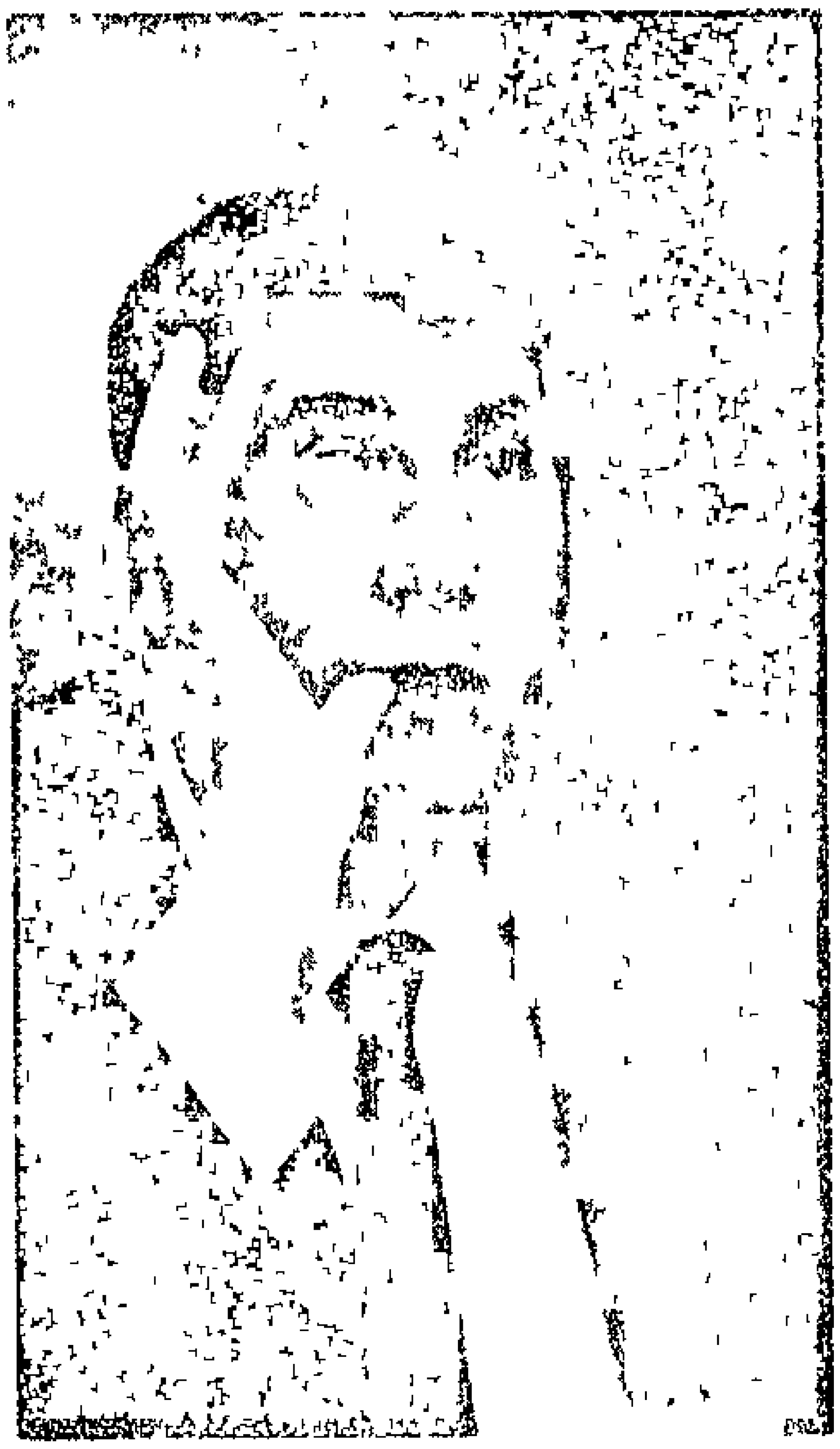
FM 28/10/77 (183)

Luyt's big backer

Louis Luyt's Triomf Fertiliser Investments is apparently negotiating borrowing facilities with a major US oil company.

Triomf MD Phillip Clarke declines to comment. "I can't say anything," he says.

We understand, however, that the company concerned is none other than Occidental Petroleum of Los Angeles. Occidental, it is believed, is prepared to make available bank guarantees by which Triomf can raise cash locally as and when the need arises. Sum mentioned is \$25m.



Louis Luyt ... sorting out the cash problems

If the deal goes through it should certainly see Luyt and his associates through the short term cash problems facing them. TFI is currently struggling under the burden of its Richards Bay phosphoric acid plant (*FM* October 10). The proposed rights issue, with a target of R7m, should be completed by the end of the year.

Big question is why would anybody, least of all Occidental, put up guarantees for the highly geared, loss making Triomf? The answer might lie in the fact that Occidental controls Interore, which has taken over from Gazocean, the French shipping and marketing group which is about to go to arbitration with Triomf over their sales contract. Luyt says he hopes for a ruling before the end of the year.

Interore is presently selling P2O5 from Richards Bay at world prices (\$225/t or thereabout). These, incidentally, are hardening and have moved over the \$250/t mark.

It would make sense for Occidental to put up the guarantees in return for some marketing arrangement for Interore with Triomf at good prices if the Americans can see phosacid prices rising steadily in the future. At the same time, to tie Richards Bay production to fixed prices would not be good for Triomf and there is general feeling in the trade that this is not the deal being done.

In the absence of comment from Triomf, the market will just have to wait and see.

Rappart 20/11/77

Mylpaal vir SA groep

(183)

IER LINE,

DIE Sentrachem-groep het pas nog 'n belangrike mylpaal bereik in sy program om Suid-Afrika op die gebied van strategiese chemikalieë sover moontlik onafhanklik van die buiteland te maak met die inbedryfstelling van 'n baie gesofistikeerde landbouchemiese formulasieaanleg, wat die grootste in sy soort in Suid-Afrika is.

Dié aanleg op Chloorkop naby Kemptonpark, is opgerig deur Form-Chem, die Sentrachem-groep se filiaal vir die formulering van landbouchemikalieë. Volgens dr R.J.J. van Vuuren, besturende direkteur van Form-Chem, is die huidige koste van die aanleg sowat R1½ miljoen, maar die ontwerp is van so 'n aard dat toekomstige uitbreidings maklik, prakties en ekonomies uitgevoer kan word.

Landbou-RAPPORT

om die aanleg se funksies so buigsaam as moontlik te kry. Vir hierdie doel het dr Van Vuuren talle aanlegte in Europa en Israel bestudeer om die nuwe aanleg aan sy meerdoelige vereistes te laat beantwoord.

Dit het meegebring dat die aanleg oor die heel nuutste en mees gesofistikeerde toerusting vir die doel beskik. Die materiaalhanteringskonsep is byvoorbeeld uniek in die bedryf deurdat daar gebruik gemaak word van 'n houersisteem wat interne hantering grootliks vergemaklik.

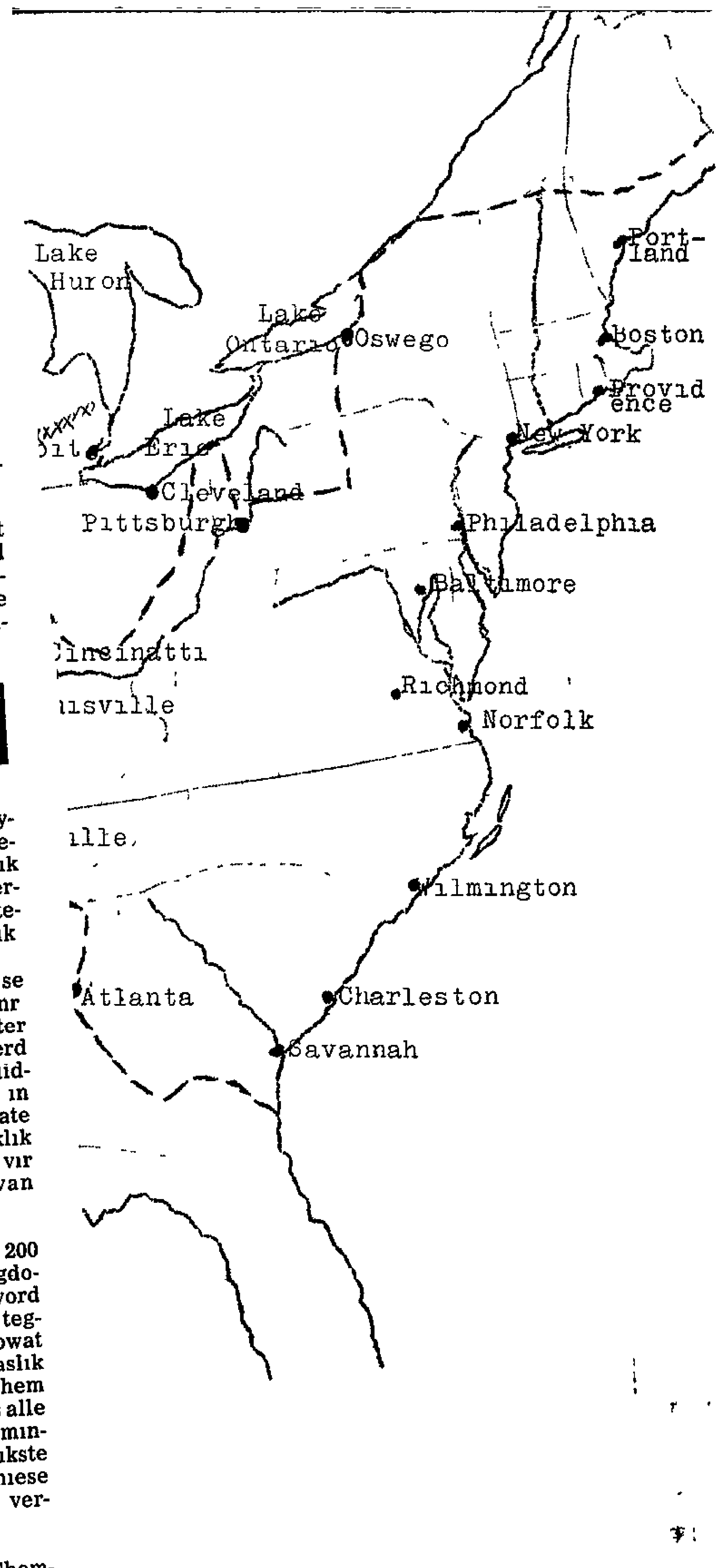
Hy sê die aanleg is daartoe in staat om in al die Suid-Afrikaanse landbou behoeftes vir plaagdoders in die vorm van benatbare poeiers, korrels en stuifpoeiers vir die volgende 5 tot 10 jaar te voorsien met nog reserwe-vermoë vir uitvoer ook beskikbaar. Plaaslike inhoud van landbouchemiese middels word hierdeur grootliks aangehelp deurdat hoofsaaklik net sekere tegniese materiaal ingevoer hoef te word.

Vanweë die groot verskeidenheid kommoditeite wat op 'n relatief klein skaal vir die Suid-Afrikaanse mark geproduseer moet word, moes spesiale ontwerp ingespan word

Die Sentrachemgroep se besturende direkteur, mnr Francis le Riche, sê egter dat die groep bekommerd is oor die feit dat die Suid-Afrikaanse landbou nog in 'n geweldige groot mate van die buiteland afhanklik is vir tegniese materiaal vir die vervaardiging van plaagdoders.

Van die ongeveer 200 geregistreerde plaagdoders in Suid-Afrika word daar byvoorbeeld net tegniese materiaal vir sowat sowat ses of sewe plaaslik geproduseer. Sentrachem ondersoek daarom tans alle moontlikhede om ten minste van die belangrikste plaagdoders se tegniese materiaal plaaslik te vervaardig.

Die nuwe Form-Chem-aanleg produseer nie net alleen plaagdoders in poeier- en korrelvorm vir maatskappye in die Sentrachem-groep soos Agricura en Efekto nie, maar onderneem ook formulasie ten behoewe van ander Suid-Afrikaanse verspreidingsorganisasies en internasionale chemiese maatskappye wat nie oor vervaardigingsgeriewe in Suid-Afrika beskik nie.



R140m drug merger as Federale bids

Sunday Times
Business Times
23/1/77

THE GIANT Federale Volks group is acquiring in a R12-million deal control of SA Druggists, the pharmaceutical manufacturer, through a company in which Isaac Kaye's and Dudley Miller's Alumina Development Corporation have substantial interests.

These merged interests will result in by far the largest pharmaceutical manufacturing group in the country with a turnover estimated at about R140-million a year.

Control of SA Druggists will be exercised through a private company owned 51.1 per cent by Federale Chemiese Beleggings and 49.9 per cent by the former Alumina Development Corporation.

As Mr Lurie and Mr Tabatznik have substantial interests in some Alumina subsidiaries, in particular Labethica

By RAGEL BRUCE

they will be joining Mr Kaye and Alumina's Mr B D Miller on SA Druggists' reconstructed board.

The private controlling SA Druggists will acquire 51 per cent of the company partly through Federale Chemiese Beleggings increasing its 12.6 per cent existing stake.

Shares will be acquired from other shareholders. Other major shareholders at present are Bonuskor 28.3 per cent, SA Mutual 12.5 per cent and Sanlam and its controlled companies 9.7 per cent.

The suspension of SA Druggists shares on the stock exchange on November 18 was a prelude to the deal.

At that stage SA Druggists acquired Alumina Development and will issue a large block of shares and cash in payment.

Discussions between the various parties to the deal were in progress at least six months ago, long before Tiger Oats' acquisition of rival pharmaceutical manufacturer Adcock-Ingram was known. But the market believes that news of this acquisition speeded up the clinching of this final deal.

However, while Adcock-Ingram's strength is mainly in ethical and hospital supplies, SA Druggists has concentrated on wholesale chemists' supplies.

This latest merger will give SA Druggists a much broader spread of interests in the pharmaceutical market, especially through Alumina's interests and access to

● To Back Page

R140m drug merger

○ From Page 1 S.[illegible] Times [illegible] 21/[illegible]/77

additional capital from the Federale Volks group.

SA Druggists has until this year, when it suffered a setback, experienced a strong growth in profits which just about doubled in the three years from 197[illegible] to 1976.

In the year to August, however, after tax profits tumbled [illegible] per cent to R1.[illegible] million, mainly as a result of non-recurring losses consisting of R[illegible] from closing wholesale branches in Port Elizabeth and Vereeniging and R[illegible] in development costs on Rustenburg medicinal crop farm.

[illegible] Adcock Ingram in years past SA Druggists went into the retail [illegible] market through [illegible] and with the decline in television sales has in consequence been saddled with a profit [illegible].

So besides acquiring a new dimension to its pharmaceutical [illegible] through the merger, it could also [illegible] something of [illegible] of [illegible].

The terms of the [illegible] deal are due to be announced shortly and the [illegible] are expected to be [illegible] towards the end of the year.

(183) Die Rapport 4/12/77

Triomf reg vir eis

Deur WILLEM LAUBSCHER

TRIOMF-KUNSMIS het nou die kat in die Franse duiwehok gegooi En of Gazocean dit nou wil hê of nie, die internasionale arbitrasiegeskil oor die twee se kontrak vir die verkoop en verskeep van fosforsuur gaan voort.

'n Woordvoerder van Triomf het gister aan my gesê die arbitrasie deur die internasionale kamer van koophandel (ICC) sal waarskynlik einde Januarie of begin Februarie in Johannesburg aangehoor word.

Drie arbiters, 'n Britse regter en twee afgetrede Suid-Afrikaanse regters, is kant en klaar deur die ICC aangestel

Gazocean het 'n eis van R43 miljoen teen Triomf vir beweerde breuk van die vervoerkontrak vir die suur by die hooggeregshof in Johannesburg aanhangig gemaak. Terselfdertyd het hy gesê dat hy die arbitrasie terugtrek.

Maar volgens die reëls van die ICC kan so 'n arbitrasie nie eensydig teruggetrek word nie. Al twee partye moet daartoe instem En Triomf is doodgelukkig dat met die arbitrasie voortgegaan word.

Hy het ook so aan die ICC laat weet en klaar sy gevraagde deposito van 200 000 dollar na die ICC se hoofkwartier aangestuur Dit moes voor 14 Desember daar wees

Triomf is vol vertroue dat hy sy kant van die kontrak nagekom het en Gazocean nie. Is die arbitrasie derhalwe in sy guns, is die gevoel dat Gazocean se eis teen Triomf weinig kans het om te slaag — trouens, dat dit ipso facto verval.

In elk geval kan so 'n siviele eis maande, selfs jare duur voordat die gereg sy volle gang gegaan het. En Triomf wil sy sake met Gazocean nou ten alle koste afhandel.

Adv. Sidney Kentridge, SC, sal Triomf se saak in die arbitrasiehof behartig.

● Intussen het die wêreldprys van fosforsuur met sowat 25 dollar per ton gestyg.

Sake-Rapport 11/12/77

Shell Chem soek saamwerk

183

Deur DAVID MEADES

DIE Suid-Afrikaanse mark vir landbou-chemiese middels is die mees oorbesette mark ter wêreld en die meeste maatskappye op hierdie gebied moet teen baie lae winsgrense of selfs verliese werk.

Mnr David Anslow, agrochemiese bestuurder van Shell Chem, is die man wat so praat En hy behoort te weet Hy het al vir Shell oor die hele wêreld diens gedoen, onder meer in ontwikkelende lande met dieselfde soort landbou-potensiaal as Suid-Afrika

Mnr Anslow meen dat dié bedryf die een of ander vorm van rasionalisasie dringend nodig het Shell kyk dan ook op die oomblik na die moontlikhede daarvan

Die Suid-Afrikaanse mark het oor die laaste jaar of wat geweldig mededingend geword en mnr Anslow meen dat dit heel moontlik is dat nog groepe hulle aan hierdie mark sal moet onttrek

Shell is egter volgens mnr Anslow in die mark om te bly Dat die maatskappy sedert sy besluit in 1972 om meer regstreeks tot die mark toe te tree, harde bene gekou het, is ook duidelik

Dit was 'n baie groot stap wat die maatskappy gedoen het nadat hy reeds 28 jaar lank 'n verskaffer van landbou-chemiese produkte was In 1972 is besluit om op groot skaal regstreeks tot die mark toe te tree met 'n uitgebreide netwerk verteenwoordigers en voorligtingsbeamptes

Die maatskappy moes oor die afgelope vyf jaar baie leer en weet nou wat hy doen En hoewel dit baie moeilike jare was, is Shell nie jammer dat hy daardie besluit van 1972 geneem het nie

Die mark vir hierdie soort produkte is groot Dit is sowat R80 miljoen per jaar werd, wat veeartsenyprodukte uitsluit wat 'n verder R20 miljoen per jaar beloop

In ooreenstemming met wat die kunsmisbedryf in die landbou ervaar het, het daar ná 1974 'n groot insinking in die mark ingetree Die vraag na agrochemiese produkte het skerp afgeneem, terwyl die voorrade hoog was.

Die mark het nog nie ná hierdie terugslag herstel nie en die verpreiders van landbou-chemiese produkte is steeds besig om mekaar met pryse uit die mark te probeer druk.

Dan het die bedryf ook nog verder te doen met die kleiner onafhanklike makelaars. Dit is mense wat in Suid-Afrika of in die buiteland oorskot-voorrade teen baie lae pryse opkoop en dit dan weer onmiddellik verkoop, sonder om groot koste aan te gaan Hulle het die laaste tyd baie groot in Suid-Afrika geword en hanteer tussen 20 en 30 persent van die mark. 'n Mens moet byvoorbeeld soms sien hoe jou eie-produk iewers verkoop word teen 'n prys wat laer as jou kosprys is, sê mnr Anslow

Mnr Anslow glo egter dat die Suid-Afrikaanse landbou 'n enorme potensiaal het en dat sake een of ander tyd weer tot die normale sal terugkeer

Shell sal intussen voortgaan om sy diens en raadgewingsorganisasie uit te brei Hy glo ook dat die toegang tot die wêreldwye navorsingsgeriewe van die internasionale Shell-groep Shell Chem in Suid-Afrika in staat sal stel om op die voorpunt te bly. Die maatskappy is dan ook nou besig om 'n reeks nuwe produkte op die mark te bring

RAPPORT 25/12/77

183

Karbochem wil rubber in SA vervang

'N VOLFILIAAL van die Sentrachem-groep, Karbochem, het 'n veldtog geloods om Suid-Afrika nog minder afhanklik te maak van natuurlike rubber en kunsrubber wat ingevoer moet word. Die band- en versolingsbedryf, sowel as vervaardigers van nywerheidsrubberprodukte is by hierdie veldtog betrek.

Volgens mnr M. J van Niekerk, adjunk-hoofbestuurder van Karbochem, is die verdere uitbouing van die land se kunsrubbervervaardigingsbedryf, veral onder die heersende politieke klimaat, 'n strategiese noodsaaklikheid

Natuurlike rubber word al die laaste paar jaar langs 'n duur omweg ingevoer en daarbenewens lê 80 persent van die landbougrond wat geskik is vir die verbouing van natuurlike rubber, ook in die invloedsfeer van die Kommuniste. Manipulasie van voorsiening en pryse is dus 'n wesenlike gevaar vir die Republiek.

Rusland

Mnr. Van Niekerk sê voorts dat Karbochem se stireen-butadieen-rubberaanleg in 47 persent van die land se totale rubberbehoeftes van 85 000 ton kan voorsien, maar dat die aanlegvermoe slegs 80 persent beset is Ingevoerde natuurlike rubber voorsien nog in 45 persent van die land se rubberverbruik In Amerika en Wes-Europa beloop natuurlike rubber onderskeidelik slegs 26 persent en 25 persent van dié lande se totale rubberverbruik, terwyl dit in Rusland maar op 10 persent geraam word.

Volgens mnr Van Niekerk is dit moontlik dat die Republiek sy afhanklikheid van ingevoerde natuurlike rubber ook tot net 10 persent kan besnoei as die vervangingsveldtog slaag en verdere uitbreidings van die kunsrubberproduksievermoe onderneem word Karbochem verleen in die vervangingsveldtog tegnologiese en kommersiele bystand aan vervaardigers

Daar bestaan egter sekere knelpunte wat die vervangingsveldtog bemoeilik Een daarvan is verouderde spesifikasies wat veral van owerheidswee en deur die mynbedryf streng toegepas word, hoewel die spesifikasies nie tred hou met die jongste rubbertegnologiese ontwikkelinge en met die buitengewone omstandighede waarin die land hom bevind vanweë die dreigende sanksiemaatreels nie.

'n Verdere knelpunt is dat die rubberverwerkingsbedryf in 'n groot mate geskoei is op die lees van Britse kundigheid, wat weens Brittanje se ou koloniale belange in die natuurlike rubberproduserende lande, oorwegend op natuurlike rubber gerig is Karbochem is reeds besig om plaaslike rubbertegnoloe vertroud te maak met die doeltreffendste tegnologie vir Suid-Afrikaanse omstandighede.

Knelpunte

Nog 'n belangrike faktor wat die oorskakelingsveldtog bemoeilik, is die skommeling in die prys van natuurlike rubber Wanneer die lae pryssiklusse heers, word minder plaaslik vervaardigde rubber gebruik Natuurlike rubber kos tans R860 per ton, maar slegs drie jaar gelede was die prys R400 per ton Suid-Afrikaans vervaardigde rubber kos tans R870 per ton.

Mnr Van Niekerk sê dat groter bystand van owerheidswee met die oorskakelingsveldtog van deurslaggewende belang is, aangesien hierdie knelpunte die optimum-benutting van die plaaslike kunsrubberproduksiepotensiaal in die wiele ry

Karbochem het nog sowat 8 000 ton per jaar aan oorskotvermoe vir die vervaardiging van stireen-butadieenrubber, terwyl uitbreidings ten bedrae van R30 miljoen voorsien word, wat 'n bykomende 33 000 ton per jaar se nuwe vermoë vir die produksie van poli-butadieenrubber, oplossing stireen-butadieenrubber en termoplastiese rubber teen 1981 beskikbaar sal stel Die poli-butadieen-deel van die uitgebreide vermoe sal alle invoer van hierdie soort rubber — nou sowat 10 000 ton per jaar — vervang, wat klaar 'n besparing van sowat R5,5 miljoen aan buitelandse valuta sal beteken.

HANSARD No 2 COLS 76, 77 10/2/78

183

Commission of Inquiry into the Pharmaceutical Industry

*11 Mr N B WOOD asked the Minister of Economic Affairs

(1) Whether the Commission of Inquiry into the Pharmaceutical Industry has completed its investigations, if so when is it anticipated that the findings will be published if not, when is it anticipated that the work of the Commission will be completed,

(2) what have the costs incurred in respect of the Commission been to date?

The MINISTER OF NATIONAL EDUCATION (for the Minister of Economic Affairs)

(1) The Commission has just completed its investigation and the final report is being printed at the moment. The report will be tabled after the Government has had the opportunity to study it and consider the recommendations contained therein, according to expectations before the end of this Session of Parliament,

(2) until 31 January 1978 total expenditure in respect of the Commission amounted to R33 090,43 The cost of printing the report as well as the money value of the time spent on the Commission's work by officials must be added to this amount

AECI

FM 24/2/78

Better margins

183

The share price, which has come back to 200c from the January high of 245c, seems to have been expecting poor results from AECI In the event, the figures are surprisingly good and even at the earnings per share level, now bearing the full brunt of the 55-for-100 rights issue in 1976, the 1977 outcome is far ahead of first half indications For the six months to June, AECI earned 9,4c, but for the second half, the figure was 15,5c.

Moreover, while turnover was up from R436m to R590m, R85m of the increase was at SA Nylon Spinners, which did little more than break even for the year Trading margins, including this slice of non-profit making turnover, were a shade up for the year at 12,9% Adding back depreciation, which rose over the year from R28,1m to R43,3m, margins were about 1% higher than in 1976

Most of the additional depreciation, managing director Denys Marvin indicated this week, can be ascribed to SANS, which would mean its cash flow performance was more adequate than the nil profitability suggests SANS is now operating at improved capacity, 65%-70% on fibres and 50% on polymers and, Marvin says, "our big volume leverage is becoming increasingly important."

For AECI as a whole, taking R16,3m of tax savings transferred to non-distributable reserves as a cash item, cash flow was just under R70m which seems healthy against the present pause in the capital spending programme.

Most of the turnaround in profitability was due to "a sustained improvement in the performance of the No 4 Modderfontein ammonia plant," which has run up big losses over the previous two years Marvin, whose slogan is "the best money we've got is the money we've spent," says that the whole No 4 complex, which includes a urea plant and has a book value of R100m, would probably cost R180m in today's money So it could be argued that the financial scale of the No 4 complex is comparable with AECI's 60% stake in Coalplex

All the Coalplex plants came on stream in the last quarter of 1977 and the capital and working cost provision, at about R220m was slightly below budget The possibility of higher, and longer, than expected initial losses, is obviously one factor overhanging AECI's market rating, since the present is hardly the best time to bring in a major capital project.

Marvin's perspective on Coalplex, (apart from "I'll be disappointed if we aren't firmly in the black within three to four years") is that losses are inevitable on any such project, and have been budgeted for The point he makes is that smaller losses are expected on Coalplex than on the Ammonia 4 plant, and that AECI managed to achieve earnings growth — admittedly on a smaller issued capital — all through the period of Ammonia 4's losses. This, he believes, testifies to the group's strength in its basic products

Part of his confidence is based on export potential too. Coalplex is already selling PVC in two major foreign markets and exports, near R40m in 1977, could double this year while devaluation, or floating of the rand would be a big further boost to export profit margins.

Initial trading this year has been good and earnings of 28c 30c must be on the cards provided Ammonia 4 stays on course though it must be doubtful whether a rise in the 18c dividend is likely With industrials currently drifting down on fears for the international economy, there can be no hurry to buy AECI shares But the second half of 1977 has begun to show the group's potential when its big capital projects start making money and the options will one day be in a class of their own as a geared investment in economic recovery

FM 24/3/78

183

AECI LIMITED

(Incorporated in the Republic of South Africa)

54th Annual Report year ended 31st December 1977

Chairman's statement

I am pleased to report that the Group once again achieved sales and income substantially in excess of those for the previous financial year Notwithstanding the difficult economic conditions prevailing in South Africa during 1977 Group sales totalled R590,2 million an increase of 36 5 per cent over 1976 Export sales at R39 6 million in 1977 compared with R30,2 million in 1976 The 1977 figures include the sales of South African Nylon Spinners (Pty) Limited (SANS) which became a wholly owned subsidiary on 1 January 1977 Sales other than those of the SANS Group increased by 16 1 per cent over 1976 Group net income before taxation totalled R64 6 million an increase of R10 0 million (18 3 per cent) over 1976

Last year I indicated that the Coalplex project which the Company is undertaking as a joint venture with Sentrachem Limited to produce PVC and caustic soda was not planned to operate at an economic level until the second half of 1978 at the earliest and because of its size would distort certain financial ratios for several years It will thus be seen that earnings per share fell from 29,8 cents in 1976 to 25 1 cents in 1977 because of the larger number of shares listed following the rights issue during the second half of 1976 to raise some R83 million as part of AECI s financing requirement for Coaplex Ordinary dividends were maintained at 18 cents per share for the year but dividend cover fell from 1 7 to 1 4 times

The Board has decided to discontinue consolidating the assets and liabilities of all foreign subsidiaries and to bring to account in respect of those subsidiaries only income which has been received in South Africa in cash Comparative figures for previous years have been adjusted where necessary This conservative method of accounting is considered to be the most appropriate for the Group under present circumstances

The volume of sales in the Republic was in total only slightly higher in 1977 than in 1976 but the level of business activity improved in most sectors during the second half year

The higher profits were to a large extent attributable to the considerable improvement in the performance of the coal based No 4 ammonia plant at Modderfontein As foreshadowed, technical problems associated with this plant have steadily been resolved and during the second half of 1977 the output and plant efficiencies achieved were significantly above those for any previous period

Unfortunately the depressed conditions in the South African economy, particularly in the building motor and furniture industries, have reduced the local demand for the Coalplex products to a lower level than previously envisaged and the profitability of the project will suffer accordingly New outlets have been developed and additional exports secured in order to achieve maximum plant utilisation Selling prices in export markets are however depressed because of excess capacities worldwide the cause of which can be traced back to the massive oil price increases of the mid seventies Notwithstanding these setbacks the project which is based on coal, has exceptional long term potential

The Triomf Richards Bay phosphoric acid plant continues to suffer from its introduction at a time of world over capacity and severe market competition However, selling prices abroad have hardened to an extent over recent months and the cash flow in Triomf has benefited accordingly

Previously I stressed the need for improving the training and development of all employees within the Group in order to ensure an adequate supply of skilled manpower for the future to operate complex chemical plants Training is expensive and while tax incentives for approved training courses for blacks are granted it does seem inequitable that similar incentives do not exist for the training of whites and coloureds and that those companies which undertake training on a broad front receive no compensation for this It is to be hoped that the tax incentives will soon be extended to embrace all training and also that the remaining legal barriers to the training of blacks in white areas in higher skills than allowed at present will be removed

Details are given of the Group's employment policies in the Directors' Report and it is not necessary for me to elaborate on these I would however like to comment on progress that has been made during 1977 in the provision of housing both for coloured and black employees The Macassar Housing Scheme at Somerset West for coloured employees represents to my mind a major step forward as it is the first time in AECI that coloured employees have been able to avail themselves of the same home ownership facilities as are available to white employees The black housing project at Zamdela Sasolburg embracing 100 houses for married employees and hostel accommodation in flatlets for single men all built in conjunction with the Vaal Triangle Administration Board, together with the introduction of home ownership schemes for leasehold title represent a significant breakthrough in the provision of housing amenities for our black employees

In the wider context of improving the quality of life of blacks and coloureds in this country I should mention that AECI has donated R1 million to the Urban Foundation payable in equal instalments over five years

Results for 1978 will depend upon the rate of improvement in the economy bearing in mind that in a number of areas plant capacity is substantially in excess of current demand In the capital intensive heavy chemical industry the level of plant utilisation is critical in determining profitability and AECI is thus well placed to benefit considerably from an upturn in economic activity The recent fall in the value of the US dollar and the Rand against other international currencies should help the Group in developing and exploiting export markets while the higher cost of imports into the Republic should assist those sections of the Group's business which have in the past suffered competition from cheap imports frequently at dumped prices

While profitable opportunities of broadening the Group's base and increasing efficiencies in existing plants will continue to be taken no further major expansion is intended until the pattern of future demand becomes more clear and the major capital programme over the past seven years has been digested

It is with regret that I report the death on 20 May 1977 of Mr C F Todd Carl Todd served this Company as a non executive director for over 30 years and the benefit of his experience and wise counsel is sadly missed

In conclusion I should like to extend my condolences to the families of the five men who lost their lives in the two serious explosions which occurred at Modderfontein during the past year and to express my thanks to those people whose prompt action speedily restored the factory to normal operations

Johannesburg
9 March 1978

International J14302

FEDMIS (183) FM 31/3/78

Accounting changes

Activities: *Holding company for subsidiaries manufacturing fertiliser and heavy chemicals Owned 34,6% by Federale Chemiese, 23,6% by IDC and 15,5% by Old Mutual*

Chairman: *J H Smit, managing director G McKusic*

Capital structure: *42,1m ordinaries of R1 Market capitalisation R58,1m*

Financial: *Year to December 31 1977 Borrowings. long and medium term, R32m, net short term, R12,6m Debt equity ratio. 88,3% Current ratio 1,4 Group cash flow R16,1m Capital commitments R2,9m.*

Financial Mail March 31 1978

Share market: *Price. 138c (1977-78 high, 155c, low, 108c, trading volume last quarter, 387 000 shares) Yields 14,7% on earnings, 12% on dividend Cover 1,2. PE ratio 6,8*

An accounting change enhanced Fedmis's net income by R1,1m to R8,6m (R8,7m) For this it incurred an auditors' qualification Since 1974 the group has made a provision above the line to meet the additional costs of replacing fixed assets But for the first time it decided that this provision will be charged on a so-called "discretionary basis," though this will be a fixed sum, because it is the directors' intention to peg the provision at 1976's levels of R3,1m

	'74	'75	'76	'77
Return on cap %	18,4	20 4	17 4	15 8
Turnover (Rm)	78 9	118 8	129 0	163 0
Gross margin %	13 8	11 6	12 2	7 9
Trading profit (Rm)	10 9	13 8	15 8	12 9
Earnings (c)	23,3	27 5	*22 5	20 3
Dividends (c)	15 0	16 5	*16 5	16 5
Net asset value (c)	96	115	116	120

**Weighted average*

This is opposed to the previous method of increasing the depreciation charge proportionately to the estimated increase in the replacement of fixed assets Although the group is smoothing its earnings curve, as financial director Cecil Robertson points out, "if we had never made a provision there would have been no qualification."

Fedmis has also helped its earning curve by the creation, in 1976, of a deferred investment allowance account This account is for the tax benefit arising from the utilisation of investment allowances. Instead of using the allowance in one go, before the commissioning of plant, the group decided to spread it over five years Last year R4,7m was transferred from pre-tax profits, but this year R1,3m was added back into pre-tax profits and a similar but decreasing amount will be credited for the next four years

Turnover is up 26% to R163m, resulting from a growth in sales in real terms from all divisions except cement Sales of phosacid started in 1977 and probably contributed about R20m to the R34m rise in turnover, or about 12%

The phosphoric acid export project pulled down trading income Exports started in early 1977 when prices were half the level of 1974 when the project was planned The selling price in Brazil, the group's most important market, was just under $230 per ton at the time of the first shipment, half the $460 peak reached in 1974 After dipping to $213/t in September current prices are about $244/t and "indications are that there could be further price increases in 1978"

Assuming that trading profits would have grown by about 10% to about R17m if the phosacid plant had not started operations, the new plant probably lost about R4m, as a rough guess, pulling trading profits down to R13m (R15,8m) But at least the group was successful in exporting its full production

To counteract the loss from the phosphoric acid plant, fertiliser sales to the local market increased by 4% over 1976's 5% increase, in line with the overall demand for fertilisers Closure of borders increased fertiliser costs to certain African importers and tonnage exported to these markets dropped by 55% compared with 1976 But this fall was more than made up by sales to new markets in Europe and the far East, though at relatively low margins

The group is continuing to diversify into non-price controlled areas The new plant under construction to purify phosphoric acid for use in the local detergent industry will indirectly fall into this category The plant will also reduce the quantity of phosacid available for export, when production starts in late 1979. Costing R3,5m this plant will be funded from existing resources

The group has, despite a difficult year, strengthened its balance sheet Net borrowings are down from R47,1m to R44,6m as short-term debt was reduced. The ratio of current assets liabilities is up from 1,2 to 1,4, but this is largely due to an R8,9m increase in stocks to R41,6m. Much of this increase is the rise in raw materials, where prices are continuing to rise, so the group is building in a small stock profit

Return on capital is down from 17,4% to 15,8% partly because of the R38m spent on the phosacid plant But having absorbed the full depreciation and financing charges of the new plant last year, and despite the loss expected this year, the return should not drop further

Despite this, Fedmis's secure base in the fertiliser industry, coupled with the group's management ability, warrants holding the share, but there is little incentive to buy until the world price of phosphoric acid starts to pick up

Gail Pemberton

AECI (183) FM 31/3/78

The carrot's within reach

Activities: *Chemicals and explosives group jointly controlled by De Beers Industrial Corp and ICI which each owns 40% of the equity Has 60% participation and management of Coalplex and owns 49% of Triomf Fertilizer (Pty)*

Chairman: *H F Oppenheimer, managing director D N Marvin*

Capital structure: *148m ordinaries of R1 4m options 1980/81 at 250c 3m 5,5% prefs of R2 Market capitalisation R319m*

Financial: *Year to December 31 1977 Borrowings long and medium term, R202m Net cash R47,3m Debt equity ratio 66% Current ratio 2,2 Net cash flow R53m Capital commitments R32,7m*

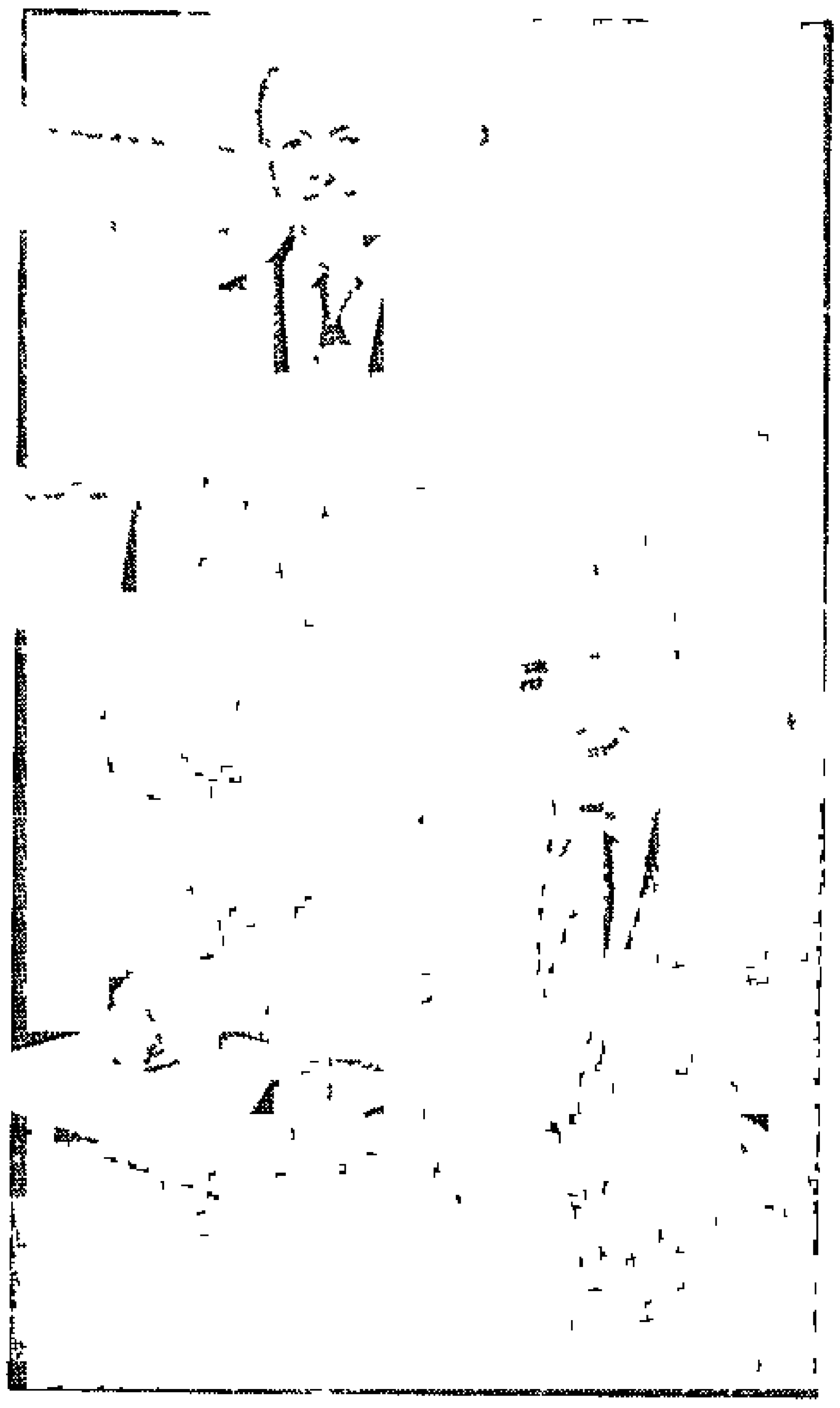
Share market: *Price 215c (1977-78 high, 245c, low, 180c, trading volume last quarter, 528 000 shares) Yields 11,6% on earnings, 8,4% on dividend Cover 1,4 PE ratio 8,6*

Determining AECI's earnings for the past year is really a matter of preference The company has taken the most conservative line, reporting R37 2m, equivalent to 25,1c per share, down from 29,8c the previous year This is after deducting R16,4m of tax savings from investment allowances but not charging R3,5m from exchange losses, mostly unrealised If generally accepted accounting practice had been followed, earnings would have been up from R38m to R50m, which after taking into account the full impact of the 55-for-100 rights issue, translates into a marginal decline in earnings per share from 36,1c to 33,8c

	'74	'75	'76	'77
Return on cap %	*14 6	*15 7	11 3	12 3
Turnover (Rm)	275	364	432	590
Pre-tax profit (Rm)	39 5	48 6	54 6	64 6
Pre-tax margin %	14,4	13 4	12 7	10 9
Earnings (c)	28 8	33 4	29 8	25,1
Dividends (c)	17	18	18	18
Net asset value (c)	217	232	219	233

**Including retained earnings of foreign subsidiaries*

But then profits have been knocked by a flat R5m charge for unfunded pension commitments An equal amount of pension fund liabilities remain unfunded and will be charged over the next year or two In addition, foreign subsidiaries have been deconsolidated which probably reduced earnings by about R1m and the effect of being on Lifo is to reduce reported earnings another R4m



Oppenheimer, Marvin capital spending slowdown

Which all goes to show that earnings figures don't mean much at all But while there is a lot of flexibility in presenting the income statement, this is not so in the source and application account And as cash flow is far more important than profits it is worth examining this statement

Net cash generated from operations totalled nearly R110m from which only R3m was actually paid in taxes and R27m went to shareholders in the form of dividends A net decrease in working capital released a further R15m but still leaves a current ratio of 2,2 This enormously strong cash flow should be read against total borrowings of R230m which includes the cost of financing the 60% participation in Coalplex at a cost of R130m

Planned capex of R83m can be handled by existing liquid funds, so cash flow should soon begin to degear the group On this subject, shareholders who have been waiting patiently for the payoff from the huge capital expenditure of recent years will be heartened that no new major capital projects are being planned While in one way it is discouraging that the ability to expand at acceptable returns on capital has been curtailed by the current stagnation in the economy, it does mean that the point where dividends take off is that much closer

Coalplex will impact on the income statement this year AECI's portion of the fixed assets amounts to R120m, which depreciated over a 10-year period means an annual depreciation charge of R12m a year In this financial year the charge will be R9m assuming Coalplex's commissioning period is completed on schedule at the end of March Operating losses will have to be carried for a year or two but these new charges should be offset by the improved performance of the R100m ammonia four plant at Modderfontein and increased volume at SA Nylon Spinners

The impact of ammonia four is evident in the divisional review of operations which shows the agriculture division turning a R3,8m loss into a R4,3m trading profit As the plant was shut down for most of the first half, this was achieved with the big plant contributing for only six months

The chemicals and explosives divisions continued to churn out high profits (68% of the total) on strong demand, but outside of these sectors the group has substantial surplus capacity at most of its plants and is thus highly geared operationally to even a small improvement in demand

In recent years, AECI has demonstrated its ability to produce rising income while in the midst of heavy capital expenditure But whilst the dividend will probably remain pegged at 18c this year, the time horizon for a significant rise in distributions is shortening and so is the period of accumulation in the 200c to 230c price range

Richard Stuart

INCOME SOURCES

	1976		1977	
	Turnover	Trading income	Turnover	Trading income
	Rm		Rm	
Agriculture	71,5	(3,8)	92,5	4,3
Chemicals	141,0	23,1	161,5	25,8
Explosives	102,3	22,1	124,4	25,3
Polymers	117,6	14,3	211,8	20,3
	432,4	55,7	590,2	75,7

Afrox gaan sterk uitbrei

RAPPORT 23/4/78

(183)

AFROX, die voorste gasmaatskappy in die land, voorspel 'n hoër groeikoers oor die volgende ses jaar en gaan 'n nuwe aanleg van meer as R10 miljoen oprig

„Hoewel die land oor die laaste paar jaar stadige ekonomiese groei ondervind het, dui alles op die oomblik vir ons bedryf op 'n herstel", sê Afrox se besturende direkteur, mnr Pieter Joubert

„Hierdie belegging van R10 miljoen verseker dat ons die produksievermoë en produkte sal hê om die verhoogde vraag wat die maatskappy in 1980 verwag, die hoof te kan bied.

„As ons huidige groeivoorspellings korrek is", sê mnr. Joubert, „verwag ons dieselfde vlak van belegging vir nog 'n aanleg teen 1983"

Die nuwe beleggingprogram is toegespits op die vervaardiging van gasse soos suurstof, stikstof en argon Bestellings is geplaas en sluit 'n gasvervloeier wat Afrox se Randsuurstof- en stikstofvermoë met 100 ton per dag sal verhoog. Hierdie vervloeier word binnekort geinstalleer en ingebruikneming word vir vroeg aanstaande jaar beplan

Behalwe die uitgawe van R10 miljoen binne die volgende drie jaar, skat Afrox dat hy minstens 'n verdere R18 miljoen op algemene kapitaalprojekte sal bestee

DIE LAASTE LAG, IS LEKKERSTE

Rapport 30/4/78

(183)

Deur DAVID MEADES

WIE laaste lag, lag die lekkerste. En dit is gewis wat met mnr. Louis Luyt, grootbaas van Triomf-Kunsmis, gaan gebeur. Soos verwag het Triomf vandeesweek 'n groot verlies vir die afgelope jaar aangekondig. Maar dit is iets van die verlede en Triomf het reeds in die tweede ses maande van die afgelope jaar winsgewendheid bereik.

Die totale verlies beloop **R9 132 979 vir die jaar tot 31 Desember 1978, waarvan R4 780 002 aan die aandeelhouers van Triomf toedeelbaar** is.

Hierdie verlies is feitlik dieselfde as wat die syfer vir die eerste ses maande van die jaar was. Maar in die tweede ses maande het die maatskappy R2 miljoen te veel aan spoorvragkoste betaal, wat beteken dat hy in effek reeds 'n stewige wins in hierdie halfjaar behaal het.

Wat die lopende jaar betref, sê mnr. Luyt dat daar na 'n wins uitgesien kan word. Die rede vir sy optimisme is die stewige verbetering in die prys van fosforsuur op die uitvoermarkte. En dan bring hy geen voordeel in wat uit 'n gunstige uitslag in sy geskil met Gasocean kan ontstaan nie.

Die leningsposisie van die groep ontstel mnr Luyt ook nie veel nie. Van die totale bedrag langtermynlenings van R101 miljoen kom nie minder nie as R63,3 miljoen van die aandeelhouers af nie en dit kan dus tot groot hoogte as aandeelhoursbelang beskou word.

Vertroue

In kommentaar op die jaarverslag het mnr. Luyt ook aan Sake-Rapport gesê dat hy vol vertroue is dat Triomf daarin sal kan slaag om teen 1980 al hierdie lenings af te los.

Hy wys ook in sy voorsittersrede daarop dat die aanleg by Richardsbaai baie tydig gebou is Hierdie aanleg het R94 miljoen gekos om op te rig vir 'n vermoë van 400 000 ton. 'n Aanleg van 360 000 wat nou in Amerika opgerig word, sal 220 miljoen dollar kos, terwyl een met 'n vermoë van 425 000 ton in Morokko 230 miljoen dollar gaan kos.

Met die sterker vraag na fosforsuur is daar nou ook planne vir sewe fosforsuurfabrieke in Amerika. Die prys vir hierdie suur staan nou op 248 dollar per ton terwyl markberigte op 'n verdere styging van 10 dollar binnekort dui.

In 1974 het die prys van fosforsuur van 150 tot 600 dollar per ton gestyg As sulke prysvlakke weer bereik word, gaan Triomf groot geld maak. Daar word gesê dat hy 'n wins van heelwat meer as R100 miljoen kan toon.

Vir mnr. Luyt moet die huidige posisie by Triomf rede tot groot genoegdoening gee Sy persoon moes weens die probleme van Triomf kwaai inboet en hy moes dikwels heeltemal onregverdig fel kritiek verduur Maar soos hulle sê, wie laaste lag....

TRIOMF

(183)

5/5/78

The encoura[illegible] R12.1m [illegible] December [illegible] interim stage [illegible] was reported [illegible] payment of [illegible] Concession [illegible] loss was close to R1[illegible] that the second half [illegible] R1.4m

The actual lo[illegible] ing company [illegible] deduced from a[illegible] portion of the lo[illegible] butable to minorities [illegible] AECI. It shows that the op[illegible] company lost R1[illegible] encouraging [illegible] can be attributed to [illegible] for phosphoric acid and buo[illegible] tic fertiliser demand

Louis Luyt [illegible] predicting [illegible] profit for the year ahead. But while everyone involved in Triomf [illegible] a little easier there is still [illegible] ahead to repair the [illegible] finances. In looking at Triomf [illegible] tial to see the solvency of the [illegible] two different [illegible] bankers and that of investors in the [illegible] company Triomf Fertiliser [illegible]

From the banks' viewpoint [illegible] R63m of equity after the [illegible] in 1977. It includes shareholders' loans from AECI, the co-operatives and Luyt himself, which are all tied to the [illegible]. Against this there are R57m of long-term loans, R20m from the IDC and [illegible] from foreign banks. These latter [illegible] are those guaranteed by Nedbank, which have to be repaid every quarter until repayments end in May 1980. Repayments started in November 1977.

The other aspect of [illegible] the R46m in overdrafts and guarantees supplied by the banks. With the current [illegible]

[illegible]

Chemico op pad na beter dae

Rapport 7/5/78 (183)

Deur DAVID MEADES

TREK-BELEGGINGS is besig om sy sukkelende filiaal, Chemico, mooi reg te kry. Chemico se verlies was die afgelope jaar tot 31 Desember byna R750 000, maar dit kan vanjaar met minstens R500 000 verminder word

Dit sal 'n baie sterk uitwerking op Trek se wins hê, wat ondanks Chemico se groot verlies die afgelope jaar met 17,5 persent tot R3 918 000 ná belasting gestyg het

In die jaarverslag sê die voorsitter, mnr George Clark, dat daar in die laaste kwartaal van 1977 tot ingrypende optrede besluit is om die posisie by Chemico reg te stel

Dit het onder meer die rasionalisasie van produksie tussen die Chamdor- en Durban-aanleg behels, die verkryging van oorsese kundigheid om te help om die tegniese probleme te oorkom, die vermindering van die personeel met byna 30 persent en 'n algehele reorganisasie van die bestuur

Volgens mnr Clark is daar reeds positiewe resultate sigbaar en hy hoop dat die verbetering sal voortduur Die verwagte wetgewing vir die herwinning van gebruikte olie sal baie help deurdat dit die prys van die grondstof sal verminder en terselfdertyd 'n groter vraag skep.

Volgens mnr. Donald Masson, besturende direkteur van Trek, wat die laaste paar maande feitlik heeltyds sy aandag aan Chemico gewy het, hoop hy om die verlies van hierdie herraffineerder vanjaar met minstens R500 000 te verminder, hoewel dit nog te vroeg is om nou al 'n juiste voorspelling te waag

Aan die petroleum-kant het Trek 'n skitterende jaar agter die rug Die gesamentlike wins ná belasting van Trek-Petroleum en Trek-Olie het met 20,2 persent of R554 787 tot R3 305 768 gestyg

Hierdie styging in wins is getoon ondanks die feit dat die totale mark vir petroleum-produkte verlede jaar in volume met 0,8 persent gedaal het. In die geval van petrol was die totale daling 3,1 persent

Trek-Petroleum kon daarin slaag om sy volume petrol verkoop met 6,8 persent tot 711 miljoen liter op te stoot Dit het tot groot mate daarvoor gesorg dat Trek se totale omset van R121smiljoen tot R151 miljoen gestyg het

Dit is onwaarskynlik dat Trek in die lopende jaar hierdie vertoning sal kan herhaal en volgens mnr Clark gaan dit ook nie moontlik wees om vanjaar dieselfde vlak van winsgewendheid te handhaaf nie

Dit is egter duidelik dat Trek sal voortgaan om minstens sy markaandeel te handhaaf en met die verwagte oplewing in die ekonomie is 'n verdere verbetering in wins baie waarskynlik

In die jaarverslag maak mnr Clark ook bekend dat Trek waarskynlik nie voor die laat jare tagtig sy eie raffinadery sal oprig nie

Dit is weens die kleiner vraag na petroleumprodukte in Suid-Afrika, die toename in die produksievermoe van die bestaande raffinaderye en die inbedryfstelling van Sasol 2 in 1980-'81.

Trek geniet op die oomblik die volle voordeel van die bestaande oorskot produksievermoe by ander raffinaderye en het die versekering van verwerkingsgeriewe oor die lang termyn

TABLE OF CONTEN

Page No.

------------------ 1

-----------------nc 2

ct ------------- 5

the research proje 5

in results .

iew of the housing 6

s of accommodation

ga: -------------- 6

nga: ------------- 6

juletu: ----------- 8

eas outside the town 9

Chapter 2: Langa -------------------- 10

The Zones ----------------- 12

'New' hostels ------------- 14

Employers' dormitories --- 15

Report on statistical 19

Ablution blocks ------ 23

Post Office huts ----- 23

General ----------- 24

The Main Buildings -------- 24

The North Barracks -------- 27

The Flats ---------------- 28

The Ground Floor ----- 28

First, second and third 29

Ablution rooms ------- 9

Special Quarters ----------

Public Baths ---------------

Chapter 3: Guguletu ------------------

Section 2 -------------------

Chapter 4: 41

41

4

5

5

46

5

FM 16/6/78

LABOUR RELATIONS — 2

AECI's way

183

Next week African worker representatives in the explosives industry will for the first time have a direct say in the collective bargaining process.

A new industrial relations system to be launched on June 21 by the sole employer in the industry, AECI, will open up this opportunity for workers to negotiate on wages and working conditions.

Until now AECI African workers have had to be content with liaison committees. Next week however, a new body, to be known as the "Central Co-Ordinating Committee (CCC)" comprising representatives of liaison committees at AECI's three factories (Modderfontein, Umbogintwini and Somerset West), will come into operation.

The new body will be different from a co-ordinating liaison committee in various ways. Comprising employer and African worker representatives, it will have a structure similar to an industrial council.

Inter alia it will be empowered to ratify new industrial agreement in the industry and will have a good deal more independence than liaison committees.

A more significant aspect, however, is that the African representatives will be brought directly into the bargaining process between employers and the nine registered trade unions in the explosives industry.

To bring all racial groups together, another new body, the "Federal Consultative Council," will do the bargaining leading up to a formal industrial agreement. It will consist of equal numbers of employer, registered union and African worker representatives and will bargain for and conclude industrial agreement, which will then be ratified by both the industrial council and the CCC.

The Africans will not sit on the industrial council, however. AECI group industrial relations manager Gerry Uys says "They're only allowed to be there as observers and we feel that would put them at a disadvantage. We don't want them there as second-class citizens."

Besides which, the industrial council only discusses non-African wages and working conditions.

Despite this separation, however, the key aspect of the system is that African delegates will be working with the registered unions for the first time.

How do the worker representatives feel about the change? Most feel it's an advance, although they would like it to lead to full trade union rights so as to strengthen their position *vis-a-vis* both management and the registered unions. "Top management would never victimise us — but there's a great fear of factory management. A union would mean we wouldn't have this fear," says one.

Many are apprehensive about dealing with the registered unions: "These people have much more experience than us. We might be weaker than before," says one.

Replies Uys "We're as apprehensive as they are. But we believe they'll pick up the skills they need fairly quickly."

Why not a proper trade union instead of all this? If only to prevent the registered unions using their superior expertise to outbargain the Africans at every turn

Uys replies that it's AECI policy to grant *de facto* recognition to any African union which represents a "substantial number of our workers." In addition, management has stressed to the workers that they are free to join a union. Adds Uys "The new system is an interim measure. It could easily accommodate a union."

Chemico op pad terug

Rapport 18/6/78

(183)

CHEMICO se ghriesaanleg behoort op 1 Oktober weer terug op volle produksie te wees, het die besturende direkteur van Trek-Beleggings, mnr Donald Masson, aan Sake-Rapport bekend gemaak.

Die skade wat gely is met die brand wat hierdie afdeling van Chemico se aanleg naby Krugersdorp getref het, is nou ook naastenby bepaal. Volgens mnr. Masson sal dit sowat R600 000 tot R650 000 wees. Die maatskappy is teen brand verseker.

Mnr. Masson het dit beklemtoon dat die afdeling wat gebruikte olie herraffineer hoegenaamd nie deur die brand geraak is en dat die produksie hier nie ontwrig is nie.

Intussen is ook voldoende reëlings getref om in die vraag na ghriesprodukte by Chemico te voorsien. Chemico se aanleg in Durban werk nou 24 uur per dag om te help, terwyl ook ander reëlings getref is.

Dit het tot gevolg dat Chemico se koste nou ietwat verhoog word, maar mnr. Masson is steeds vol vertroue dat Chemico vanjaar ondanks die brand baie beter gaan doen as verlede jaar, toe hy 'n verlies van sowat R750 000 getoon het.

Mnr. Masson sê dat Chemico reeds in die eerste kwartaal vanjaar feitlik die winsdrempel bereik het. Hy verwag dat hierdie verlies vanjaar aansienlik verminder sal word en hoop om dit onder R200 000 te hou. Daar kan natuurlik nog baie dinge na die einde van die jaar gebeur, voeg hy by.

Chemico word deur Trek-Beleggings beheer en is die grootste herraffineerder van gebruikte olie in die land. Daar word eersdaags wetgewing verwag ten opsigte van die benutting van gebruikte olie, wat waarskynlik 'n baie heilsame uitwerking op Chemico se bedrywighede sal hê, wat die afgelope twee jaar gesukkel het om op dreef te kom

The right medicine?

183

Pharmaceuticals are [illegible] by the big multinationals. This is not wholly a bad thing, [illegible] is looking ahead

The news that SA Druggists [illegible] over the SA [illegible] American Hospital Services [illegible] medical, dental, and surgical s[illegible] R2m cash, and rumours that [illegible] tiating the purchase of the [illegible] macy chain are pointers to [illegible] strength of the local pharmaceutical industry

Is this trend worrying the [illegible] multinationals, like Ciba-Geigy [illegible] chains, Wellcome and so on which [illegible] account for the lion's share of the industry's R158m a year turnover? Surprisingly most put on a brave face. They even seem satisfied with the [illegible] recommendations of the Steenkamp Commission regarding import replacement and the development of local manufacture of pharmaceuticals

"I think it's an outstanding report. The most important thing is that it comes out in favour of free enterprise," [illegible] the chief executive of a US based company. Adds the local GM of a big [illegible] manufacturer: "I do not expect the recommendations will be put into action blindly or indiscriminately. There is not a hostile attitude towards the foreign companies."

Complaints ahead?

But the chief executive of another leading company is not so hopeful. "They don't have any complaints now, but they may in due course," he argues. "Many of the decisions being made today are emotional. In economic terms, it's ludicrous to encourage the synthesis of raw materials here."

Pretoria has not yet decided whether to accept Steenkamp's proposals. Secretary for Industries Philip [illegible] tells the *FM* that several interested bodies still have to comment on the report before government makes up its mind. Deadline for comments is end August

The commission has certainly tried to steer a careful course between encouraging local industry while not chasing off the multinationals

It points out that some two thirds of the leading 64 companies operating in SA are foreign-owned. The multinationals accounted for 80% of ethicals sales in 1975. Twenty one US firms had almost 40% of the market and 11 British companies 19%. Six local firms accounted for only a tenth of sales

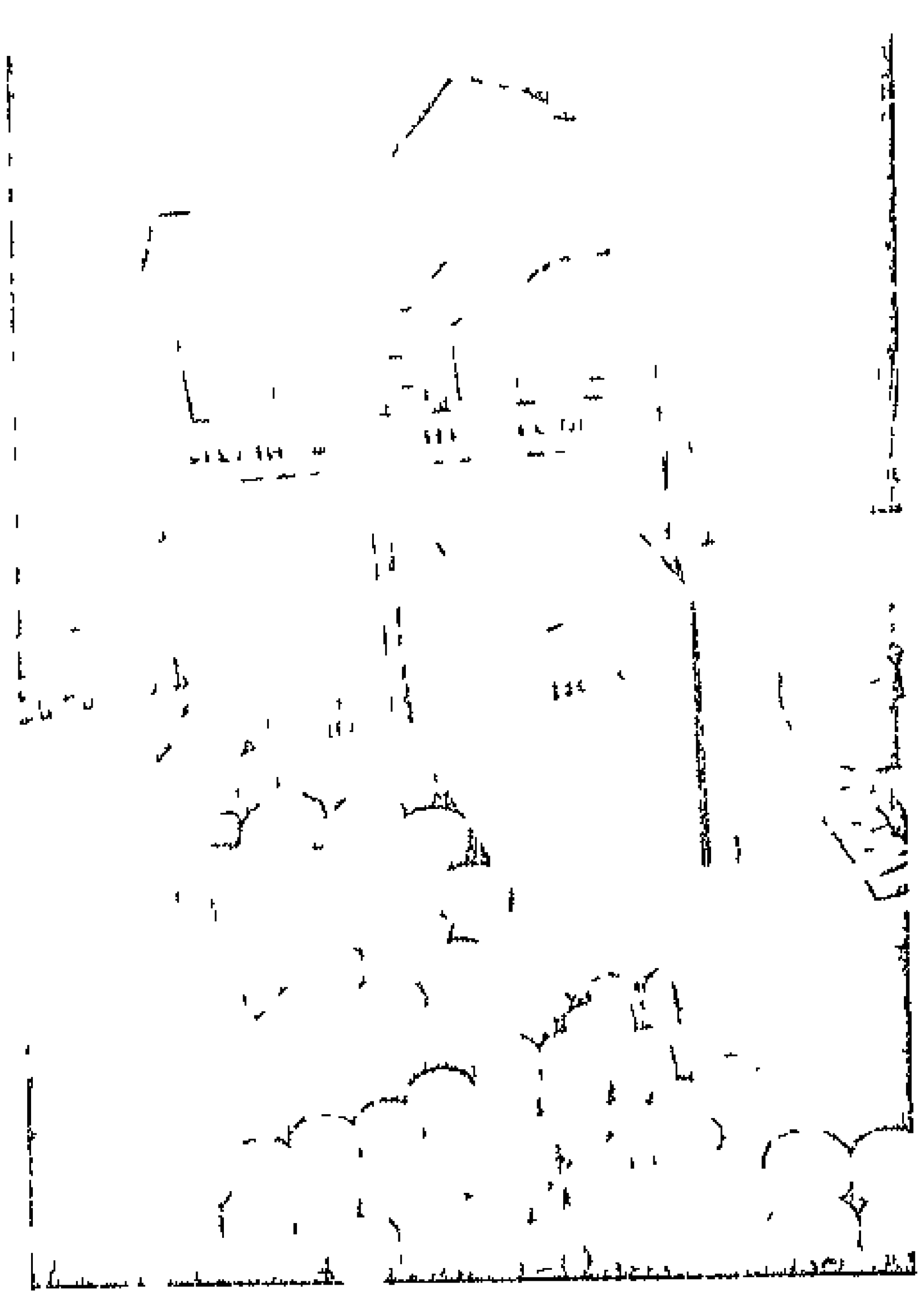
Moreover, SA relies "[illegible] heavily" on the multinationals' R&D. The commission estimates that we are less than 10% self-sufficient in medicines. Those we do produce from the raw material [illegible] [illegible] [illegible]

[illegible]

The [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] protection of local industry

[illegible] for tighter import control, higher tender preferences for local manufacturers and a ban on export restrictions in licensing agreements

It also takes Pretoria to task for controlling the level of royalty payments



Pills, powders and potions [illegible] much dependence on overseas?

made abroad in terms of licensing agreements. "It must be obvious that licensing will be discouraged if royalties are reduced below a rate considered worthwhile by the licensor," it asserts. Control over these payments should be abandoned "as soon as the present balance of payments problem has been overcome."

For both strategic and economic reasons, however, the commission comes out strongly in support of a sturdier local pharmaceutical industry. It notes that the expiry of a substantial number of drug patents within the next few years, coupled with the expansion of the local chemical industry, will create many openings.

Among its recommendations to stimulate [illegible] industry

- Greater tariff assistance. The commission notes that one difficulty in raising tariffs is that importers are easily able to stockpile several years' requirements while the Board of Trade considers a tariff application. In addition, some multinationals are so keen to supply local subsidiaries with active ingredients from abroad that they are often prepared to absorb protective duties

Though the commission is unable to come up with solutions, it urges a "thorough going revision" of the customs tariff by the Board of Trade to ensure more effective protection

- Encouraging the use of local raw materials. The commission argues that "the easiest avenue for backward integration in the pharmaceutical industry lies in the utilisation of available raw materials of plant and animal origin."

It calls on the IDC to explore, and if necessary give financial assistance for, the greater use of local plants as pharmaceutical raw materials. And the Meat Board and Abattoir Commission are asked to give the industry preference in sales of animal tissue

- Discouraging imports of active ingredients. The commission's most drastic and controversial proposal concerns foreign firms which refuse to buy active ingredients locally. Continued purchasing of their own materials could, according to the report, "lead to the perpetuation of the international monopoly position of such firms."

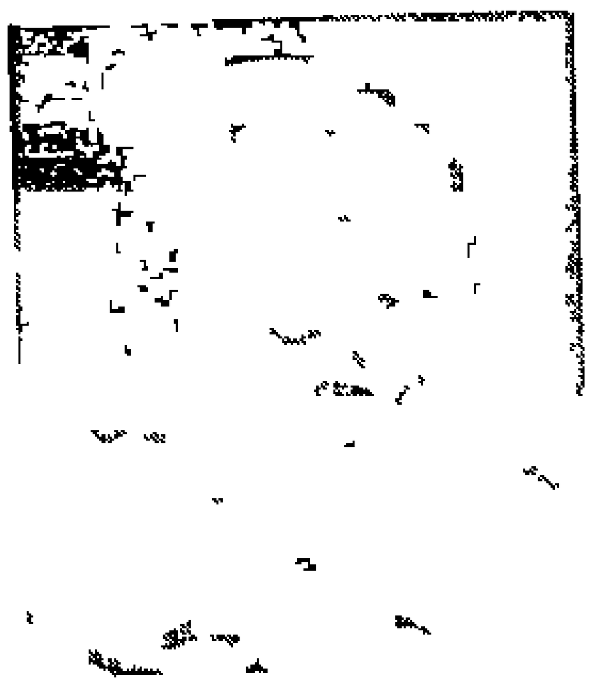
Official blacklist

It proposes that recalcitrants be blacklisted by government on tenders for medicines containing the relevant ingredients. If that fails, the medicines should be de-registered

Harsh as these recommendations sound, foreign firms in SA do not give the appearance of being unduly worried. For the record, at least, they insist they do all they can to encourage local production and purchase of active ingredients. (Some firms — both local and foreign — have synthesised active substances in SA for several years. More recently, Roche and Wellcome, for instance, started producing primary ingredients.) "This proposal should be seen merely as a strong reaction against intransigent attitudes expressed to the commission," comments one chief executive. "I do not expect any rash action."

Some observers fear, however, that the future choices facing foreign firms may be more agonising than they are now prepared to admit

FM 30/6/78 (183)



OLIVER HILL

An eye for the gap

Blowing up a storm, that's what Oliver Hill is doing The maverick 38-year-old chairman of Johannesburg-based National Process Industries, the industrial/chemical conglomerate which owns Swaziland Chemical Industries and Bonus Fertilisers, is challenging the giants, AECI, Triomf and Fedmis They're howling with rage because he's selling his Swaziland manufactured high-analysis fertiliser at effective values they can't match

Hill is determined to expand his 1% stake in SA's R300m fertiliser market despite the R50 a ton tariff the industry has asked government to slap on his product

He accuses the industry of being "smug, backward, fat and lazy They don't innovate. We've spent R2,5m over the last three years educating the farmers to use the new product" It's paying off — sales are up 80% on last year, he claims, and the order book is 500% ahead.

Further encroaching on AECI territory, he aims to grab a 7% slice of the R60m to R70m explosives market (He holds the DuPont franchise for Tovex water gel used in the manufacture of small-diameter cartridge explosives.)

He's certainly got an eye for the gap. "That's what business is about." But he denies being an opportunist. "We've been in ammonia and its derivatives for 13 years and built up a technical expertise That's not opportunism"

The industry calls him a paper tiger, threatening to cut him up "in little bits" There are no signs of *angst* yet Actually he's enjoying the furore he's created "Totally out of proportion to what we're doing"

While admitting that they're essential in the scheme of things, Hill is paranoid about big businesses "and their monopolistic tendencies In the US it's regarded as criminal to espouse monopolistic philosophies Here there's an inherent belief in the absolute virtue and correctness of the establishment If you try and rock the boat, you're some sort of criminal"

He once tried working for big business in the US after completing his MBA at Harvard (he has a Wits University BSc Hons) He was with the Engelhard group for a year, first as research chemist, then in production, then marketing It clearly wasn't his scene

"Working for a large corporation, your success more or less depends on the organisation's momentum You exert little influence on the juggernaut" The biggest kick is "when you go on your own You succeed or fall down in a real world."

Dabbling in the stock exchange, running a commercial fishing bait operation during university vacs, is how Hill started making money Business really took off when he came back from the US in 1965

He and partner John Hahn ventured into a R32m single stream ammonium nitrate plant in Rhodesia with capital raised on European markets They sold out in 1972 for no great profit, but no losses either Hill complains "my problem is I always get into a venture too early and sell too soon But in the Rhodesian case the timing was bloody fantastic"

He denies rumours that he's strapped for cash "We were while waiting for a World Bank loan of R1,5m for our Swazi plant But we're over the hump now We'll always be spending a bit more than we have because there's so much we want to do"

Money isn't all that motivates him "It's a way of keeping score What motivates is doing new things, exciting ideas" There's plenty of that in his camp For example, the group's overseas arm (which operates independently) built a $300m floating petro-chemical plant outside Indonesia

A curious mix, that's Hill Part philosopher, part plutocrat He drives a red Ferrari, owns a castle in the Free State where he farms cattle (he farms wheat and trees at Plettenberg Bay), he collects books, music, and rugs

His homespun philosophies includes one (not highly original) on success "Fundamentally you build a better mousetrap than anybody else If you keep at it long enough, the world eventually beats a path to your door"

He admits, a bit reluctantly, that he does suffer on occasion from "tremendous self doubts When you look at the opposition and you see De Beers' R650m in the bank, you think it's a hell of a bloody elephant you've taken on But then it's a hell of an indictment if a company can sit on that much money They must be having a drought of profitable ideas"

FEDMIS ' (183) FM 28/7/78

Phosacid improves

The second half will determine Fedmis's fortunes for the year. It is during the last quarter that farmers start planting, and sales of fertiliser hopefully will rocket. Fertiliser contributes over 50% to Fedmis's earnings. First half demand was weaker than the same period last year, mainly due to drought conditions in the Western Cape, depressed demand from the Natal sugar belt, and general belt-tightening by farmers. This meant the farming community took less advantage of early fertiliser delivery incentives.

Improved results reported for the first six months, to end-June, were largely attributable to "a significant reduction in the operating loss on the export of phosphoric acid." The acid plant operated for a full six months compared to intermittently in the same period last year. Also last year, plant operation was hampered by teething problems. Now it is operating normally, though still at a loss because of low phosphoric acid prices. The world price has improved from a low of $213 in September 1977 to a current level of about $255 a ton cif Brazil. But provided Fedmis can contain its own costs, it needs a world price of about $300 before making comfortable profits.

Encouragingly Fedmis's MD George Mrkusic says, "from being a buyer's market last year it is starting to become a sellers market again." However he does not see the world price reaching $300 until towards the end of next year. But once this level is reached Fedmis's profits should bound ahead. Meanwhile the group can export all it can produce.

Cement also contributed substantially to the improved results, with production and sales at a much higher level. The cement factory is the only one situated in Phalaborwa, and effectively Fedmis has a captive market stretching from Nelspruit to Pietersburg.

Trading profits for the first half are up

[illegible]

183 FM 25/8/78

PAINT MANUFACTURE

Buckets of chances

The paint industry must be one of the few left where husband and wife can still go around collecting orders in the morning, mix in the afternoon and have it delivered by early evening. They'll be unpopular with the paint-making establishment — gripes about "hole-in-the-wall operators" are as popular as ever — but they *will* make a living. The only question is. for how much longer?

At its simplest, paint manufacture is a case of buying raw materials from any one of five or six suppliers, a morning spent in a library mugging up on specifications and selling off the back of a bakkie. At the top end, though, it's getting to grips with SABS standards, working on anti-corrosive preparations and improving technology.

Somewhere in between lie a whole host of manufacturers contributing to the industry's estimated 100m-litre output worth between R120m-R130m at ex-factory prices.

Dominating the market is Plascon Evans — with its Crown Cebestos, Buffalo, Wardkiss and Parthenon lines, taking at least half of the market. Thereafter comes AECI's Prolux — Rockgrip and Dulux — with an estimated 30% The trio of Cedar-Radex, Berger and Fergusson with, perhaps, a collective 12%-14% bring up the rest of the "heavies"

But there's still another 14 members of the 19-strong Paint Manufacturers' Association who meet the Association's qualifications on, among other things, in-house research and development facilities

Not only that. There are still more local associations such as the Witwatersrand Association of Paint Makers who, while remaining unpopular with the paint-making establishment, still continue to make a living.

One of them, Imperial Paint Products, has a good deal less than 1% of the total market yet is still able to turn over around R750 000 a year. MD Ron Lawson tells the *FM* that he reckons to have his eighth direct-sales store opened by the end of September His stores will specialise in blending and colour matching on the spot while offering a specialised service in paint selection at each site.

Lawson is one of those who say the big guns, who sell through general hardware stores, have lost contact with the man in the street and don't provide him with advice on specific paint selection. He may be right but the majors have other things on their minds

One of the fascinations of the business, says one manufacturer who's taking a thicker slice of the market, is watching the "rats and mice going in left, right and centre."

Reason is, he adds, that smaller manufacturers are unable to offer credit terms and buyers for cash, apart from the DIY market, are becoming decidedly thin on the ground There's also good reason to believe that the public is becoming increasingly chary of buying from those who are doing little more than mixing "whiting and water in a bucket."

Major suppliers of the ingredients are ICI, Hoechst, Revertex, the oil refineries and the various (such as linseed) oil suppliers The easiest way for the hole-in-the-wall operators to make money is to put less and less of those ingredients into the mixer.

On the other hand, the majors (when they're not watching the smaller fry go under) are busy reading the changing sales patterns in the market place.

In general terms the near-static market is reckoned to comprise the decorative sector (40%), industry (35%), builders (15%) and government departments (10%) But within that profile there's still a lot of room for manoeuvre.

Some, like Fergusson's MD Bob Stafford-Mayer, are finding an increasing demand for anti-corrosive paints for container refurbishing He's also noted that some sectors, like offices and hotels,

Painting . . . don't brush off the small fry

which have held off re-decorating as long as practically possible, are finally having to spend.

Still more of the majors are having to resist increasing demands from customers who are asking for some sort of guarantees on product performance. They're resisting because they say they have no control over surface preparation and application. Many will answer that the only solution is to be able to quote on SABS-marked products.

That, too, will mitigate against the smaller fry But, with the DIY market about to take off, chances are they'll be back only 25%. Clearly there is a great need to create employment in the countryside if rural poverty is not to spread into the towns and if Botswana's present reliance on migrant work in South Africa is not to remain a potential Achilles heel to her economic and social stability.

The success story of beef exports to Europe hides the problems that accompany a larger national herd and, accepting the apparent slight decline in off-take levels, the destruction of pasture land. The demonstration of some capacity in local government to oversee building programmes, as in the ARDP, and a beginning to economic management with the tribal Land Boards is encouraging. Nonetheless, there is no regular or standby drought relief machinery that can come into play quickly and efficiently. As a result, families, particularly the 70% of rural households whose income equals that of the top 5%, cannot afford to make the decision to rely on Botswana's undoubted financial strength to carry them through periods of drought. Until that condition is met it is unlikely that technical and market infrastructure improvements by themselves will enable the poor majority to improve their stake in the rural economy.

Botswana has, on the drawing board, a Labour Intensive Construction Unit.
capital intensive construction and maintenance methods
Africa this is a significant departure of great potential
ry. The aim is to develop labour intensive construction
t organisation that can be then be adopted nationally.
set up such an organisation as a part of the Ministry
untries are likely to face the same problems in getting
ground. The pressure for jobs and the expectation of

N M 27/8/78

(183)

Brewery giants' trademark fight

PRETORIA — Four American and South African beer companies joined battle in the Supreme Court here yesterday following a dispute between them about the launching of a new beer — Stallion 54 — by South African Breweries

The two applicants are the American company, Carling National Breweries Incorporated and Inter-Continental Breweries Ltd., which is a member of the Rembrandt group, headed by Dr. Anton Rupert

The chairman of Carling in America, Mr. D. L Farbr, had come to Pretoria for the case

The respondents are South African Breweries Ltd and a subsidiary, National Brewing Company (Pty.) Ltd

The applicants registered the name Colt and Colt 45 as their trademarks for beer with a horse and horseshoe emblem.

Colt 45 is a product marketed in various parts of the world by Carling and was to be produced locally by Intercontinental Breweries under licence from them

Intercontinental Breweries intended to launch their project on October 2, following trial runs in April and May this year

In 1955, S A Breweries registered Stallion as a trademark.

In 1967 they applied to register Colt 45 but when this was opposed it was abandoned

Applications by S A Breweries for registration of the trade-marks Stallion 45 and Gunner 45 are still pending.

On September 22, S A Breweries launched Stallion 54

Carling and Intercontinental Breweries claim that if the totality of the labels of Colt 45 and Stallion 54 are compared, they are "strikingly similar and designedly so."

They claim this amounts to an infringement

They also claim that S A Breweries intended to interfere with their trading

Both allegations have been denied by S A Breweries

Carling and Intercontinental are seeking interdicts prohibiting the respondents from using the Stallion 54 trademark and from unlawfully competing with them.

The hearing continues. — (Sapa.)

CHEMICAL HOLDINGS (183)

Growth forecast FM 8/9/78

Activities: *Holding company with interests in the chemical industry Subsidiaries, including Chemserve, Trochem, and Chemintal, and associates, Akulu Chemicals, Dussek Bros and SA Paper Chemicals, manufacture and sell chemicals to industry, mines and agriculture. Anglo American holds 35% and Steetley Chemicals 25%*

Chairman: *W J Héfer, managing director A J Hotson.*

Capital structure: *3,2m ordinaries of 100c. Market capitalisation: R7,4m.*

Financial: *Year to June 30 1978. Borrowings: long and medium term, R2,0m; net short term, R5,0m. Debt:equity ratio: 84,3%. Current ratio. 1,2. Group cash flow. R2,1m. Capital commitments. R31 900.*

Share market: *Price· 225c (1977/78: high, 240c; low, 155c; trading volume last quarter, 112 000 shares). Yields: 15,0% on earnings, 8,0% on dividend. Cover: 1,9. PE ratio 6,7*

	'75	'76	'77	'78
Return on cap %	16 7	17,2	22 7	21,8
Turnover (Rm)	18 5	22,5	30 6	34 7
Pre-tax profit (Rm)	1 3	1 3	1 7	2 3
Gross margin %	10 4	8 9	9,5	9 9
Earnings (c)	30,3	27,1	36,0	33 7
Dividends (c)	16	16 5	18	18
Net asset value (c)	227	237	245	246

After a 6,4% earnings drop, chairman Willem Hefer has forecast a twice covered dividend which will "comfortably exceed a total of 18c." It implies a 40% earnings increase in the current year if all 1,7m outstanding unsecured debentures are converted

The attributable earnings drop from 36c to 33,7c arose from the combined loss of R184 000 (R185 000 profit) incurred by associate companies, particularly Akulu, a jointly owned detergent manufacturer, and the almost threefold increase in profits attributable to outside shareholders from R135 000 to R373 000. With the exception of Chemintal, a chemical cleaning subsidiary, which experienced a severe lack of work, all the subsidiaries performed well Pretax profit was 37% better at R2,3m on a 31% turnover increase to R34,7m.

The increase in short-term loans to R5,7m — almost three times long-term borrowings — is worrying. However, on September 30 the R1,7m convertible notes are due for conversion to equity. If they are all converted to ordinaries at 175c, ordinary shares in issue will increase from 3,2m to 4,2m and total borrowings will drop from R7m to R5,3m, improving the debt equity ratio So there is scope for increasing the long-term debt component and reducing short-term for a sounder overall debt structure.

The current year has got off to its usual slow start, so a significant improvement of around 33,3% will be needed in the last three quarters if results are to match the chairman's forecast. In the last three quarters of 1978 attributable profits averaged just over R300 000.

Akulu's performance will be a major factor in a recovery. Higher prices are on the cards due to an expected serious shortage of detergent raw materials, and volume growth should mean a substantial turnover increase. But competition is expected to remain fierce and keep margins down Capital commitments are minimal and the objective now is full capacity utilisation of plant

On recovery prospects the shares are close to their 1978 high of 240c. With the bad news out of the way, and an immediate 50c premium to be had on the current price, most of the debentures should be converted. Notes not converted are repayable as to 50c on September 30 1979 and 50c a year later So allowing for the time value of money the conversion advantage is in fact greater than 50c

Near-term the shares fully discount any earnings improvement and there could be a set-back if interim results point to only a marginal dividend improvement The shares are probably best suited to investors with medium-term objectives

Peter Pittendrigh

DATES TO REMEMBER

Last day to register for dividends:
Friday September 15: Alex Lipworth 2c, Berkshire 2,5c; Brick & Clay 4,5c; Claude Neon 6c, Cons Glass 27c, Edgars 140c; Goldfields Ind 2,5c; I & J 7c, JCI 130c, Montays 4c, National Bolts 14c, Northern FS 15c, Shipwrights 25c, South Atlantic 16c, Stanbic 3,25c, Steelmetals 17,5c; Tedelex 3c, Trek 3,5c; Twins 3c; Union Corp 15c; Unsbic 8,5c
Meetings:
Tuesday September 12: Mercatrust.
Thursday September 14: LHL
Friday September 15: Far West Rand Ext

All meetings in Johannesburg unless otherwise indicated

lplex begin van 'n nuwe era

COAL

MANUF- CHEMICALS (183)

RAPPORT 10/9/78

DIE ontsaglike Coalplexprojek by Sasolburg vir die vervaardiging van PVC (polivinielchloried) uit 'n steenkool-basis, kan die begin wees van 'n nuwe era in samewerking tussen reuse met kundigheid aan weerskante.

Coalplex is 'n gesamentlike poging tussen AECI uit die Anglo American-stal en Sentrachem uit die Federale stal. Eersgenoemde het 'n aandeel van 60 persent en Sentrachem 40 persent in die projek van R230 miljoen.

Eintlik het Coalplex, wat PVC, bytsoda en chloor van steenkool, kalk en sout te vervaardig, sy ontstaan regstreeks aan die oliekrisis te danke. Want was dit nie vir die oliekrisis nie, sou daar waarskynlik nie met Coalplex 'n terugkeer gewees het tot 'n tegnologie van twintig jaar gelede nie, nl die sg asetileen-skeikunde

Van 1950 tot 1960 was daar 'n vinnige ontwikkeling weg van asetileen met 'n oliebasis as brandstof vir die vervaardiging van PVC

Nafta

Toe was nafta, die beginmateriaal vir 'n etileenkraker, volop en betreklik goedkoop van olie verkrygbaar, met die gevolg dat reuse-etileenkrakers in al die ontwikkelde lande ter wêreld opgerig is

In Suid-Afrika het AECI in 1955 begin op PVC van karbied-asetileen te maak Die Natalse fabriek bestaan nog en is in 1967 opgevolg deur 'n etileengebaseerde PVC-fabriek by sy Midland-fabriek by Sasolburg, waar etileen van Sasol se naftakrakers as brandvoerstof gebruik is.

In die vroee jare sewentig was daar planne in die weer om 'n verdere aanleg met soortgelyke tegnologie by Richardsbaai op te rig, maar die oliekrisis het die groep van sy planne laat afsien

Iran

Suid-Afrika se betreklik billike steenkool- en kragkoste het die asetileenroete na PVC begunstig en ná 'n deeglike ondersoek na albei metodes is besluit om op die grondslag van steenkool voort te gaan met die gesamentlike Coalplex-projek

Dit is die grootste projek wat al ooit deur private inisiatief in die SA skeikundige bedryf onderneem is en sal vir die land wanneer dit behoorlik op dreef is, miljoene aan buitelandse valuta bespaar

Boonop sal dit vir Evkom, wat kan doen met die mooi inspuiting, jaarliks R13 miljoen aan kragvoorsiening beteken en die SAS kan jaarliks sowat R9 miljoen aan tariewe in

Iran, wie se verteenwoordigers vandeesweek die amptelike opening deur min Chris Heunis bygewoon het, is 'n groot verbruiker van PVC Hy het nou juis 'n kontrak vir 90 000 t op tender uit, en ons manne staan reg daarvoor

Maar in die verband had mnr. Hendrik Smit, voorsitter van Sentrachem, nou die dag by die opening 'n woord van waarskywing. Hy't gesê tensy uitvoertoegewings verbeter word, loop ons die risiko om tweede viool te speel met dié soort kontrakte

Mnr Smit het daarop gewys dat Suid-Afrika vir 'n aansienlike deel van die kontrak vir 90 000 t kan meeding Maar dit is kwalik geregverdig om die tweede oond in werking te stel tensy die opbrengs op die uitvoer nie verbeter nie

Vroeer in die jaar het Suid-Afrika reeds 9 000 t PVC ter waarde van R5 000 miljoen verskaf En uit die groter kontrak praat 'n man van sowat R45 miljoen wat ons kant toe kan kom

Mnr Smit is ook nie gelukkig oor die norme wat die Regering vir opbrengs in die chemiese bedryf daargestel het nie Dis plaaslik tussen 15 en 17 persent voor rente en belasting. Daarteenoor het die Amerikaanse Dow Chemicals bereken dat die chemiese bedryf, met 'n inflasiekoers van 10 persent per jaar, 'n opbrengs van 33 persent per jaar nodig het om al sy kante te kan bring.

● As volle produksie bereik word, sal die jaarlikse verkoopwaarde van alle Coalplex-produkte nagenoeg R100 miljoen wees, terwyl werk aan sowat 1 700 mense verskaf sal word, met 'n jaarlikse loon- en salarisrekening van R12 miljoen.

FM 15/9/78

(183)

TRIOMF

Getting better

With a R2,8m trading loss in the six months to June 30 1978, against R11m in the comparable previous period, chairman Louis Luyt hopes the traditionally improved second half due to higher fertiliser and phosphoric acid sales will more than offset the first-half loss

Minorities' share of the loss was R1,2m (R3,5m) leaving ordinary shareholders with a loss of R1,6m (R4,8m). No tax is payable in view of the loss. The 27,4% rise in the turnover from R84,5m to R107,7m was due to increased phosacid exports and higher export prices A further price rise is expected by the year-end

The growth in local sales is expected to be lower than the customary 6% this year, but the shortfall could be offset by the higher phosacid sales.

The phosacid producer, Triomf Fertilisers (Pty), is expected to show a profit this year, but the expected loss by the fertiliser operation could reduce the group to a loss or break-even situation.

The heavy interest burden, R14,2m last year, is the main factor preventing Triomf from returning to profitability. With continuing losses and further capex, interest payments on the growing debt will become even more prohibitive, placing cash flow under severe pressure. Last year, total interest-bearing debt of R150m dwarfed shareholders' funds of R23,7m. (Some relief may come from Gazocean but it is not yet clear whether the $35m claimed will accrue to Triomf. The arbitrators are due to hear the case later this year.)

Even when Triomf does return to profitability, the high interest payments and retentions are likely to preclude the payment of significant dividends. Moreover, with new phosacid producers coming on stream in the Eighties, the phosacid price may not hold up

So at 180c Triomf remains a stock for the speculator at twice the 1977-78 low.

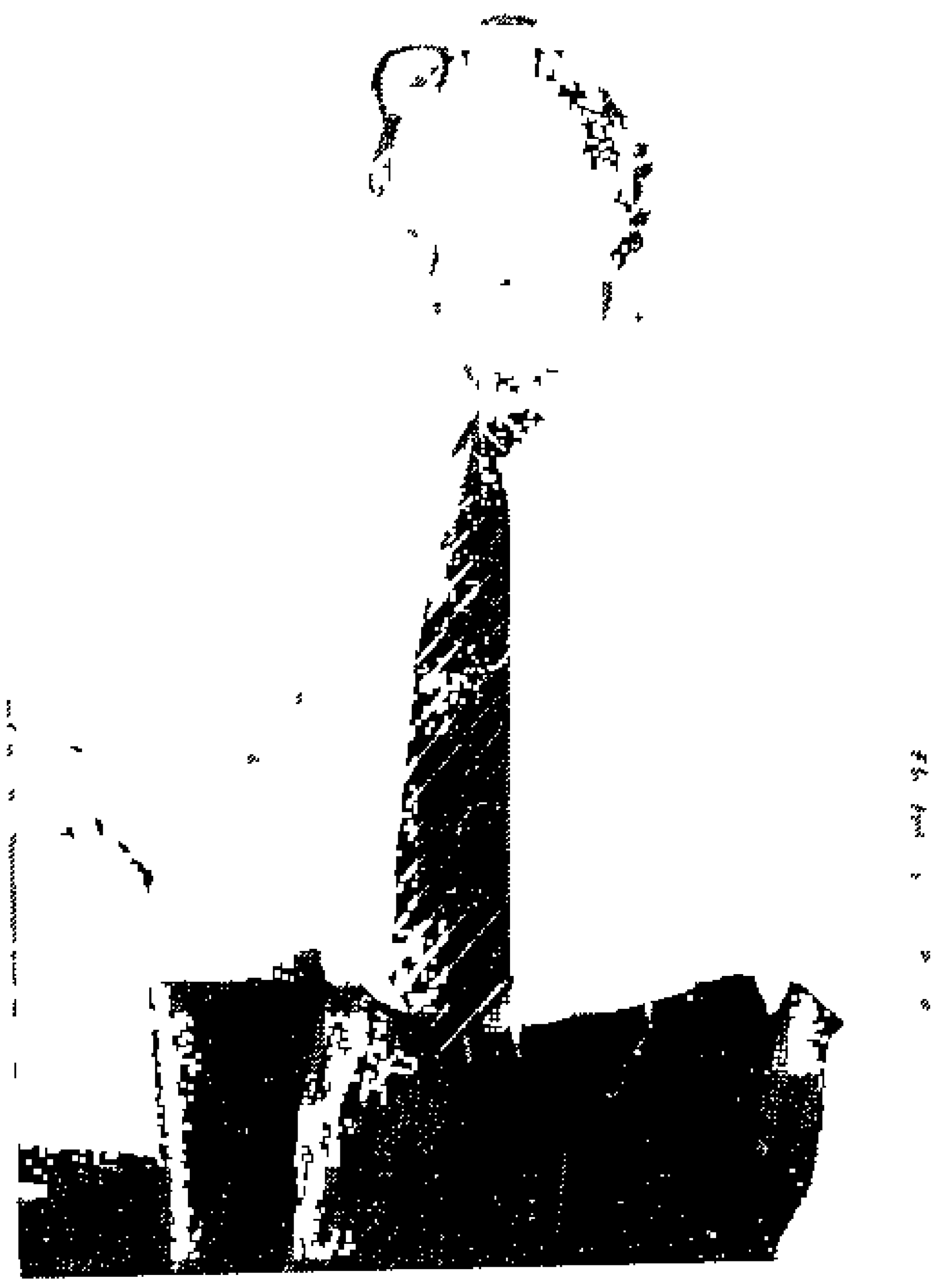
Peter Pittendrigh

DETERGENTS FM 15|9|78

Carbochem cleans up

183

Sentrachem accountants taking back the empties from last week's memorable official opening of Coalplex (60% AECI, 40% Sentrachem), can count on another unexpected bonus Financial and labour troubles that put Sicily's beleaguered



John Hotson . . . "detergent price rises on the way."

Liquichimica company, a major Western producer of olefins, out of action, have helped push up dramatically the price of alkylate derivatives used in virtually all domestic and industrial detergents

A general world shortage, in addition to Liquichimica's closure earlier this year, means that the substantial jump in world alkylate prices is not yet over. Very fortunate for Carbochem, a Sentrachem subsidiary already working on expansion plans, but bleak for the alkylate converters trying to maintain keen prices in such cut-throat markets as toothpaste, washing powder, dishwashing and floor-polishing liquids.

Sasolburg-based Carbochem is the only local alkylate producer (the olefins coming from Sasol) World prices have reached R560/t fob from R480/t six months ago

This is now about par with the traditionally higher US price, with no signs of levelling off as European bankers and financiers try to put the Sicilian disaster back together Estimates of when Liquichimica will start producing again range from at least three months to well in to next year

Chemical Holdings MD John Hotson says "I expect price rises from now to be severe as demand for detergent raw materials starts to grow worldwide "

Unilever says it is doing its best to absorb the extra alkylate costs and "we are closely watching the situation "

Hardest hit are likely to be suppliers of liquid detergents who, in the midst of continuous costly promotions and cut-throat marketing, now face a 5% unit cost increase to retailers because of the alkylate price trend

Less affected will be the washing powder manufacturers who can reckon on a 2% cost increase per packet — small, but probably the last thing they want while recuperating from last year's price war

Marchon Paragon Sulphonation MD Dudley Pape says "Those percentage rises could be significantly higher if the European market gets any tighter It is just possible that our alkylate supplies could dry up whatever the price local importers are prepared to offer."

While importers and converters are anxious about the price spiral, Carbochem is saying no more than that it comes at a good time for them. Following the international price trend, which it seems to be doing, means a tidy windfall for its Sasolburg plant This year it expects to supply 11 000 t of the 20 000 t used in SA.

Other detergent industry estimates of alkylate requirements are much lower at 14 000 t of which about 6 000 t will be imported.

Whatever the final figure Carbochem finds itself fortuitously in a unique batting position while detergent manufacturers face a very sticky wicket

FERTILISERS FM 15/9/78

Better late than never (1)

183

There is concern, bordering on alarm, in the fertiliser industry — farmers' seasonal purchases are falling behind last year's schedule. Total fertiliser demand in any one year is around 3 Mt and figures calculated to the end of August suggest that farmers' purchases totalled about 1,75 Mt. That is, roughly 100 000 t, or 4%-5% less than the same period last year

Chairman of the Fertiliser Society of SA, Chris von Solms, suggests that it is not that the farmers intend to buy any less over the full year, it is just that they are buying late. But just in case, he warns farmers that to buy any less is to risk much reduced yields, and profits, per hectare.

In any event, the late buyers are on the point of posing severe supply problems

(2)

for the big three manufacturers — Triomf, Fedmis and Omnia — even if orders start picking up tomorrow In times past, the industry has operated an early delivery discount scheme specifically to avoid the current type of backlog

What happens is that, say, January purchases qualify for a 7,5% discount It is 6% in February and so on Discounts taper off to zero by about May What has happened this year, says Von Solms, is that rising interest rates have tended to offset the effect of those discounts and the farmers have run in to a cash flow problem

Consequently, as we approach the peak buying months of September, October and November, sales remain well below par Word is that the discounts are, therefore, being adjusted although they will clearly be too late to bite this year

Of the three big manufacturers Triomf and Fedmis jointly provide about 85% of

Chris von Solms . . the answer lies in the soil

the total demand (Triomf 54%, Fedmis 46% of that total slice). Omnia takes another 10% with several smaller companies looking at the balance

In broad terms they produce four basic types of fertiliser, nitrogen/phosphate/potash compounds (about half of the market), straight nitrogenous types (another quarter), phosphates (17%) and others such as potash. The bulk, or about two-thirds of that 3 Mt total, goes to the mealie crop which is concentrated in the mealie triangle bordered by Kroonstadt, Lichtenberg and Bethal

Thereafter follows demand for the sugar, wheat, cotton and other crops

But while the delivery hassle associated with late ordering looms, the industry is already warning of the dire consequence of buying less fertiliser Yields per hectare are directly related to the presence of phosphate in the soil measured in parts per million (ppm).

Research conducted by the Fertiliser

(3)

Society and based on mealie crops grown over the period 1972-76 in the eastern Transvaal shows that the higher the ppm of phosphate, the higher the financial returns per hectare. For instance, 7ppm yields an average crop of 3t/hectare, whereas 30ppm yields 6t/hectare. In cash terms the difference is R160 a hectare — and that is making provision for the extra cost of fertiliser, application and so on.

Von Solms also stresses that nitrogen and phosphate fertilisers work in tandem. Not only does the balance have to be right but regular applications are vital to build up phosphate reserves in the soil, while correct dressing with nitrogen is essential for sustained plant growth.

Hence late buying is bad enough, but buying less would border on the foolhardy.

rowings. long and medium term, R68,4m; net short term, R8,2m Debt equity ratio 76,4% Current ratio 1,0 Group cash flow· R32,9m Capital commitments R22m

Share market· *Price 375c (1977/78 high, 375c low, 167c, trading volume last quarter, 262 000 shares) Yields 9,7% on earnings, 5,3% on dividend Cover 1,7 PI ratio 10,2*

	'75	'76	'77	'78
Return on cap %	[illegible]	23 2	19 2	16 4
Turnover (Rm)	[illegible]	142 3	155 4	186 4
Gross profit (Rm)	26 9	29 7	37 7	41 1
Gross margin %	21 7	20 9	24 2	22 0
Earnings (c)	32 6	33 3	33 0	36 4
Dividends (c)	13 5	15 5	18	20
Net asset value (c)	116	156	173	196

Though management is budgeting for a possible substantial loss from Coalplex in the current year, it should be cushioned by rising profits in the other divisions However although Coalplex lost R9,75m from April to June, prediction of a possible substantial loss could be ultra conservative

Managing director, Francis le Riche, now says that domestic demand for PVC has risen suddenly from 70 000 t/year to 90 000 t/year and Coalplex today expects local sales of 50 000 t rather than 25 000 t Export demand is estimated at 33 000 t/year Prices vary according to grade and application of PVC, but average R780/t to R800/t locally and R530/t to R550/t on export markets If these volumes and the lower price in each case are achieved, PVC revenues will be about R56m

Le Riche says that caustic soda sales are buoyant and, provided PVC sales keep pace and the second carbide furnace is commissioned, as expected, in the new year Coalplex could be producing and selling between 80 000 t and 100 000 t annually within 12 to 15 months Prices of caustic soda vary from industry to industry, so it is not possible to estimate an average price, he adds

Sentrachem's Le Riche . . . good news from Coalplex?

No breakeven revenue or production figure is available for Coalplex, as it is being undertaken on an asset sharing basis This means each piece of plant is 60% owned by AECI and 40% by Sentrachem Raw material costs and sales revenues likewise are shared 60%-40% between the partners They depreciate and carry fixed costs according to their own policies, however, so there will not necessarily be a 60%-40% correlation in profits

So Coalplex profits or losses remain indeterminable at this stage, though further information about progress will be available in about six months Break even this year will be a major achievement, but it might be possible, especially with strong consumer demand

Demand for plastics, industrial, mining, and agricultural chemicals also looks strong As Le Riche says, "All divisions, except potable alchohol for the liqu industry, are ahead of budget for the fi three months of this year We've had good start to the year and demand i record levels "

Reverting to the latest results, Se trachem's share of the Coalplex loss fr April to June was R3,9m or 7c per sha Despite this, profits rose 13,6% at t pre-tax level and 10,5% after tax Wi out Coalplex, pre tax profits would h grown 28% and taxed profits by 21%

Previously consolidated foreign su sidiaries, mainly in the UK, Rhode and Australia, have been deconsolidat This cost the Sentrachem income st ment R70,6m in sales and about R3n pre-tax profits Only dividends have be taken into account this year

Coalplex has cost less than the R25 budgeted Between R196m and R20 has so far been spent on plant and equ ment and between R10m and R12m housing This puts Sentrachem's inv vement at R85m or 34% of capi employed

It is not surprising that return on ca tal has dropped steadily over the p four years with no contribution from amounts committed to Coalplex O Coalplex breaks even returns should cover dramatically — especially if Co plex returns 30% pre tax by 1982 as leading analyst has forecast This s gests profits of R63m, of which R25 will be attributable to Sentrachem

Margins have been more or less m tained over the past four years, des the economic downturn and heavy c tal expenditure An improvement in s should result in an even greater impro ment in profits, as Sentrachem is cap intensive and carries heavy overhe Also this suggests better margins . profits ahead

Debt equity declined from 88% 76% and Le Riche says that the grou "liquid " The interest, leasing and r bill is covered by pre lease gross pro 3,9 (4,7) times, however, suggesting some strain, especially with return on capital down to slightly above the overdraft rate But the average interest rate is a reasonable 9,9% (8,2%) and cash flow of R32,1m (R20,5m) after allowing for dividends paid, interest capitalised, deferred tax and the deferment of R9,3m in investment allowances, is more than adequate for debt servicing

Stocks, up 22% from R43,7m to R53,2m, are still valued on the fifo system but Le Riche says that they are valued conservatively at raw material cost, so this in no way offsets the additional depreciation, deferred investment allowances, and other conservative accounting practices He points out that additional depreciation costs R5,5m or 9,6c per share

A divisional breakdown of profits shows that the contribution from plastics fell from 24% to 15%, even though plastics had a good year Industrial chemicals improved their contribution from 32% to 36%, foodstuffs from 13% to 15%, and rubber from 19% to 21% Agricultural chemicals feeds 2% (1%) Le Riche says that he is happy with the trend, as Sentrachem's profit centres are better spread today

The group has several "exciting" projects ahead, most of them import replacement ventures It intends to make 5 000 t/year of Sorbitol, a glycerine replacement and will decide soon on whether to go ahead with a R60m polyisoprene rubber plant at Sasolburg It is also interested in making ethyl alchohol on a large scale as a chemical raw material and possibly a fuel It claims a research and development edge in this field Another project is the Diuron and Atrazine weedkiller project in partnership with Israeli manufacturers

Yielding 5,3% at the current high of 375c, the shares look expensive on a near term view while Coalplex gathers steam They are more attractive to investors looking for medium term growth

David Corn

SENTRACH

Chemica

Activities: *SA' group, produc veterinary anc mining and in and foodstuffs AECI in the plant Central with 57% of company It, FVB, BP Ch*

Chairman: *J F J le Riche*

Capital stru *R1 20m 11, Market capi*

Financial *Y*

Fi

SENTRACHEM FM 22/9/78 (1)

Chemical action

(183)

Activities: *SA's second biggest chemical group, producing plastics, pesticides, veterinary and agricultural chemicals, mining and industrial chemicals, rubber and foodstuffs, is a 40% partner with AECI in the R230m Coalplex PVC plant Central Chemical Investment (Pty) with 57% of the equity is the holding company It, in turn, is jointly owned by FVB, BP Chemicals and the IDC*

Chairman: *J H Smit, managing director. F J le Riche*

Capital structure: *55,7m ordinaries of R1 20m 11,5c dividend red prefs of 10c. Market capitalisation R208,9m*

Financial: *Year to June 30 1978 Borrowings: long and medium term, R68,4m; net short term, R8,2m. Debt.equity ratio: 76,4%. Current ratio: 1,6. Group cash flow: R32,9m Capital commitments: R22m.*

Share market: *Price· 375c (1977/78. high, 375c, low, 167c, trading volume last quarter, 262 000 shares). Yields. 9,7% on earnings, 5,3% on dividend Cover 1,7 PE ratio 10,2.*

	'75	'76	'77	'78
Return on cap %	31,3	23 2	19 2	16 4
Turnover (Rm)	123 6	142 3	155 4	186 4
Gross profit (Rm)	26 9	29 7	37,7	41 1
Gross margin %	21 7	20 9	24 2	22 0
Earnings (c)	32 6	33 3	33 0	36 4
Dividends (c)	13 5	15 5	18	20
Net asset value (c)	116	156	173	196

Though management is budgeting for a possible substantial loss from Coalplex in the current year, it should be cushioned by rising profits in the other- divisions However, although Coalplex lost

except potable alchohol for the liqu industry, are ahead of budget for the fir three months of this year We've had good start to the year and demand is record levels."

Reverting to the latest results, Se trachem's share of the Coalplex loss fro April to June was R3,9m or 7c per sha Despite this, profits rose 13,6% at t pre-tax level and 10,5% after tax Wi out Coalplex, pre-tax profits would h grown 28% and taxed profits by 21%

Previously consolidated foreign su sidiaries, mainly in the UK, Rhodes and Australia, have been deconsolidat This cost the Sentrachem income sta ment R70,6m in sales and about R3m pre-tax profits Only dividends have be taken into account this year.

Coalplex has cost less than the R25(budgeted Between R196m and R20(has so far been spent on plant and equ

3,9 (4,7) times, however, suggesting some strain, especially with return on capital down to slightly above the overdraft rate. But the average interest rate is a reasonable 9,9% (8,2%) and cash flow of R32,1m (R20,5m) after allowing for dividends paid, interest capitalised, deferred tax and the deferment of R9,3m in investment allowances, is more than adequate for debt servicing

Stocks, up 22% from R43,7m to R53,2m, are still valued on the fifo system but Le Riche says that they are valued conservatively at raw material cost, so this in no way offsets the additional depreciation, deferred investment allowances, and other conservative accounting practices He points out that additional depreciation costs R5,5m or 9,6c per share

A divisional breakdown of profits shows that the contribution from plastics fell from 24% to 15%, even though plastics had a good year Industrial chemicals improved their contribution from 32% to 36%, foodstuffs from 13% to 15%, and rubber from 19% to 21% Agricultural chemicals feeds 2% (1%) Le Riche says that he is happy with the trend, as Sentrachem's profit centres are better spread today

The group has several "exciting" projects ahead, most of them import replacement ventures. It intends to make 5 000 t/year of Sorbitol, a glycerine replacement, and will decide soon on whether to go ahead with a R60m polyisoprene rubber plant at Sasolburg It is also interested in making ethyl alchohol on a large scale as a chemical raw material and possibly a fuel It claims a research and development edge in this field. Another project is the Diuron and Atrazine weedkiller project in partnership with Israeli manufacturers.

Yielding 5,3% at the current high of 375c, the shares look expensive on a near-term view while Coalplex gathers steam They are more attractive to investors looking for medium term growth

David Carte

POOL CHEMICALS (183)

Making waves FM 29/9/78

The swimming pool chemicals market, worth an estimated R12m-R13m at retail level, looks set for some bitter in-fighting with the introduction of the first locally available chlorine-free water treatment, Baquacil SB, from ICI

Traditionalists maintain that chlorine-based chemicals are tried and tested and are essential both to oxidise out any impurities and to obtain the sought after pool water "sparkle" Others, like ICI's Tony Redpath, stress the fire risk associated with some of the more traditional products, maintain that most of the chlorine-based chemicals are not fully soluble and play up the overdosing dangers to eyes and skin

Estimates of the market are based on a pool population of something between 100 000 and 120 000 and an absolute minimal chemicals cost of about R10 per pool per month.

There are four basic types of water treatment; the cleaners (known in the trade as sanitisers), acids, soda ash and algaecides. That market is satisfied by half a dozen or so suppliers, some of whom supply only one type of water treatment.

Undisputed brand leader is HTH (high test hyperchlorite), a chlorine-based treatment being marketed by Lion Chemicals of Johannesburg The company markets only sanitisers and is a wholly-owned subsidiary of the Olin Corporation of America Lion Chemicals MD Gert Gie explains an open-ended agreement dates from 1973 when Olin and Sentrachem subsidiary Klipfontein Organic Products took equal shares in Aquachlor Olin provides the know-how, KLP provides the raw chlorine and caustic soda, Aquachlor produces the product and Lion Chemicals has the exclusive right to distribute

Locally produced

All concerned stress that HTH is the *only* pool chemical produced locally. Incidentally, Gie totally denies any suggestion that Aquachlor has the sole right to manufacture a calcium hypochlorite product. In general terms 1 t of HTH is made up of 1 t of locally produced chlorine, 0,5 t of locally available caustic soda and 0,5 t of imported lime Aquachlor is said to be on the point of establishing a local source for its lime requirement.

In short, HTH has an estimated 80%-85% share of the sanitiser market which is diluted somewhat when set against the total chemicals market Nevertheless, it probably has a 65%-75% share of the total

Second in line is Sun Chemicals with its chlorine-based iso-cyanurate pill which provides the company with an estimated 10%-15% of the sanitiser market Sun Chemicals MD Dick Hay-

SB has arrived (ICI has a 40% stake in AECI) In any event, that particular product is just one of the many available to AECI through Lithcoa and probably isn't of major significance to the company

That leaves just one or two companies supplying sanitiser variants and, of course, ICI Redpath tells the *FM* that he is looking for a 15% share of the market in his first year and is prepared to spend R120 000 on advertising (and another R25 000 on promotions) in order to get it

He dismisses criticisms that his product is imported (it is formulated in Grangemouth, Scotland) and is aiming to capture market share largely at the expense of HTH It looks like being a gloves-off affair with emphasis on the potential dangers of rival HTH and stressing the relatively low maintenance effort associated with his own product Redpath alleges that Baquacil pools can be left over a two-week holiday with no ill effect

That may not be enough since the clincher is likely to be on cost No one disputes that AECI's Solchlor is pricey but it does have its devotees Otherwise, all that Redpath will say is that his product will be no more expensive than HTH on a regular basis. Gie retorts by saying that running costs are difficult to compare since Baquacil, unlike HTH, does not recommend a regular (fixed) daily dosage

Undaunted, Redpath maintains that his product is significantly cheaper when considered over the swimming season and that, allied to the safety aspects of his product, should, he says, give him an edge in the market

Time will tell

SMALL GROUPS

SALDRU/SAMST CONFERENCE ON THE ECONOMICS OF HEALTH CARE

Group No.	Venue	Tuesday 11.00 a.m. - 1.00 p.m. Author	Paper No.	Tuesday 2.00 - 3.00 p.m. Author	Paper No.	Chairman/Rapporteur
1	F4	Prof. L. Wagstaff Dr. E. Sapire Dr. K.T. van Wyk	21 61 13	Dr. A.O. Pugh Sister E. Ntiwane	48 39	
2	F5	Dr. V. Buhrman Ms. A. Solomon Prof. M. Wilson	17 31 6	Mr. R. Schweitzer Mr. W. Louw Prof. M. West	66 20	
3	F6					
4	F8					
5	F13					

MEDICINES (183) FM 29/9/78

The drag on drugs

The pharmaceutical industry, which imports 87% of its active raw materials and 14% of its end products, is being squeezed by the rand's slide against foreign currencies It is unlikely, however, that manufacturers will pass on cost increases to consumers — just yet

The industry believes that the market cannot take a price hike at the moment "Doctors, pharmacists and patients are becoming more and more price conscious," Don Bodley, president of the Pharmaceutical Manufacturers Association, tells the *FM*

In the public sector, which buys 32% of manufacturers' total sales, the tender system keeps prices down to at least half of wholesale prices In addition, competition is fierce. There were 64 competitors in the cardiovascular and diuretics market alone in 1975, according to the Steenkamp Commission of Inquiry into the Pharmaceutical Industry

American owned firms account for nearly 40% of the market, while local manufacturers form 11% Swiss and German firms together have a 23% slice

The industry has been subject to voluntary price control since 1973, and a return on investment of 15% before tax is permitted The price controller tells the *FM* that there has been no marked demand for price increases

Swiss-based Ciba-Geigy for one, SA's leading research company, does not intend applying for a rise in the near future, despite the 30% drop in the rand against the Swiss franc this year alone Neither does Roche Roche's general manager Walter Oertly says that his company has absorbed in the past and will continue to absorb as much of the impact of inflation and currency fluctuations as possible Roche, however, manufactures 95% of its products locally

In fact some prices are actually dropping, due to increased competition when patents expire At the same time, fewer new products are being patented, as research costs and the risk of failure soar Only one in 10 000 potential new medications reach the marketing stage, and the Steenkamp Commission quotes R24,4m as the average research and development cost for a chemical entity

Manufacturers are indignant at consumers' complaints about rising prices They point out that, while profits in the pharmaceutical industry remain high in relation to other manufacturing industries, prices have been rising more slowly than the Consumer Price Index Average profits, moreover, are declining In fact the Steenkamp Commission argued that high research costs make the 15% limit on price increases too low Steenkamp suggested a 20%-25% return

- - Division of tech-

number of students en-

ng apprentices), is also

idents at ML Sultan College,

Year	Total enrolment	Enrolment in Division of Technology
1966	6 561	..
1967	7 034	..
1968	5 665	..
1969	5 879	..
1970	6 286	..
1971	6 705	514
1972	6 317	478
1973	6 953	660
1974	7 578	975

Source:. Department of Indian Affairs, Annual Reports.

The following table gives an indication of the potential supply of Indian technicians.

Table 6. Matriculation and Senior Certificate, and NTC 1-V passes,1971-1974.

Year	Matriculation and Senior Certificate	N.T.C.1.	N.T.C.11.	N.T.C. 111	N.T.C. 1V.	N.T.C. V
1971	2 215	34	58	1	-	-
1972	2 231	165	151	16	-	2
1973	2 886	262	130	56	-	-
1974	3 587	189	155	63	-	-

Sources: South African Institute of Race Relations, Annual Surveys. Department of Indian Affairs, Annual Reports.

Star 11/10/78

Matches by the million

183

The match industry in South Africa has been in existence for almost a century and now, apart from a few necessary chemicals, its products are completely local.

The industry started in 1884, now produces more than 110-million boxes of matches a month and 5-million single matches every day. They are made from South African poplar of which 25 000 to 30 000 tons are used every year.

Initially, all the wood had to be imported at an enormous cost and later, experiments were begun in South Africa with different types of trees. This proved unsuccessful for a long time as it took almost 20 years until the tree reached maturity to find out whether the wood was suitable or not.

Market

The Lion Match Company of South Africa was started in 1900 and took over the market in 1905. Since then, they have worked to make the industry as much reliant on South Africa as possible. They have now reached a stage where only four percent of the total product is imported The chemicals they get from other countries could not be produced in South Africa on a profitable basis If they were, they would only last in the industry about two or three days in the year.

The fact that the industry uses 96 percent of local content means that much foreign currency is saved by South Africa every year

When the poplar tree was found to be stable enough for the production of matches, Lion Matches started buying up land and aiding the farmers. They now have three major factories in South Africa, in Rosslyn (North of Pretoria), Durban and Cape Town The largest factory, Rosslyn, supplies most of the consumer market.

Methods used in the manufacture of the match are the most modern in the world with the most modern equipment being used The industry employs about 1 200 people of all races, despite its manufacturing process being highly mechanised

Much of the machinery in the factories has been developed locally South Africa leads the world in certain technical developments and all raw materials used in the industry are produced locally

Since the Rosslyn factory opened six years ago, it has made 125 000 million matches.

WASHING POWDERS FM 13/10/78 (183)

Soft soap out, hard sell in

Message to those holding off on the bulk purchase of fabric detergents in the hope of another price war is don't bother The industry is only now recovering from the wholesale discounting and retail price cutting which set the business in a real lather in the last four months of last year

Direct effect of that pricing skirmish has been that while consumption has remained steady at around 80 000 t/year, actual production has fallen to between 70 000-72 000 t/year while stocks have gradually been cleared from retailers' shelves

That is the theory Brand launches aside, some lines have been discontinued in the past three years and still others have been collecting dust

And that is at a time when prices have been drifting slowly upwards to a rounded average of R1,20/kg "Just where they should be to yield a decent profit," muses one brand manager

However, he also describes the market as "sensitive". An understatement The big three manufacturers — Lever Brothers, Henkel and Colgate — watch each other like hawks and it only needs a pricing initiative from one of them in an effort to clear a slow moving line or, equally devastating, a loss-leader thrust by one of the chains to start another round of price-cutting

Right now, the market shares pan out with Lever Brothers getting an average 50% of the total business with the other two majors getting equal shares of the balance Feature of the past few years has been the four-year-old intrusion of Henkel which has taken market share essentially at the expense of Colgate

All three are looking at a retail market worth between R85m-R90m and which can be divided into roughly three sectors, high foams, low foams and "specials"

"High foamers," says the trade, "is where the action is" That sector accounts for a good 85% of the total business and is where most of the 15 or so nationally available brands are grouped Not unnaturally that sector is also where all five of the leading brands make the running

For instance, Lever's Omo and Surf — each with 20% of the total — are clear brand-leaders Thereafter comes Colgate's Punch and Bingo — each with a rounded 10% — and Henkel's X-tra, also with 10% or 11% according to the latest market research

Low foam detergents take a healthy 10% of the market and Lever's overall dominance is underlined with its Skip emerging as clear sector leader with 7% or so of the total market.

So if high and low-foam detergents are the sectors in which most battles are won and lost, it is the "specials" area which is about to see some secondary skirmishing That is the area of liquids (which although popular overseas have yet to make any impact here) represented by Colgate's Dynamo and other special products like Henkel's Launel.

In the end it is brand loyalty and price which rule the day. Average mark-up in the hypers and supermarkets, says the trade, is around 10% or less (depending on the day's loss-leader)

Meantime, the corner stores are making a mark-up of 25% or more — especially in the rural areas But most in the trade know that rural dwellers will increasingly move into the urban centres for their bulk purchases.

SUNDAY TIMES, Business Times, October 15, 1978.

(183)

Revival boosts records, tapes

THE R36-million-a-year records and tapes industry has undergone a dramatic upswing in the last three months, according to industry spokesman, with Trutone's Travolta Albums, Grease and Saturday Night Fever leading the upsurge.

By MARTIN CREAMER

Grease, which is selling in the wake of the movie currently showing to full houses, looks like becoming one of the fastest selling discs in years, having chalked up 65 000 sales in just over two months

More than 100 000 Saturday Night Fever albums have sold since first release in February, bringing the Gallo-stable Trutone a combined sales turnover of R1,5-million

"The whole record industry has just come alive," Polydor label manager, Dave Porter, tells me. "Both albums have had a phenomenal run and batches of up to 1000 at a time are being delivered to record shops

EMI are doing well on the rock scene,too, with Smokey's Montreux album, according to marketing manager, Allan McInnes.

"Record shops are busier than they have been for some time The upswing seemed to begin in July, with the sales momentun steadily growing by the month," Mr McInnes says

WEA's Derek Hannan is hoping Jimmy Cliff will do to the black market what Travolta has done to the white market Cliff's Follow My Mind pulled in 100 000 sales and WEA is hoping for a repeat performance from Give Thankx, just released

Gallo's Ivor Haarburger says the perk up in the last three months had been dramatic Sales turnover on Boney M's Rivers of Babylon have grossed R260 000 in the past five months It is Gallo's biggest single in three years, with 165 000 sales since May The long-playing album by the same name has sold 39 000 copies.

"Let's hope things stay this way," says Haarburger

Sales of records and tapes from January to July totalled 4 250 000 — a carbon copy of last year's results for the same period, according to Records and Tapes Distribution Association secretary, Bill Fraser, who has still to receive the figures from July

Last year sales of records and tapes totalled ten million, with a retail turnover of about R36-million

SA DRUGGISTS (183) FM 27|10|78

Mergers ahead

Merging complementary competitors is lucrative. SA Druggists' second interim report to end-August emphasises this So look out for a merger soon between SA Druggists' subsidiary, Bermeisters, and its arch-rival in photo and hi-fi, Etkinds

Before they merged, SA Drug and Alumina were inhibiting and hurting one another Now the complementary drug companies are together, profits are soaring Similarly, Bermeisters and Etkinds are standing door-to-door in an over-supplied photo and hi-fi market carving each other up The benefits of a merger with integration and rationalisation are obvious

The group is already highly geared, so a straight cash takeover is unlikely SA Drug, which recently acquired the 49% of Bermeisters it did not already own, will probably swop 50% of Bermeisters for 50% of Etkinds if a deal can be clinched with MMM of the US, owners of Etkinds This would entail a relatively small cash settlement, one way or the other. After the merger, the combined operation should turn over R15m annually Redundant neighbouring branches would be closed, margins would be hiked and combined profits improve on those of the two separately

Interim results make the Alumina takeover look cheap Before the deal, many said the R12,4m effective price tag was expensive, but these results suggest a 26% return on SA Drug's investment and a PE of 3,8. But executive director Isaac Kaye says the two have been so thoroughly integrated and rationalised it is difficult to identify profit contributions. Nevertheless, the net effect of the Alumina takeover is a return well in excess of SA Drug's 20% target return on new investment

The second interim warns that "border area concessions and other allowances attaching to the Alumina group" depressed the tax rate to 29,5% Many of these have now expired and future tax rates are expected to be "substantially" higher

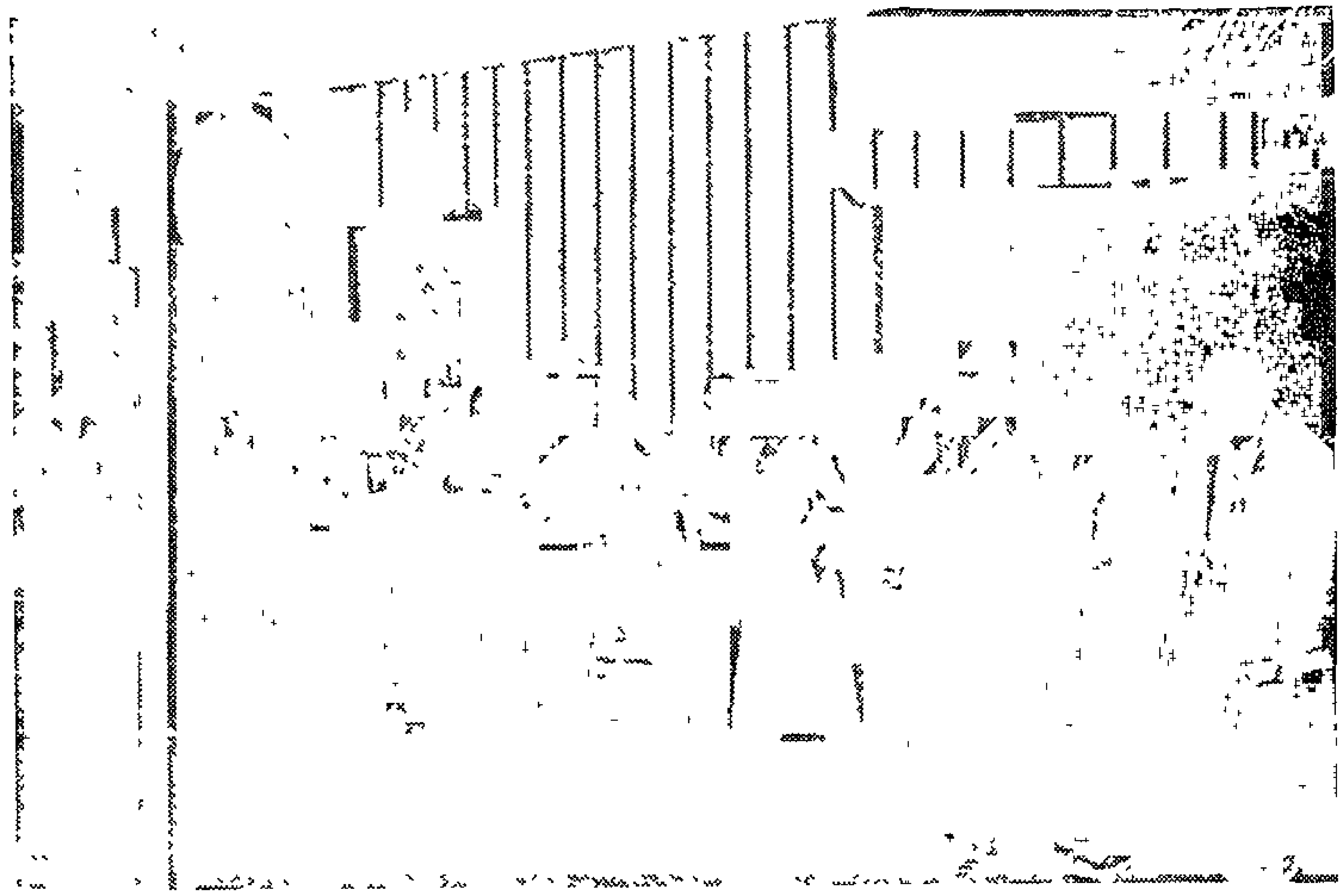
Despite this, SA Drug is budgeting for 32c of earnings in the year to end-March 1980. New acquisitions Fabergé and American Hospital Supply Corporation for R3,5m cash should add more than R500 000 or 2c per share to earnings Better profits from the existing operations and the merger of Bermeisters and Etkinds will make up the rest

Though it is highly geared, SA Drug is still on the acquisition trail This may suggest higher dividend cover in future but parent FVB is known to want dividend income and will probably not allow cover to exceed the current 2,3

Last year's balance sheet revealed a debt equity ratio of 102% Shares issued for Alumina initially reduced the ratio and latest retentions would have done the same. But the R10m 11,4% debenture issue and the R3,5m cash payment for the most recent takeovers have probably lifted it above the year-end level

At 185c on a prospective yield of 8,6% in 1980, the shares look fully valued on near-term considerations *David Carte*

Black movie industry heads for boom times



The black has developed an insatiable appetite for the cinema, and it is claimed that not even 100 new films a year will satisfy him.

They just can't get enough, say makers

By MARTIN CREAMER

THE black film-making business, estimated to already generate yearly turnovers of between R2 and R3-million a year, is poised to grow at a rapid rate now that Government film subsidies have been substantially increased, film men said this week.

At least three companies are almost exclusively employed in making African-language films for the black movie circuit, each making between three and four films a year

But the demand is so great, they report, that even if 100 films were made a year, the market would still not be satisfied

"There is an incredible demand and growth potential in the industry," Mr Thys Heyns of Heyns Films told me this week," and the only Achilles heel is the shortage of venues "

Heyns makes four films a year in various African languages, with each film being seen by an average of a million viewers — a phenomenal viewership by white standards

Only highly successful white-oriented films, like Beautiful People which grossed about R2-million at the box office, attract anything like that sort of viewership, according to Mr Heyns, who estimates that films on the black circuit are six to seven times more popular than white films

Maximum

In September last year, the maximum Government subsidy for black films was increased from R45 000 to R70 000, paid out at 18c a ticket

Heyns's first film, "U'Deliwe", which translated from Zulu means "The Beautiful One", has been seen by about two-million people

"When we started, market researchers told us that blacks wanted action-packed films in English But we decided to make films in the vernacular and were surprised at the response We have also found that love and success stories go down exceedingly well," Mr Heyns said

Cine World's Chris Halgryn, who has been concentrating his efforts mainly at the black schools market since opening 13 months ago, said he was overwhelmed by the demand

"I have been inundated with requests for more copies of the two films made by us so far If I made 100 copies, they would be booked out by tonight," he said

Revenge

He has restricted himself to making 20 copies of the films "Utotsi" (The Gangster), which reflects gangster life at the stations and in shebeens, and "Phindisela", which tells the story of Zulu faction revenge killings

With eight-million pupils at black schools, Mr Halgryn believes the surface of the market has barely been scratched

Tonie van der Merwe of Bayeta Films said that while demand was incredibly big, box office takings were relatively small

"It's a big volume business and without the Government subsidy, we wouldn't be able to come out," he said

He estimated that about 250 000 people see each of the four films he makes a year

Next year he intends making about 10 films although his programme has been adversely affected by the late payout of the Government subsidy because of the dispute between the Treasury and the Department of Commerce over when the increase should have become effective

Insatiable

"But even if I trebled the number of films I make a year, there would be a ready viewership for them At this stage, the market appears to be insatiable," he said

Mobil open 'n nuwe

Rapport 12/11/78

183

Van ons Kaapse Kantoor

DIE eerste herraffinadery wat ten volle in Suid-Afrika ontwerp en gebou is, sal Donderdag deur die Minister van Finansies, sen. Owen Horwood, op Chamdor naby Krugersdorp geopen word. Die raffinadery is in 21 maande voltooi, wat waarskynlik 'n wêreldrekord is.

Dit is ook die eerste herraffinadery in sy soort in Suid-Afrika wat van 'n unieke proses gebruik maak om die probleem van suurslyk die hoof te bied. Die vernaamste voordeel is dat minder suur as gewoonlik vir die soort proses gebruik word en daardeur word besoedeling dramaties verminder

Die herraffinadery, 'n volfiliaal van Mobil Oil, Suider-Afrika, is deur Mobil se tegniese dienste en ingenieursafdeling ontwerp en onder hul toesig Van die modernste toerusting is gebruik en groot sorg is bestee aan brandvoorkoming en ander veiligheidsmaatreëls. Ook beskerming van die omgewing het voorrang geniet.

Die besturende direkteur van Condor Oil, mnr. Colin Pote, het aan Sake-Rapport gesê sy maatskappy het 'n unieke verhit-proses ontwikkel wat die herraffinadery in staat stel om 'n superieure basisolie te produseer wat gereed is om vermeng te word tot die verlangde smeermiddels.

„Met die nuwe metode produseer ons 'n basisolie wat meer as voldoen aan die SABS se vereistes vir vermengde goedgekeurde smeermiddels," het mnr Pote gesê. Die herraffinadery sal die Witwatersrand, Pretoria en Vereeniging bedien.

Wanneer die herraffinadery volstoom werk, sal dit deur 'n personeel van sewentig beman word, maar dis so ontwerp dat net ses mense die hele proses kan uitvoer

---

Provinci ... ipalities and the Bantu Af...

We turn... he at the begin-ning of ... useful manner for eliciting ... view. The inter-views wer... a firm was pre-pared to ... discuss the matter o... held with a wide range of ... rs of some of the largest c... e on the lowest level of ... ing that the interview... or African tech-nicians w... ok on life and race gene... tant tasks was to form a... s, status and general e... ings.

For this ... of several equally im... e discussion of the nature... volved, including the firm's ... the firm's production ... ed by an attempt to work th... ion. The purpose of ... explained at great length. Some of the most valuable interviews were held with people who understood its aims and suggested better ways of going about the job, and gave one the benefit of their own thoughts on the demand for African technicians in the light of their experience, often considerable, in industry.

To recap, the great advantage which this method of interview affords is that the researcher is able to form a subjective impression of some of the qualitative factors that influence a firm, or an individual speaking for a firm, in thinking about the employment of African technicians. One is given the opportunity of reading between the lines, so to speak, and thereby disentangling the actual from the mythological situation. The interviewer is thus able to perceive the significance of the various factors which influence an employer in his decision to employ Africans as technicians. The interviewer's prediction of the employer's actual behaviour when it comes to employing African technicians may be more accurate than the employer's perception of his own future behavious. We hope, for the sake of the accuracy of the recommendations in this report, that this is indeed the case.

O MONEY ([illegible])
ples reach Triomf

government's legal eagles puzzle how to recover the R10m in secret "borrowed" by Louis Luyt and

injected into Triomf Fertiliser Investments (TFI) [illegible] family-based conglomerate AECI [illegible] to [illegible] successful bid for control of TFI.

AECI now holds 49% of Triomf Fertilizer (Pty), the unlisted operating company [illegible] and [illegible] [illegible] that he's not [illegible].

Now TFI may find itself more amenable to an approach [illegible] Luyt [illegible] AECI to step in. [illegible] government [illegible] the company (TFI) as a result of the [illegible] by Nationalist MP Dawie de Villiers [illegible] formerly a director of TFI [illegible] that Triomf used government funds without specific Parliamentary permission.

Much depends on whether Luyt can pay back the loan made by former Information boss Eschel Rhoodie. Should he default at any point, Treasury sources believe the State Attorney will move against Luyt's estate and possibly Triomf too.

In this event, those chiefly affected would be TFI's major shareholders [illegible] the co-operative group Sentrale Landbou (SLB) and the Louis Luyt Group (LLG). The remaining shares in TFI are held by the public.

Sources within the group claim that Luyt would find it almost impossible under present circumstances to repay the R10m plus interest on demand. And government cannot be too happy about Luyt's alleged agreement to repay the loan through a private company, Homerus, of which publishing tycoon David Abramson and [illegible] industrialist John Hamilton are directors. Homerus is not an orthodox channel for government funds.

Should government decide to move against the Luyt empire, the fertiliser boss has two alternatives [illegible] if he personally is not able to raise the money. First, he could sell his holding in TFI (about 30%) to SLB, giving the co-ops control. But without digging into reserves it's unlikely SLB has the money at present. At the current Triomf market price of 150c a share, a takeover of this kind would mean payment by SLB of something like R6m to R7m.

Exactly how much of this would be returned to government coffers is uncertain, since there may be concurrent creditors.

Second, what Pretoria [illegible] and the market place [illegible] believes would be a more [illegible] solution is a takeover by AECI. While [illegible] remains tight-lipped on the question, informed sources believe AECI is simply adopting a wait-and-see attitude in the belief that the longer it waits, the better the deal it will eventually clinch. Time is on its side in this saga.

The deal could be done in two ways. A simple purchase of shares of LLG and SLB giving AECI [illegible] unlisted TFI shares. Or TFI could be restructured in such a way that it agrees to sell a further [illegible] in the operating company, Triomf Fertilizer (Pty), to AECI, thus boosting its 49% holding to 51%.

Available

Either way AECI has the necessary cash. Since 1976 it has injected R2[illegible]m into Triomf Fertilizer (Pty) [illegible] these funds [illegible] used largely to finance the Richards Bay phosphoric acid plan.

Last year AECI put R[illegible]m into Triomf to help meet immediate cash needs, and the FM's information is that TFI had not found it easy to raise its obligatory share of just over R1m. [illegible] at the time was that a[illegible] company had lent the cash, but since Luyt's admission that he used government money in Triomf, perhaps the Treasury was the unwitting lender.

At the time, AECI put aside R17m of its own money, to be used in Triomf. Since such a large amount was hardly necessary to meet liquidity problems, it could be assumed that AECI had something bigger in mind. It can also be safely assumed that the money is still available. And since it would take less than the R13m not spent then (about R11m-R12m) to clinch the takeover of TFI through LLG and SLB, leaving the public out, the market would not be surprised by such a move.

Moreover, with the worrying litigation between Triomf and Gazocean now history (both parties have withdrawn their claims), TFI becomes an even more attractive proposition to AECI.

Chemico terug op winsgrondslag

Rapport 19/11/78 Deur DAVID MEADES (183)

CHEMICO, herraffineerder van ou olie in die Trek-groep, het die groeipyne by sy nuwe aanleg by Chamdor uitgestryk en kon daarin slaag om in die derde kwartaal vanjaar 'n wins te toon.

Dit vergelyk met 'n verlies van R749 580 verlede jaar en een van R406 139 die vorige jaar.

Volgens die nuwe hoofbestuurder van Chemico, mnr. Nic Kruger, wat in April by Chemico oorgeneem het, word alles in die stryd gewerp om Chemico nou op 'n permanente winsgrondslag te plaas.

Hy sê dat sake nou glad by die aanleg by Chamdor verloop en dat die aanleg reeds op 'n deurlopende grondslag op 'n vierdagwerkweek aan die gang is. En as geen verdere terugslae ondervind word nie, behoort die huidige winsgewendheid ten minste gehandhaaf te kan word.

Die ghriesaanleg van Chemico se Chamdoraanleg is op 18 Mei kwaai deur 'n brand beskadig. Die herstelwerk is egter reeds voltooi en dié afdeling het weer op 4 Oktober begin produseer.

Mnr. Kruger sê dat Chemico gelukkig ten tyde van die brand genoeg ghriesvoorrade gehad het en sy verskaffing van ghries is nooit in die hersteltydperk aan bande gelê nie.

Chemico se voorraad gebruikte olie is oor die laaste paar maande sterk afgewerk en hy werk nou op 'n gemiddelde voorraad van sowat 3 miljoen liter.

Die plan is om aanstaande jaar sowat 20 miljoen ou olie te herraffineer, teenoor 16 miljoen liter waarskynlik vanjaar. Die Chamdor-aanleg se totale vermoë is 45 miljoen liter per jaar.

Chemico se verwerkte produkte is hoofsaaklik vir die nywerheid en die myne. Hy is sterk op die gebied van nywerheidsghries en het byna 30 persent van hierdie mark.

Wat sy herraffineerde olie betref, is die langafstandvervoergroepe en die myne van sy grootste klante.

Intussen word ook met spanning gewag op die beoogde wetgewing ten einde die benutting van gebruikte olie verpligtend te maak.

Hierdie wetgewing behoort baie te help om die omvang van die herraffineringsbedryf te vergroot sover dit die produksievereistes betref en terselfdertyd kan dit ook 'n verlaging in die koste van die rustowwe bring.

Sentramark terug ná teenspoed in mark

Rapport 3/12/78

(183)

SENTRAMARK (Kooperatief) Beperk, die groot kooperasies se verspreider en bemarker van kunsmis, is weer vinnig op pad na 'n winsgrondslag. Dit is nadat hy die afgelope twee jaar tot einde 1977 'n totale verlies van meer as R1,5 miljoen getoon het.

Terselfdertyd het dit ook bekend geword dat hy besig is om 'n eis van sowat R3 miljoen in te stel teen 'n private maatskappy, Plaaslike Boeredienste

Hierdie maatskappy het voorheen kalk en kunsmis namens Sentramark op plase gestrooi totdat Sentramark self hierdie bedrywighede oorgeneem het sowel as sekere bates van Plaaslike Boeredienste

Die nuwe hoofbestuurder van Sentramark, mnr Léon Maree, het aan Sake-Rapport gesê dat dit uit die aard van die saak nog te vroeg is om 'n finale raming oor vanjaar se resultate te maak, maar dat daar hoopvolle aanduidinge is dat 'n gelykbreektoestand teen die einde van die jaar bereik kan word.

Sentramark se probleme het sowat drie jaar gelede begin toe hy die hele verspreiding en bemarking van Langfos by Amkor op Langebaan aan die Kaaplandse Weskus oorgeneem het.

Gesluit

Die prys van die Amkor-Langfos het net duurder en duurder geword en tesame met die hoe spoorvrag om die fosfaat na die noorde te vervoer, het die bemarking al hoe meer onekonomies begin word

Hierdie volgehoue prysstygings het tot gevolg gehad dat die rotsfosfaat se markaandeel al hoe kleiner geword het Intussen het die voorraad al hoe groter geword en het Sentramark die posisie bereik waar die groot renteverpligtinge diep in sy wins begin eet het.

In 1977 is met Amkor onderhandel, maar daar kon nie tot 'n vergelyk gekom word nie en op 20 September 1977 het Amkor sy Langebaan-aanleg gesluit

Rentelas

Sentramark het egter steeds die jaar met 'n baie groot voorraad afgesluit Volgens die jaarstate het sy voorrade aan die einde van 1977 op R14,3 miljoen gestaan nadat vir aansienlike tekorte voorsiening gemaak was Dit is ook uit hierdie tekorte waar die geding van R3 miljoen spruit

Intussen het die lenings baie hoog gebly Op 31 Desember 1977 het die Landbank se lenings aan Sentramark R17,2 miljoen beloop, wat 'n geweldige rentelas op dié kooperasie geplaas het

Sentramark het egter sedertdien reelings met sy

vervolg op bl. 3, kol 7

of manganese ore
glo American
s opened. Etheredge
on tons by 1981 -
cent. This
growth (10,7 per
gh seems to expect -
demand will

. Williegh 3,2 per
el coal production,
of the components
nterested in here)

1970 level: 980 -
to rise somewhat from
ears production
0 tons in some of
at the Plewman
so draws some attention
as increased so
now regarded as
. For some mines
future prosperity".[44]
1976, might reach
t over 8 000 tons
by 1980. ... gold-mining" will
be higher than historical data would lead one to expect given the level of gold output.

8) Diamonds: (Plewman apparently projects an output of about 11,3 million carats by 1980 - a 45 per cent increase on 1970). The picture Etheredge suggests is a far more static one : "In the case of diamonds there is in the short term no great potential for expanding production of South Africa's mines and none of the well known producers has plans for increasing output at present".[45] The one new mine (Koingnaas on the west coast of Namaqualand) will add a ½ million carats in 1978 to the current 7 million carats.

PTO

3.1.4. Etheredge projections, 1976-81-85

In a recent article in Optima,[43] Mr. D. Etheredge executive director of the Anglo American Corporation, included some forecasts of production of various minerals during the next 5 (and in some cases, 10) years. Although it is not always easy to reduce his discussion to numerical estimates ... Etheredge material – at leas... of the Plewman and Von Wie...

1) Cc... nnum; Von Wielligh 7,9 pe... provide a numerical fo... ape as the area where ne... years. At Aggenys silver, co... ion, planned to commence in... centrates a year. At Ga... easibility studies go th... ential in the north-western Ca... increase existing plant and mi... The original Plewman pr... tons will clearly not be re... housand tons (5 years of... 1975)) seems rather more pl...

2) Ir... annum; Von Wielligh 8,... are already signed to export 17 million tons a year from Sishen via Saldanha Bay. Given domestic consumption which was already close to 8 million tons a year in 1968/70, it is clear that iron ore will considerably exceed the higher Plewman "target" of close to 20 million tons a year in 1980.

3) Chrome: (Plewman 6,1 - 6,4 per cent per annum; Von Wielligh 9,4 per cent per annum). Production is expected to more than double from 2,4 million tons to 5,5 million during the next 5 years. Much of this will be used to produce ferro-chrome in South Africa – at Tobatse and CMI in the Lydenburg district. If these plans are realized – and the market for chrome and ferro-chrome depends on the state of the world steel industry – their output will be increasing at about 18 per cent per annum into the early 1980's with Plewman's upper level projected production for 1980 (2 472 thousand metric tons) probably being surpassed in 1977. (Note: production = 3 319 t.m.tons).

4) Manganese : (Plewman 7,7 - 8,0 per cent per annum; Von Wielligh

SENTRAMARK

vervolg van bl. 1

aandeelhouers, die land se grootste koöperasies, getref waardeur 'n groot deel van die voorrade by dié koöperasies geplaas is. Dit het hom toe in staat gestel om sy leningsverpligtinge aansienlik te verminder

Sentramark het op die oomblik nog genoeg langfos om dié soort fosfaat 'n jaar lank te kan verskaf En as daar intussen nie tot 'n vergelyk met Amkor gekom kan word nie, sal dit ook nie die einde van Sentramark wees nie.

Langfos verteenwoordig op die oomblik slegs sowat 18 persent van Sentramark se omset in randwaardes, terwyl hy vandag baie sterk staan in die verspreiding van stikstof. Hy kry die stikstof by Yskor en het sy markaandeel hier die afgelope drie jaar verdubbel.

Terselfdertyd is Sentramark ook besig om 'n belangrike verspreider van gekontroleerde kalk te word Dit is veral die kalk wat by sy eie aanleg by Daleside geproduseer word, wat baie gewild is Dié kalk is baie fyn, met 'n geregistreerde karbonaatinhoud van 80 persent, wat nou tot 90 persent verhoog gaan word.

Sentramark se grootste doelwit op die oomblik is om sy voorrade te verminder. Mnr. Maree sê dat hulle alles in die stryd werp om die depots teen die einde van Desember van elke jaar leeg te hê. As hierdie toestand bereik word, sal Sentramark weer op 'n stewige winsgrondslag wees

Die groot rentelas was die remskoen Oor die afgelope paar jaar kon Sentramark nog elke jaar daarin slaag om sy bedryfswins as 'n persentasie van die omset stewig te verhoog.

had existed before the Act was passed or it was company policy to have one or
the firm was too small to qualif
reasons connected with the low l
and their lack of experience wit
(4%) had established such commit
as the Department of Labour or th
of S.A. One respondent advanced
trade unions too closely. This
an in-plant committee and a trade
Nevertheless, it does encapsulate
exists perhaps more widely than t
respondent stated bluntly that li
negotiating bodies. This is, I
in the numbers of the liaison and
labour unrest seems to indicate t
best served by a system of contr
the case remains to be seen.

The Works Committee in Practice

We turn now to a consideration o
were only 24 statutorily-constit
but by the end of March of that
of 1974 the number of these com
(47%) were located in the Trans
3 (1%) in the O.F.S. Later in
ten-fold increase in a little ov

The Verster investigation collect
than it had on liaison committees
management is not represented on
not able, therefore, to complete
cases, apparently, the works com
purpose with suspicion. In June
organisations of whom only 34 res

Sun. Times 17/12/78 (183)

High costs put the shutters on SA photographers

By GEOFFREY ALLEN

SOUTH African professional photographers fear that massive increases in the price of materials and low fees are driving the cream of the country's lensmen overseas

Faced with cost increases, which trade sources say have doubled in four years, mainly due to Government surcharges, some of South Africa's finest photographers are quitting to find more lucrative fields abroad

The result, according to Mr Tony Manning, secretary of the newly formed Photographic Information Council, has been a decline in photographic standards and a reluctance by major advertising agencies to employ local talent

His argument was confirmed by Mr Bob Brown creative director of one of the biggest international agencies operating in South Africa

"Big spending clients just don't want to take risks if it means a bit more on the budget they would rather go overseas to ensure that the job is done to perfection," he said

To try to remedy the problem, the country's three major photographic bodies — the Institute of Photographers, the South African Photographic Traders' Association and the Photographic Society of South Africa — have joined under the umbrella of the Photographic Information Council to promote photography to the public as an art form, and to fight for higher standards in the industry

A major Johannesburg dealer in photographic equipment told me that Government taxes and surcharges had resulted in an average cost escalation of 100 per cent in four years because photographic items were regarded as luxury goods

The dealer said "Seventy per cent of the purchase price of a camera lens goes to the Government in taxes and charges of one sort or another. In fact they make more out of such a transaction than the retailer and wholesaler put together"

South Africa has already lost her two best-known lensmen, Sam Haskins and Barry Lategan, both now internationally famous and operating from London

33. Hansard 7 columns 485-7, 20 M
34. Hansard 10 columns 632-4, 10 April 1975.
35. Hansard 10 column 691, 15 April 1975.
36. Rand Daily Mail, 22 May 1975. Cited in: Muriel Horrell and Tony Hodgson. Op.cit. p.212.

MANUF. — Chemicals + Products

14-1-79 — 30-12-79 183

(1)

PLASTICS

143 FM 12\1\79

Prices up — and sales too

AECI this week raised the prices of polyvinyl chloride (PVC) and low density polyethylene (LDPE), completing a round of price hikes by the country's three producers of the major thermoplastics.

Effective from February 1, PVC goes up 6,8% to about R75/t (depending on grade and application), and LDPE up 16% to about R125/t

On November 1, Styrochem, a Sentrachem subsidiary in which Shell Chemical has a 25% stake, put up the price of polystyrene (PS) by an average 4% On January 1, Safripol (the 50-50 Sentrachem joint venture with Hoechst) pushed up the prices of high density polyethylene (HDPE) and polypropylene (PP) by 7,5%

Further increases are likely this year The 14,5% Opec oil price rise in December was bigger than the plastics producers had anticipated and the Iran crisis will hoist prices even further.

Despite the increases, plastics men expect the growth surge which began last year to continue. "I am looking forward to a renewed period of sustained growth," says Sentrachem general manager Johan van der Walt

The industry is confident that the oil crisis will not interrupt its supplies of feedstock With Coalplex, the R230m AECI-Sentrachem project to produce polyvinyl chloride (PVC) from coal, working up to near full capacity by the end of the year, the major part of PVC production will be independent of oil.

For the rest, ethylene will be available from Sasol 2 in the second half of 1980, by which time production of polyethylene will no longer be dependent on Iranian goodwill.

AECI's Smale . . . vigorous efforts

Sentrachem's Van der Walt . . . bullish

Even if oil supplies are cut off or reduced by then, plastics men do not believe they will face a shortage The petrochemical industry takes off less than 5% of the output of oil refineries, so it is not a likely target for rationing

During the past year the industry shrugged off the effects of three years of stagnation and began to climb back to its previous position as one of the country's fastest growing manufacturing sectors

The most impressive performance was that turned in by PVC, which saw a better than 40% jump in sales to about 60 000 t in 1978 This year should see 70 000 t.

Ted Smale, AECI's executive director, says this has been achieved by vigorous efforts to find new markets for PVC, the biggest single outlet for which is pipes. A competitive pricing policy has also been adopted

Even so, with Coalplex building up, there is plenty of spare capacity

This year, Coalplex is expected to produce 70 000 t, plus 40 000 t from AECI's ethylene-based Midland and Umbogintwini plants

Part of the surplus will go to building up stocks, and about 20 000 t will be exported, earning more than R10m in foreign exchange.

Sales of LDPE jumped by 13% last year says Smale, who expects a similar rate of growth during 1979. Demand at present exceeds production capacity The difference last year was met out of the considerable stock cover built up, but Smale foresees the possibility that about 10 000 t will have to be imported this year

As 70% of LDPE produced goes into packaging — fertiliser and supermarket bags, pre-packed products — [illegible] very sensitive to the overall state o[illegible]e economy.

But LDPE and other ethylene-based products are under severe price pressure

THE PLASTICS SCENE

Polymer	PVC	HDPE	LDPE	PP	PS
Producers	AECI (with Sentrachem partnership	Safripol (Hoechst-Sentrachem)	AECI	Safripol	Styrochem (Sentrachem-Shell Chemical)
Plant capacity (annual t)	142 000 (from 1980)	60 000 (from March)	75 000	40 000	15 000
Annual demand (t)	70 000	46 000	82 000	22 000	15 000
Uses	Pipes, cable & wire, bottles, records	Pipes, high density film, injection moulding, bottles	Packaging -bags, film etc	Textiles, carpeting, packaging	Packaging insulation

Rapport 14/1/79

AECI sê hoeveel hoër

(183)

AECI het aangekondig dat die pryse van poliviniélchloried (PVC) en laedigtheid-poliëtileen (LDPE) van 1 Februarie vanjaar verhoog word. Die pryse van die onderskeie grade PVC sal gemiddeld met sowat 6,8% verhoog word en LDPE-pryse met sowat 16,0%.

Die maatskappy het sy klante einde 1978 van komende prysverhogings in kennis gestel en het nou die nuwe pryse van verskillende grade en tipes teenoor hulle bevestig. Die voorraadsituasie vir beide PVC en LPDE is bevredigend.

Mnr. Bill Maxwell, bestuurder van die afdeling plastieke, het gesê dat pryse van PVC en poliëtileen oor die wêreld heen styg en dat die Suid-Afrikaanse situasie dus nie buitengewoon is nie.

bute our good results and low referral rate to the fact that nursing aramedical staff have easy access to that leader and co-ordinator of alth team. It was only because of the involvement of practitioners service and because of our results, that we had credibility with at specialists hospitals and patients were referred back to us.

k the 'drip-room' figures of the Red Cross Hospital need no comment to say that some of the success has been due to early treatment by the staff in general and the paediatric nurse associates in particular.

:ient's bed at home is the least expensive, the hospital bed the most .ve. Last year our district sisters and midwives carried out over) home visits, mainly on, patients who could be discharged from als earlier, because such a service was available.

ard to the obstetric services, we started our first M.O.U. in 1973. enatal clinics patients are place into 'high' and 'low' risk categories. n the former are followed up an delivered in specialist units while those in the latter category are followed up and delivered in these simple units by our midwives. Should abnormalities arise, the patient is either transferred to a specialist unit by ambulance or the Obstetric Flying Squad is called. Normally mother and child are kept less than 24 hours and then followed up at home.

Last year over three thousand cases were booked at the Lotus River M.O.U., our pilot project unit and 2500 confinements carried out. The perinatal mor= tality rate (P.M.R.) was 6 per 1000. If one excluded abortions and births below 1000 gms and included only cases presenting with detectable foetal heart sounds the incidence was only 2 per 1000.

Here again, by having clear cut protocols, the specialists accepted our high risk problem cases and they referred back to us their patients who had been delivered for follow up at home.

Over 90% of our patients go home with some form of family planning.

FERTILIZER

Price still too low?

You would think the fertilizer industry would be jumping for joy after its recent 14,2% price hike. After all the hike (plus the 60% reduction on the [illegible]

[illegible]

increased costs, notably under-recovery of increased railage costs and road transport costs, were disallowed.

Sales expectations for fertilizer are equally low key. Says Fedmis senior GM Cecil Robertson: "With the reduction in the government subsidy to farmers, the net price of fertilizer — 14,2% above 1978 prices — is above what we would have liked. But we do not expect it to have a noticeable effect on fertilizer sales. The fertilizer market grows by between 4% and 10% annually. With drought conditions, it's too much of a thumbsuck to project sales growth for 1979."

Luitingh says "nitrogen demand for 1979 could grow by more than 6%. Phosphorus demand is likely to increase by 3% We expect zero growth in potassium consumption. Overall the consumption of fertilizer during 1979 could top 3 Mt."

Chris von Solms, AECI's agricultural division manager, says he doesn't foresee fertilizer sales being affected by the 14,2% price increase to the farmer "Nitrogen sales have compounded 9% per annum since 1970. I would expect a 6%-7% growth this year if it weren't for the drought. Prices won't affect sales but the drought is likely to."

How happy is he as an industry spokesman about the price increase awarded to the industry? "In inflationary times, the pricing formula is inadequate in terms of plant replacement costs" He adds disconsolately that the SA farmer is still a long way from the optimum use of fertilizer — up to 1 000 kg/ha or more "A lot of ignorance still persists about the advantages of fertilizer."

How do farmers feel about the steep price rise? Not happy. They're already facing, on early projections following the present drought, a 20% reduction in maize crops Count in a 17% rise in diesel fuel costs and it adds up to bad news.

SA Agricultural Union economist Attie Coetzee fears farmers are unlikely to be awarded steeply increased prices for their produce. "In 1977, maize prices remained static while production costs escalated 8% Between 1974 and 1978, farming production costs rose 83,2%; agricultural product prices increased 36,4%" A note of cheer creeps in The Minister of Agriculture intimated that there may be justification for increased maize prices

Contents (continued)

Page

Table 14. Total number of technicians - 1970 Census figure as presented by the Department of Information ---------------------- 13

Table 15. Total number of technicians - Manpower Surveys ------------------------------- 14

Table 16. Total shortage of technicians - Manpower Surveys ------------------------------- 14

Table 17. Engineering technicians by type - Manpower Surveys ------------------------------- 15

Table 18. Numbers of engineering technicians employed by qualification, 1972 --------------- 17

Table 19. Manufacturing establishments (over 300 employees only) in Durban region by manufacturing division --------------------- 23

Table 20. Manufacturing establishments with more than 300 employees in the Durban and Witwatersrand areas by manufacturing division --- 25

Table 21. Number of establishments in Rosslyn with more than 200 employees by number of employees and manufacturing division -------------------- 26

Table 22. Number of African technicians firms in Durban sample would employ --------------------- 28

Table 23. Factors hindering firms in Durban sample from employing more Africans as technicians ------ 29

Table 24. Urgency of language and communication course to f... Durban sample --------------------- 29

Table 25. Numb... Empl... ------ 30

Table 26. Numb... wat... ------ 32

Table 27. Fac... ...le fro... ------33

Table 28. Urg... to ... ------33

Table 29. Num... Ros... ------34

Table 30. Fac... fro... ------35

TENKPLAAS VAN R2,8M VOLTOOI

RAPPORT 21/1/79 (183)

'N REUSE-TENKPLAAS vir die berging van chemikalieë is deur NCP, 'n filiaal van die Sentrachem-groep, op Germiston opgerig. Dit beslaan 'n gebied van 6,5 ha en is teen 'n koste van R2,83 miljoen vir NCP se Transvaalse afdeling opgerig.

Die tenkplaas sal vir die volgende tien jaar in die maatskappy se behoeftes voorsien. Daar is 51 bergingstenks met 'n totale vermoë van 4 650 m², terwyl 'n pypnetwerk met 'n totale lengte van 30 000 meter, 900 kleppe en 57 pompe geïnstalleer is.

Volgens dr. K. C. Yates, hoofbestuurder belas met die vervaardigingsbedrywighede van die NCP-groep, word 35 chemikalieë wat grondstowwe, intermediêre en eindprodukte insluit, in die tenkplaas geberg. Benewens berging, bied dit ook geriewe vir vermenging en oortap van produkte.

Die hoofbestuurder van NCP se Transvaalse afdeling, mnr. G. G. Carter, sê dat 25 persent van die bergingsgeriewe aangewend sal word vir drinkbare alkohol, wat een van die maatskappy se hoofprodukte is. Vanweë 'n seisoenale patroon in drankverbruik wat gedurende September/Oktober 'n hoogtepunt bereik, moet voldoende voorrade opgebou word en ook vir uitvoerdoeleindes voorsiening gemaak word.

Ander belangrike produkte wat in die tenkplaas opgeberg word, is gemetileerde spiritus en nywerheidsalkohol.

Kodak pressured to boycott SA

RDM 23/1/79

183

NEW YORK — Church officials have urged the Eastman Kodak Co to revise its policies toward South Africa to avert a showdown at the firm's spring stockholders' meeting, says a national church leader.

Ms Martha Barbee Savio, a leader of the National Ministries of the American Baptist Church, said at the weekend officials hoped the photographic firm would voluntarily stop doing business with South Africa.

The National Ministries own 987 shares of Kodak stock.

She said church officials had used quiet persuasion with Kodak but did not say whether the churchmen had made any progress or not.

A coalition of church groups would prefer Kodak to adopt new policies regarding South Africa without the prodding of a stockholders' resolution, Ms Savio said.

"Its incumbent on us to speak out for an end to injustice," she said "Profits and responsibilities are not opposing points of view You don't have to have one exclusively without the other."

Church leaders last month asked Kodak to submit a resolution about South Africa for a vote at the stockholders' meeting.

The proposal calls for Kodak to stop selling film or equipment to the South African Government It also accuses the firm of selling film and equipment used to inhibit the travel of South African blacks. — UPI.

working capital funding has increased total indebtedness

TRIOMF

Bumper year?

Although Triomf's directors are confident "that 1979 will be the best year ever in the company's history," investors should perhaps proceed with caution. Triomf's fortunes are tied to the thus far capricious phosphoric acid export price levels

Triomf's phosacid plant . . . at full capacity

This is evident in the figures for the year to December 31 1978, when pre-tax profit rose to R3,4m (R12,4m loss) on a 28% increase in turnover to R257m (R200m) due largely to a "modest" $25/t phosacid price increase

Then there is the dilution of earnings by 1977's rights issue of 7m ords, and by AECI's 49% stake in operating subsidiary Triomf Fertilizer (Pty) and other minority interests. Thus, out of a R3,4m (R9,1m loss) net profit, only R1,4m (R4,8m loss) was attributable to Triomf shareholders for earnings of 10,3c. AECI's share amounted to R1,5m (R4,4m loss) and other minorities took R312 000 (R115 000 loss)

The greatest cause for concern was the high gearing of around 630% at the 1977 balance sheet date, which hoisted the interest bill to R14,2m (R10,2m) that year. The forthcoming balance sheet will show whether the inflationary pressure on working capital funding has increased total indebtedness

On the positive side, there are a number of factors which suggest Triomf will achieve a record profit this year. Firstly, phosacid sales volumes and turnover should rise considerably The directors point out that phosacid demand is "outstripping production capabilities with every indication that the situation will continue." Last year Triomf only managed sales at 75% of its phosacid production capacity. Industry sources are confident that the phosacid price will rise to around $350/t this year. At the current price of $292/t producers are starting to make money, these sources say This should result in a reversal of the over R10m phosacid loss incurred last year

Secondly, the company's other operations are highly profitable, having contributed some R14m to last year's pre-tax figures. Although the industry will not admit it, this year's 12,2% fertilizer price hike should further enhance the profitability of local operations.

So, on the face of it, the directors do have something to get excited about. The phosacid plant only has to break even for the company to comfortably achieve its forecast.

On an assumed R12,5m pre-tax profit (R3m higher than the 1975 record), attributable profit should amount to R5,4m or earnings of around 38c Tax is unlikely with the company's assessed loss. Dividends are also unlikely, as Triomf probably has a tight loan repayment schedule At 265c the share fully discounts recovery prospects. *Peter Pittendrigh*

Financial Mail February 9 1979

he assumed something about what we might call marginal labour productivity in the various branches of mining viz. that all increases in the production of minerals will be at productivity rates at least

Oliekrisis pla Trek min

Rapport 4/3/79

(183)

Deur DAVID MEADES

ONDANKS byna geen groei die afgelope jaar in die land se petroleumbedryf, het Trek-Beleggings weer eens daarin geslaag om sy skitterende winsrekord van die laaste paar jaar te handhaaf. Hy het sy wins ná belasting met 23,1 persent opgestoot en sy slotdividend met 1c verhoog.

Volgens 'n aankondiging deur die maatskappy het sy wins ná belasting van R3 918 000 tot R4 825 000 gestyg en die verdienste per aandeel van 19,9c tot 24,4c Die slotdividend is met 1 tot 7c verhoog, wat die totaal vir die jaar op 10,5c (9c) te staan bring

Mnr Donald Masson, besturende direkteur van Trek, het in kommentaar oor die winssyfers aan Sake-Rapport gesê dat die besluit van Trek om sy dividend in die huidige oliekrisis te verhoog dalk bevraagteken kan word.

Hy is egter nie te pessimisties oor die toekoms van die oliebedryf nie Hy glo dat die wêreld se oliebedryf steeds groter as enige krisis is en dat sake op die langer termyn uitgestryk sal word.

Trek sit in 'n baie gesonde finansiele posisie Sy skuld is min en weens 'n konserwatiewe afskrywingsbeleid het die maatskappy geen kontantvloeiprobleme nie Waarom sal 'n man dan nie na jou aandeelhouer kyk wat die afgelope twaalf maande bereid was om die pad saam met Trek te loop nie? vra mnr Masson

Die dividend word steeds 2,3 keer gedek, teenoor 2,2 keer die vorige jaar

Wat die komende jaar betref, meen mnr Masson dat daar 'n taai tydperk vir die bedryf voorlê Die verhoging in die prys van brandstof sal groot druk op die kontantvloei van die bedryf plaas

Maar die bedryf sal maar net moet taaier raak met sy debiteure en daar sal nog groter klem op doeltreffendheid gelê moet word Die bedryf het die krisis van 1974 oorleef en sal dit weer doen.

Uit 'n ontleding van Trek se winssyfers blyk dit dat die jaar tot einde Desember 1978 nie juis 'n jaar vir die bemarking van petroleum-produkte was nie Die wins ná belasting uit hierdie bron het van R3 306 000 tot R3 226 000

Vervolg op bl. 3, kol 1

Chemico nou reg

Vervolg van bl.1

gedaal

Maar by Chemico en Samco, die Durbanse raffinadery waarin Trek 'n belang van 50 persent het, het sake ingrypend verbeter Mnr Masson, wat die afgelope jaar of wat persoonlik beheer by die sukkelende Chemico oorgeneem het, sê dat al die probleme hier opgelos is en dat Chemico nou op 'n winsgrondslag is

Chemico is 'n herraffineerder van gebruikte olie waarin Trek 'n belang van 70 persent het. Hy het die laaste twee jaar baie groot verliese opgebou, maar in 1978 sy verlies met R364 000 verminder.

Mr. Masson sê dat Chemico nou reg is en dat sy grootste probleem in die nuwe jaar 'n tekort aan ou olie gaan wees Daarom meen hy dat dit hoogtyd is dat die beplande wetgewing om die vermorsing van gebruikte olie te verbied, nou op die wetboek geplaas moet word

Die land kan dit nie bekostig dat hierdie ou olie in rioolslote wegloop nie. En as die beskikbaarheid van genoegsame ou olie vanjaar bewerkstellig kan word, kan Chemico 'n wins van sowat R300 000 toon, sê mnr Masson.

Samco het sy dividend aan Trek van R750 000 tot R1 300 000 verhoog weens heelwat groter produktiwiteit. Hierie belegging het Trek toentertyd maar sowat R3 miljoen gekos en hy moes nou al oor die R6 miljoen in dividend terug gekry het.

183

Higher efficiency boosts Trek profits

Donald Masson . . . "more oil re-refining"

By IAN MUIL

SOUTH Africa's only domestically-owned petrol and oil company, Trek Beleggings, has increased net profit by 23,1 per cent to R4 825 000 for the year ended December 31, 1978 — a year in which South Africa's oil and petrol industry suffered severe supply and price shocks and recorded minimal overall growth.

Profit growth did not, however, stem from the company's oil and petrol division, which dipped 2,4 per cent to a net profit figure of R3 226 000

Trek's profit improvement is largely attributable to efficiency improvements and extraordinary "one-off" property sale profits in the group's lubricant and re-refining operations.

Re-organisation and "de-bottlenecking" in the company's 50 per cent-owned lubricant producer Samco resulted in a 24 per cent higher dividend payout to Trek of R1 300 00

Shell and BP each have 25 per cent of Samco

Used oil re-refiner Chemico, 70 per cent owned by Trek with Shell and BP equally sharing the rest, contributed to overall profit improvement by reducing its loss by R364 000 to R160 000 for the 1978 year

Trek managing director Donald Masson says Chemico is now running on a profitable basis and internal budgeting projects a R300 000 contribution to profits from Chemico in the 1979 financial year.

"In the light of the present oil crisis Chemico will play a major role as a re-refiner of oil and should make a bigger contribution to group profits in future," he says

The Chemico refinery underwent a year of major surgery with staff reduced, through reorganisation and non-replacement, by 30 per cent.

All this got the project onto a profitable basis during the year, says Mr Masson, and a profit would have been recorded were it not for a severe fire which destroyed the grease plant early in the year

"What we now need as a matter of urgency is legislation prohibiting the destruction or discarding of used oils

"My understanding is that Government is sympathetic to this need and could be introducing measures soon "

Germany currently re-refines 40 per cent of used oils while the figure in South Africa, essentially in a much more sensitive position, is less than 20 per cent, with only 8 per cent of new oil sold derived from re-refined oil

The Chemico plant, providing 50 per cent of the country's refining capacity, is designed for a throughput of 45 000 tons a year but is currently utilising only 20 000 tons a year on an 80 hour a week shift

The directors have declared a 7c a share final dividend, 1c up on 1977, to give full payment for the year of 10,5c a share compared with 1977's 9c.

The dividend is covered 2,3 times by earnings but this payment appears to be more a mark of respect for shareholders than an indication that 1979 is well taken-care of

Capital expenditure in 1979 will be no more than the traditional R3-million a year spent on retail and wholesale outlets, Mr Masson says

Trek, which has 6 per cent of the total market, directs 28 per cent of its sales volume into its 292 service station outlets, while the remaining 72 per cent goes bulk into industry and agriculture.

Increased oil charges are going to be more of a money-gobbler than capital expenditure during the coming year, although Mr Masson is emphatic that "we will be no worse off than anyone else affected by the Iranian cut-back"

The recent fuel price increases are likely to reduce fuel consumption during 1979 by about 6 per cent, he says

"This will force us to have a closer look at our credit control situation and we are now seriously examining moving over to a cash only basis "

This week's pre-announcement share price of 115c yields 9,1 per cent on dividends which have moved up steadily every year since the company's formation 10 years ago by Federale Volksbeleggings/General Mining

This is an attractive yield, but just short of the market average of 10,3 per cent Obviously the market rating of Trek has taken to heart the oil industry's worldwide but unwritten philosophy that "no crisis is bigger than the oil industry"

FEDMIS

Profit fertility

(163) FM 9/3/79

Improved phosphoric acid prices in Brazil, Fedmis's major market, was one of the main reasons for the company's 23,6% taxed profit increase in the year to December 31. And with the price of phosacid still firming, there is further scope for profit improvements this year.

The first phosacid shipment from Fedmis's Phalaborwa plant in March 1977 was at prices well below cost. In 1978 prices firmed from $230/cif Brazil to over $260 in the final quarter. The plant's turnover increased 52%, but even so it still operated at a loss. The phosacid price is currently $290 and the company feels that $320 is feasible by the June quarter. If so, the Phalaborwa plant should move into the black.

The lower phosacid loss assisted in hiking the company's overall gross profit margin to 10,4% (9,9%) on group turnover of R194,8m (R163m). Pre-tax profits amounted to R20,3m (R16,1m) and earnings 27,7c (22,7c). Following the unchanged interim of 4c, a final of 14,5c (12,5c) has been declared.

No divisional breakdown is given in the preliminary statement, but cement, produced as a by-product of phosacid, increased turnover by 89%. Though costs and timing have yet to be worked out, duplication of the cement plant is under consideration.

Fertilizer export sales increased 35% while those to the local market rose at a more pedestrian 15%. Local price-controlled fertilizer were hiked 12,2% in 1978, while the state's subsidy to farmers was cut by 60% With costs absorbing much of the price increase and the heavy cost of replacing obsolete equipment, it seems likely Fedmis will continue to lessen its dependence on this low-margin activity

At 235c the share yields 7,9% Capex for additional cement plant and increased fertilizer plant replacement costs may inhibit dividends near-term The share has its attractions for investors prepared to take a medium term view

Des Kilalea

183 259 FM 9/3/79

FERTILIZER

Luyt bounces back

Triomf Fertilizer's Louis Luyt says he will have no difficulty repaying the R12m borrowed from former Information Secretary Eschel Rhoodie and used to fund *The Citizen*

In an interview with the *FM*, he said he would not keep one cent of capital or interest owing to government, other than that amount he lost through his involvement with the Department of Informa

Luyt . hindsight is a science

tion Just how much this would amount to, Luyt would not say But he believes he is owed in the region of R3 8m in "differential interest" through having a foreign loan of R7m cancelled when it was due for renewal Reason for the cancellation Luyt claims, was that he could not furnish a balance sheet without blowing his cover on *The Citizen*

Today, Luyt is bitter and "ashamed" over the way he believes he was used by the government as a *Citizen* front and is adamant that there will be no more patriotic" gestures "Hindsight is an exact science," he says "And hindsight in this case dictates that I must get on with the job and turn Triomf into the best company of its kind in the world"

There has been speculation that he would have to sell his 37% holding in the listed Triomf company to his partners in the operating company, AECI Government was expected to press him for immediate repayment of every cent owing on the basis that his agreement with Rhoodie was *ultra vires* and therefore invalid

Senior counsel, however, are convinced that Luyt's written agreement to repay the money between now and 1986 using post dated cheques is binding, and the State Attorney apparently now supports this view

With Triomf poised to take advantage of rising demand for phosphoric acid, which it produces at its R200m Richards Bay plant, Luyt's share of the takings should be more than adequate to cover the cheques

It seems likely, moreover, that his bankers — Nedbank would give him even more backing in the event of an emergency pay out Triomf's total commitment to Nedbank, including overseas loan guarantees, is about R80m Triomf (Pty)'s own means are in excess of R45m not R10m as speculated

Though this means a gearing of 2·1 (most financial experts believe a gearing of 1 1 to be advisable in Luyt's type of business) Nedbank is not alarmed "We went to 2 1 because we believe we're into a good thing," one bank source told the *FM*

In addition Nedbank receives massive doses of foreign exchange (over R100m a year at the moment) as a result of Triomf's involvement in foreign markets This in itself could justify the over-gearing.

Nevertheless, Luyt admits to having been extremely worried before the world take off of phosphoric acid prices Triomf needs $225 a ton to meet interest charges and to make a profit on each ton loaded Only recently did the price rise to that level But right now it looks as if the price could settle around $300 going to $400 before the year's end Hardly surprisingly, the market is predicting Triomf earnings of around 60c per share for the current year

Though Luyt insists he will be in control at Triomf "in 25 years," one of the most persistent items of market talk is that he would like out. One stockbroker's newletter reported that Luyt was keen to sell to Federale Volksbeleggings. Other sources maintain that takeover by Luyt's 49% partner in Triomf (Pty), AECI, is imminent

Securities rand

Luyt says he's aware of the talk and points out that certain foreign interests would also be keen to negotiate and take advantage of the near-40% discount available through the securities rand — if he were for sale!

While he insists with vigour that he's not, he stresses he would not in any event do a deal with foreign interests in preference to his local partner, AECI, or the co-ops

It would not make sense for Luyt to sell now Having been through a bad time (when he had an offer and turned it down) the fortunes of his company are changing rapidly. From a R12m pre-tax loss in 1977, the turnaround is expected to bring in net profits of close to R30m in the current year

Nedbank's Gerry Muller believes the recent decline in phosacid prices — and Triomf's fortunes — may prove a blessing in disguise "Had the market been as good as it is now, we would have had other plants in the world competing against the two in SA This would naturally have had an effect on Triomf

"As things are now, I feel Richards Bay was and is an excellent investment for Triomf, AECI, and all other parties involved — in spite of the difficulties of the past few years"

FM 16/3/79 183

FERTILIZER

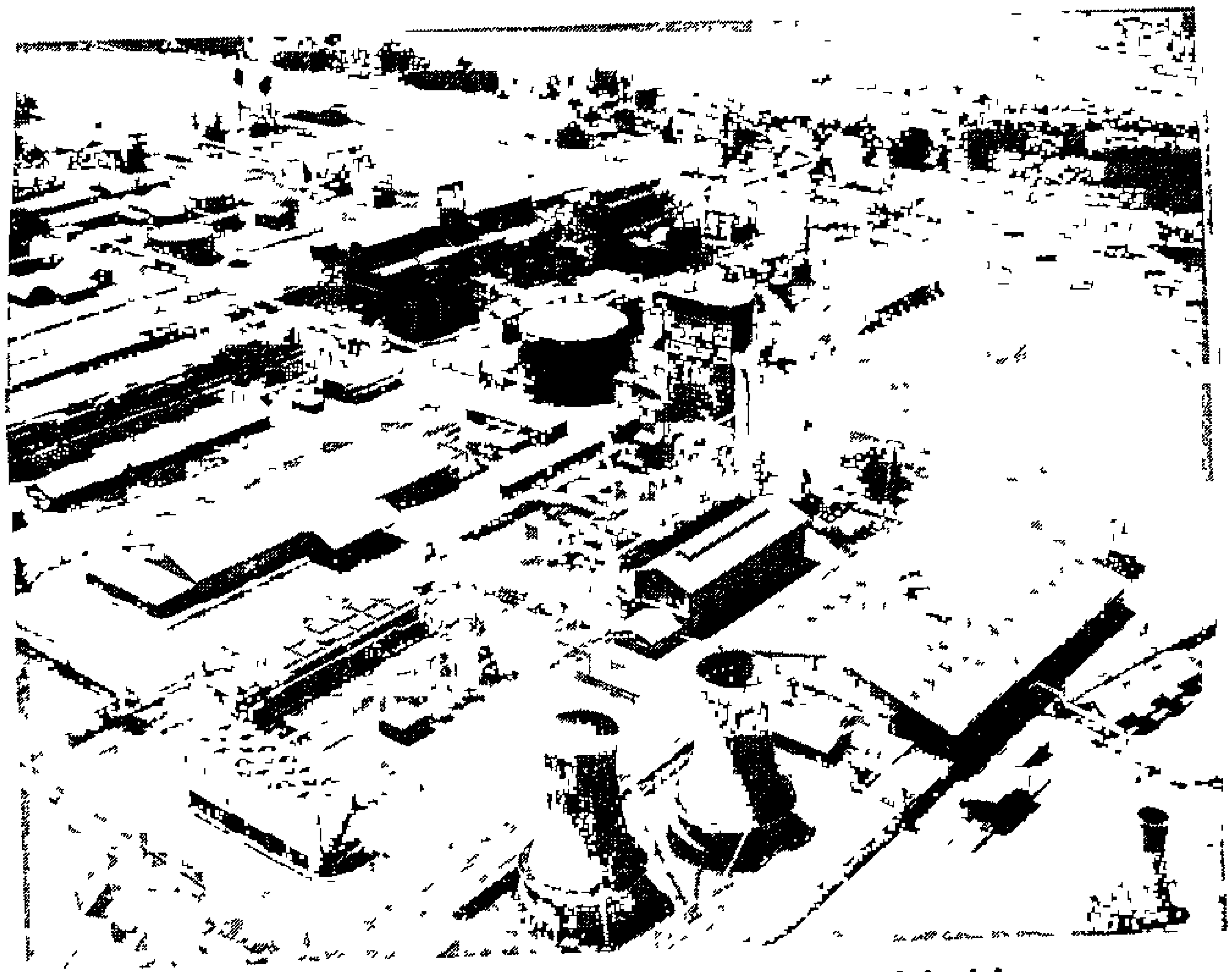
More ammonia needed

Some 75% of SA's nitrogenous fertilizer needs will be coming from coal (instead of oil) within three to four years, according to AECI's agricultural division manager, Chris von Solms.

AECI long-sightedly switched to a coal-based operation when building its R100m No 4 ammonia plant at Modderfontein in 1974. This now produces more than 40% of the country's fertilizer requirements. The commissioning of Sasol 2 and 3 by 1982 will lift this to 75%.

Ammonia is the basis of the nitrogen industry and itself contains 82% nitrogen. However, ammonia in its pure form can be used as a fertilizer only with the aid of very sophisticated equipment. Hence, for the fertilizer industry, ammonia is converted into three end-products: limestone-ammonium-nitrate with a 28% nitrogen content; urea — 46% nitrogen; and ammonium sulphate — 21% nitrogen. Ammonia is also used extensively in the explosives industry, which will take roughly 30% of the total SA nitrogen supply of 570 000 t in 1979.

Nitrogen is one of three major fertilizer ingredients, the others being phosphate and potash Nitrogen/phosphate/potash compounds comprise about half of the market, straight nitrogen types 25%, and phosphate (sourced from Foskor) 17%. Potash, sulphur and others, mostly imported, make up the rest.



Modderfontein ammonia plant . . . long-sighted decision

The need for new ammonia plants will be felt in the early Eighties, Von Solms forecasts. (Nitrogen usage has grown at roughly 9% a year) Nitrogen fertiliser usage in SA for 1979 is expected to be roughly 400 000 t, says Fedmis group manager, nitrogen, Roland Luke Obviously, the plants will be coal-based.

The logical place to build a plant would be next to Sasol, von Solms indicates. The cost? "More than R200m for a big plant." He adds that capital costs of oil-based plants are higher than for oil-based operations, but will not quantify the cost differential nor whether fertilizer prices will be substantially affected. "Impossible to project. As oil prices increase it obviously narrows the differential between coal- and oil-based operations " The 1973 oil crisis resulted in ammonia prices rocketing by 400%.

Fedmis has not, as yet, blueprinted a coal based ammonia plant Chief GM Cecil Robertson says the Cape plant, operational since the early sixties and with a target of a 90 000 t ammonia production in 1979, operates as a by product of an oil refinery But a large ammonia plant is projected for the Eighties on the Highveld not yet specifically located

Robertson notes "The duplication of Sasol 2 and Sasol 3 and any new Sasol means additional by product ammonia production So an ammonia producer has to revise his plans in the light of any new Sasol production "

26/2/79 X8S

SHULTON

(13) 22/8/79

Bracing formulae

Activities: *Manufactures and distributes Old Spice toiletries for men and distributes women's toiletries and perfumes Shulton, of the US, holds 51% of the equity and the ultimate holding company is American Cyanamid*

Chairman: *W J de Genring*

Capital structure: *2m ordinaries of 50c Market capitalisation R4,2m*

Financial: *Year to November 30 1978 Borrowings long and medium term, nil Net cash R154 000 Current ratio 1,9 Net cash flow R74 000 Capital commitments R65 000*

Share market: *Price 210c (1978-79 high, 210c, low, 71c, trading volume last quarter, 73 200 shares) Yields 12,3% on earnings, 10,5% on dividend Cover 1,2 PE ratio 8,1*

	'75	'76	'77	'78
Return on cap %	66 7	71 2	78 4	102 4
Turnover Index*	99 6	131 5	178 8	234 2
Pre-tax profit (R000)	454	517	613	869
Earnings (c)	14 5†	14 7	17 5	25 8
Dividends (c)	13 0†	13 0	15 0	22 0
Net asset value	33	36	38	42

†*Adjusted for 12 months*
**Base 1972-100*

Shareholders can be thankful that, even when purse strings are tight, consumers still put toiletries high on their shopping list

Following a taxed profit boost of 46,7% to R512 000, shareholders are to receive a similar hike in total dividends for the year to November 30 The final dividend has been raised 7c to 16c, making a total payment of 22c

As seems to be company policy, shareholders are to receive the lion's share of earnings of 25,8c Despite significantly higher expenditure, pre tax profits rose 42% to R870 000, against a 31% increase in turnover, underlining the group's increased profitability.

Chairman William de Genring said that, although the economic recession continued throughout 1978, he was satisfied with results He added that, although these conditions are expected to continue during the first half of this year, he is confident of maintaining satisfactory growth. Meantime, Shulton has maintained its strong financial base with a continued absence of gearing

The basis of stock accounting has been changed from an average purchase price basis to fifo While "the effect of this change on net income in both the current and the previous year is insignificant" it is not possible to determine whether the stock increase of 1,7% is due to better stock control or the revised accounting method. Turnover rose 31% while debtors rose 47,5% to R847 000.

At 210c on a 10,5% yield the share looks attractive But from a chartist's point of view the cream has been siphoned off Shulton's current short-term move For the longer term, however, the share remains solidly in its bull trend.

Jean Moon

STAR 23/3/79 (183)

Coalplex nearing break-even point

Coalplex — the multi-million joint venture between AECI and Sentrachem (60/40) — is now approaching break-even point on a cash flow basis, and the project has exceptional long term potential.

Mr Harry Oppenheimer says in today's AECI chairman's statement that the latest Opec oil price increase and Iran troubles had given added urgency to the search to produce other major raw materials.

"Ongoing technical effort will also be devoted to conservation of energy and more efficient operation of existing plants."

The Coalplex plants are now in routine operation. [illegible] output of PVC and caustic soda in 1978 was substantially higher than forecast. PVC was now being exported to no less than 10 countries.

On the problems of increased emigration and reduced immigration Mr Oppenheimer — [illegible] there is no reason to [illegible] that the position will improve while the present political uncertainties remain" — sees current tax levels as a negative factor, and hopes for some relief on the higher tax question in Wednesday's Budget.

Discussing Triomf Fertilizer (Pty), Mr Oppenheimer notes that the world selling prices for phosphoric acid had shown some improvement "and it thus seems unlikely that AECI will be called upon to provide a further injection of capital into that company over the next few years."

AECI recently reported a 1978 earnings rise from 35,1c to 38,6c a share and increased its dividend [illegible]

R 50-billion — the bill for self-sufficiency

SOUTH Africa will have to spend as much as R50-billion to become self-sufficient in fuel production and chemical industry production based on fossil fuel feedstocks and raw materials.

This estimate emerged at a conference on alternative transport fuels in Pretoria this week

It underlines the fact that money, more than technology or raw materials, is likely to be the main stumbling block to self-sufficiency in fuels and in much of the heavy chemical industry.

Addressing the conference, Sentrachem's Dr R E Robinson suggested that the country had the wherewithal to become almost entirely self-sufficient in fuel production by the year 2000

His reasoning was based partly on the case for more alcohol production from agricultural products such as maize, which could be relatively cheap.

Others at the conference, including the University of Cape Town's Professor R K Dutkiewicz, urged a start on yet another Sasol immediately and preferred the ethanol-from-coal route.

The conflicting views highlighted the growing debate about which road South Africa should choose in an effort to thumb its nose at the oil crisis and remain in the forefront of coal and bio-alcohol based fuel and chemicals technology.

Crops

The central argument is fast crystallising into a vegetation versus coal-based fuel tussle

The Minister of Economic Affairs, Chris Heunis, indicated in his announcement of the doubling-up of Sasol 11 that he tends towards ethanol from coal on the grounds that farm crops are too cyclical and uncertain a base as an alternative.

Yet men like Dr Robinson have a point in arguing that only the starch from, for instance, maize would be necessary for ethanol production and that should ethanol plants be established, as Sentrachem would like, this would encourage expansion, diversification and intensification of suitable crop cultivation, making it a great deal more reliable as a source of raw materials.

In either event, there is a clear case for exploiting methanol or ethanol as fully as possible on cost grounds

Both routes offer the hope of considerable savings when compared to 100 per cent reliance on oil and petrol from coal

Of course, uncertainties about inflation, the rate and direction of technological developments and political events make all long-term predictions highly speculative

Yet the conflict between the need for urgent decisions and the advantages of waiting to see how the wind will blow must be resolved.

Cash is key in production of fuel, chemicals

By STEPHEN ORPEN

Opportunities for world leadership already thrown up by the country's fuel and chemical feedstock predicament include·

Rates

- The fact that Sasol 2-plus-2 is already the world's largest single industrial project, at a total cost which by the mid-eighties is likely to work out around R8-billion at money rates then.
- The fact that the enlarged second Sasol is now the largest single project on the books of the major contractor, America's huge Fluor Corp, which in 1978 took on work worth some R4-billion, including only a little less than R2-billion for coal-conversion in South Africa
- The fact that AECI is ready to consider a coal-based chemical plant with a final output believed to be about 750 000 tons a year, mainly of ethanol

This compares with the 300 000 tons a year from the company's latest coal-based, R100-million ammonia plant, easily the largest of its kind in the world

This plant produces ammonia The much larger plant would be similar but would produce methanol instead via gasification

AECI is already supplying ethanol as an additive for petrol and the colossal new plant could provide for an ethanol fraction of more than 10 per cent in most of the country's petrol.

- The fact that AECI's new R230-million Coalplex plastics and general chemicals generator is also the largest coal-based project of its kind anywhere, and is now running at design rates, subject only to the need to shift chlorine output from the present 70 to 100 per cent of capacity, which should be achieved by mid-year

South Africa's lead in the application and experience of coal-based fuel and chemicals technology began with AECI's No 2 ammonia plant in 1932 (the coal base was then the conventional wisdom) and was reflected in 1955 by the country's first PVC plastics production, using carbide produced from anthracite, at 10 000 to 12 000 tons a year

Coalplex produces 100 000 tons of PVC a year, and total exports in 1979 should reach 30 000 tons compared with 20 000 tons last year, at a time when a doubling of the price for the raw material for oil-based PVC plants has made the rewards of exporting highly attractive.

South Africa is now the world leader in the commercial production from coal of petrol, PVC and other plastics and ammonia/nitrogen, primarily for fertiliser.

Reasons

It is also arguably in the forefront in experience in the commercial production of pharmaceuticals, dyestuffs, pigments and synthetic rubber products with coal as the basis

For economic as well as political reasons the edge the country has been able to enjoy through force of circumstance must not be allowed to be lost by default

Pretoria needs to follow its own example in opting speedily for the doubling up of Sasol 11 by displaying like courage and sound judgement in resolving the ethanol-methanol controversy

TRIOMF

Super phosphate?

Activities: *Holding company with subsidiaries which manufacture and market fertilizer, crop chemicals phosphoric acid and agricultural implements Owns 51% of Triomf, Triomf Fertilizer, Crop Protection and Trifed, and 26% of Triomf Farmers' Organisation*

Chairman: *L Luyt, managing director J J Becker*

Capital structure: *14m ordinaries of R1 Market capitalisation R44,1m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R100,0m, net short term, R61,5m Debt equity ratio 706% Current ratio 1,1 Group cash flow R11,2m Capital commitments R2,8m*

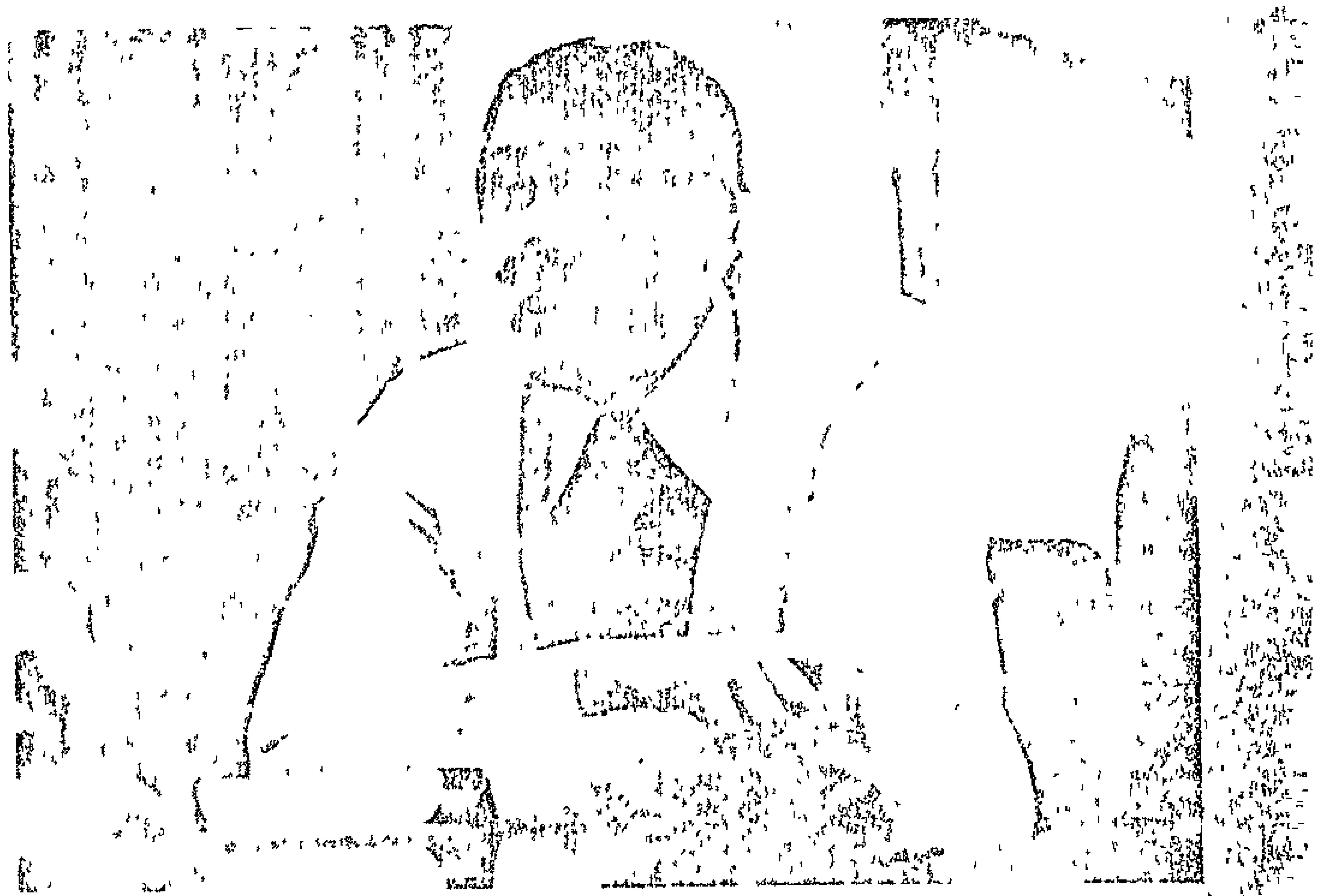
Share market: *Price 315c (1978 79 high, 315c, low, 90c, trading volume last quarter, 123 000 shares) Yields 3,3% on earnings PE ratio 30,3*

	'75	'76	77	'78
Return on cap %	17,3	10,3		10,3
Turnover (Rm)	141	151	200	257
Pre tax profit (Rm)	9,5	5,1	(12,1)	3,1
Gross margin %	10,1	10,1		7,1
Earnings (c)	55,9	46,9		10,1
Dividends (c)	40	30		
Net asset value (c)	166	177	169	180

Shareholders may, or may not, be delighted at the prospect of 60c earnings and a resumption of dividends this year, as forecast by chairman Louis Luyt While the forecast appears to be well founded, given the favourable prospects for phosphoric acid, that the Richards Bay plant will achieve full production this year and that the local fertilizer division will contribute at least R14m to group pre-tax profits, investors may question the wisdom of a dividend payout with the tight loan repayment schedule With gearing of over 700%, prudence might dictate that loan repayments receive priority, even to the extent that debt be reduced below equity before dividend payments start.

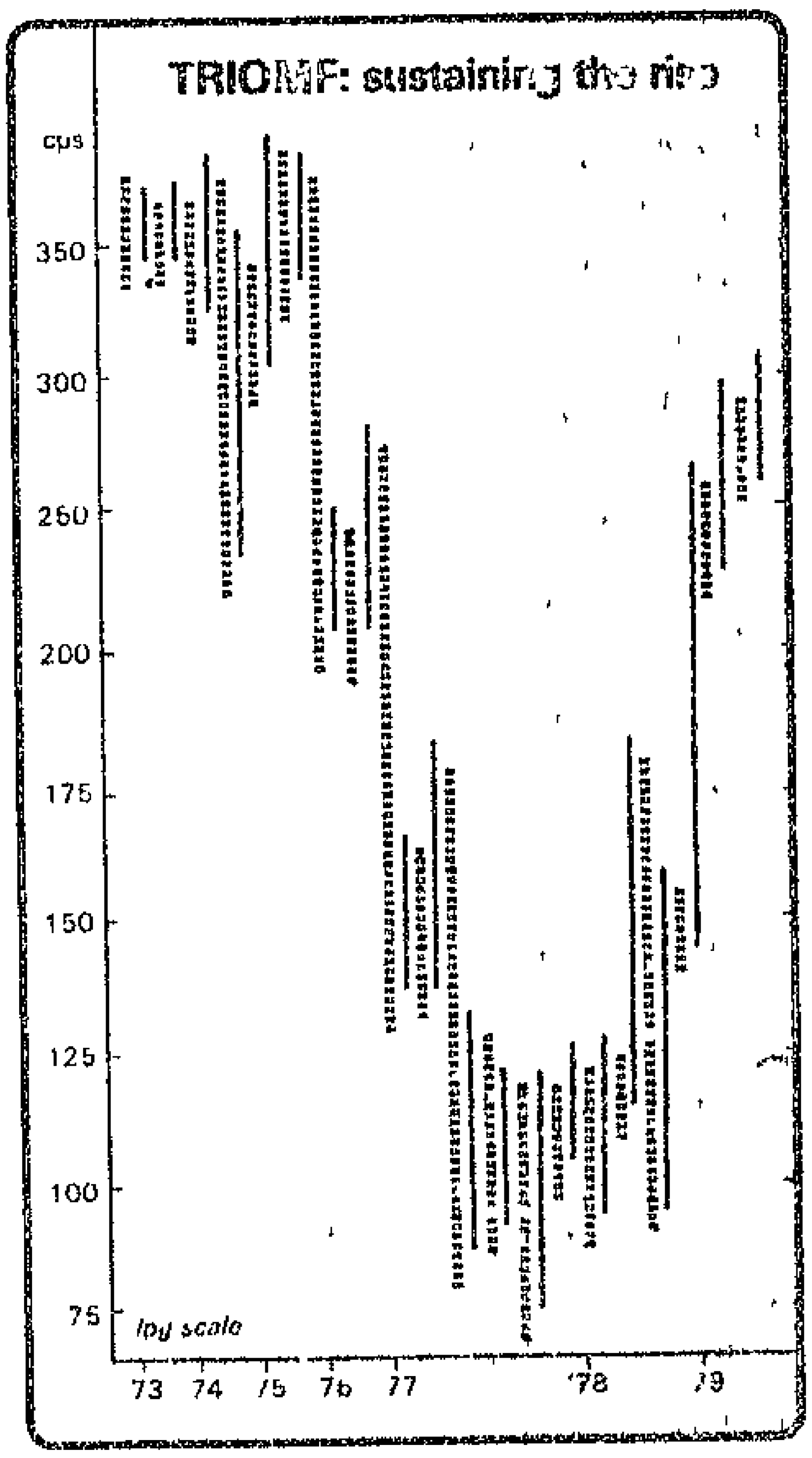
The revised loan repayment schedule means that R13,2m of long-term loans are due for repayment this year rather than the R19,7m indicated by the 1977 accounts This is to be followed by R14,1m next year and R13,2m in 1981

By paying a dividend out of 60c earnings the group may not be able to cover this year's repayments Without the burden of dividends, repayments of these loans appear well within the capability of the group To achieve the forecast level of earnings, pre-tax profit will have to be around R19m This is not impossible Industry sources have already indicated that breakeven for most phosacid plants will be around $280/t this year and there is also reasonable unanimity that the fob price could rise to $350 by the year-end



Louis Luyt . . happiness is $350

Based on current phosacid prices of just over $300, Triomf could receive an average of about $330 this year This would mean a $50/t margin on full production of 400 000 t expected to be sold this year After deducting interest payments — the group's total interest burden was R15,8m last year — the largely export based Richards Bay plant's pre tax profit could be around R5m.



Despite Luyt's belief that the "local scene does not augur well for 1979" due to the effect of current drought conditions on "cash available to the farming community," the SA fertilizer market should still account for an unchanged R14m of group pre-tax profit. For, he opines, severe droughts have never been followed by periods of negative growth; rather, growth has been arrested

On these bases and after allowing for some R10m for minorities, R2,8m capex and adding back R7,8m depreciation, approximately R14m could be available from internally generated funds for debt repayment and dividends.

However it is probably reasonable to assume that Triomf could consider raising some R5m through a deb issue later this year With further phosacid price rises possible next year, borrowings could be reduced on time

But this is not the end of the story. In addition to borrowings from outsiders, AECI is owed R32,1m and shareholders R15,6m. While Luyt prefers to consider these borrowings as part of equity capital, they do bear interest and do not participate in dividends. Effectively they should be considered part of loan capital.

In addition to the loan capital is the R60,4m (R45,5m) overdraft and R1,3m (R3,1m) short-term loans. The R13,1m increase in short-term borrowings was necessary to finance the R13,7m increase in stocks to R52,6m and increased R37,3m (R28,7m) debtors. Luyt explains that the higher inventories and debtors were due to laying in of stocks well in advance of expected price increases in certain essential feed-stocks and materials and a spate of heavy buying by local customers in December ahead of possible fertilizer price hikes.

While there appears to be no pressure on the company to repay overdrafts, the cost of servicing these borrowings will put an additional burden on earnings this year. But the possibility exists that working capital requirements could fall with lower demand and decreased inventories later in the year. So, short-term borrowings look set to decline.

In the past when dividends were being paid they tended to be at least twice covered. So, if this pattern is resumed, a 30c dividend could be on the cards. At 315c the 9,5% prospective yield discounts downside potential. *Peter Pittendrigh*

(Branch, 1976). A high metabolic rate is not required, and food shortage will favour energy conservation. Respiratory rates are moderate, becoming relatively lower in large individuals which are reproductive and presumably have a more critical need to conserve energy (Figs. 2, 3, 6). *P. cochlear* is sedentary, adults and juveniles occupying the same narrow zone, low on the shore. There are no obvious differences between aerial and aquatic respiration, although the latter tends to be higher, nor any striking differences between large and small individuals (Fig. 3).

Patella cochlear is exposed for short periods and only at low spring tides. Body temperatures seldom rise above 23°C (thus keeping respiration low), although occasional combination of extreme low tides with high air temperatures may boost body temperatures to 29°C. The respiratory rate reaches a maximum at 20°C, followed by a plateau between 20° and 32.5°C, of obvious survival value during extreme conditions.

The midshore *Patella oculus* has a far higher rate of respiration (Figs. 2, 6). At first sight this seems surprising, particularly as feeding in these limpets is limited to periods of subm… However, *P. oculus* lives in a … plentiful food, and as its po… are sparse, intraspecific com… minimal. Data on feeding rate… available, but the rate of fe… tion of *P. oculus* is about th… that of *P. granularis*, which i… twice that of *P. cochlear*. This… high feeding rate in *P. oculus*… other hand, mortality is high… ity only about 2 years, so t… growth to sexual maturity is… *P. oculus* grows about 60 mm i… year (Branch, 1974). This hi… demands a high rate of oxyge… tion, and it appears that *P.*… capitalising on a rich food … maintain its metabolism as h… sible. Its R-T curve is much … those of the other two speci… Temperature coefficients for … are also high, so oxygen con… considerably elevated by high… tures up to 32.5°C (Fig. 2, … Size-dependency further incr… ration. Small individuals oc… or damp areas and respire fa… ter. Large individuals occur … rocks and are exposed for lo… to high air temperatures. Th… faster in water over the tem… range normally encountered d… mergence, but faster in air … higher temperatures experien… ing day-time low tides (Fig. …

size ranges capitalise on environmental circumstances, keeping respiration high. Thus, the high respiration rate of *P. oculus* can be viewed as part of an ability to maximize turnover of energy, a strategy which is made possible by the abundance of food in its natural habitat.

In contrast, *Patella granularis* has very little food on the bare rocks of the upper shore, and conservation of energy may be more critical than a rapid turnover of energy. The reduction in food availability may be offset partially by its also feeding during low tide at night (and during the day if temperatures are low and humidity high). However, intraspecific competition is often high, limiting body size and reproduction (Branch, 1976). The harsh conditions of the upper shore result in a low longevity of about 4 years, and an unstable population structure dictating at least a moderate growth rate and a high reproductive output (Branch, 1975b). Respiratory energy losses may be particularly critical, since *P. granularis* is exposed for long periods and reaches high body temperatures during the day.

Such losses are reduced in *Patella granularis* primarily by suppression of … of oxygen consumption (Fig. 2); … the R-T …s result in … temperature …s occur … migration, …y rate in air …is true for …cur low on … for longer … in water …ups thus fur…on by their … and water. …learly adap…olic expendi…ese are re… availability …l level. De…nised with …tures occur…ns at each …t the lower…e upper-shore …etabolic ener…-shore *P. ocu*…d *P. granularis* …d availabili… energy re… *P. cochlear* … long life span, … reproductive …ding can occur … of immersion …hen the tide …etabolic re…

Now paint prices go up by 10%

RDM 5/4/79 183

By INGRID NORTON

TWO of South Africa's major paint manufacturers expect additional costs of millions of rands this year — and have put paint prices up by 10%.

The increase, which has been blamed on the rise in price of all raw materials, especially oil, takes effect from next week. Some manufacturers have already put up their prices.

"We expect extra costs amounting to R7 500 000, so even water-based paints will be affected," a spokesman for a large company said.

"The whole thing started with oil, now labour and delivery costs have gone up. Although there is no oil-based ingredient in water-based paint, there are other ingredients such as a white pigment called titanium which is used in all paints. The eight refining processes it undergoes use one ton of oil to one ton of titanium.

"Paint manufacturers are at the end of the line of oil by-products and get all the smacks. So many people, like Sasol, have cashed in on overseas oil increases, and have used it as an excuse to put up prices. It is not justified," the spokesman said.

The price of paint is not controlled at Government level. Prices are determined by manufacturers.

Mr Raymond Ackerman, the chairman of a large chain store, said he believed 50% of inflation could be avoided in South Africa if manufacturers would compete on price and not discuss prices together.

"We all know that some inflation is imported and that can't be helped. But it is the suppliers who protect the price increases.

"Many of them will not supply to us because we cut our prices right down. In some areas we can't get goods unless we agree not to cut our prices."

Mr K Dienste, the chairman of another large group of paint manufacturers, said their prices would go up by 10% on April 9

FEDMIS

FM 6/4/79 183

Acid reversal

Activities: *Holding company with interests in heavy chemical and fertilizer producers Owned 31,6% by Fedchem and 23,6% by IDC*

Chairman: *J H Smit, managing director G Mrkusic*

Capital structure: *42,1m ordinaries of R1 Market capitalisation R117,9m*

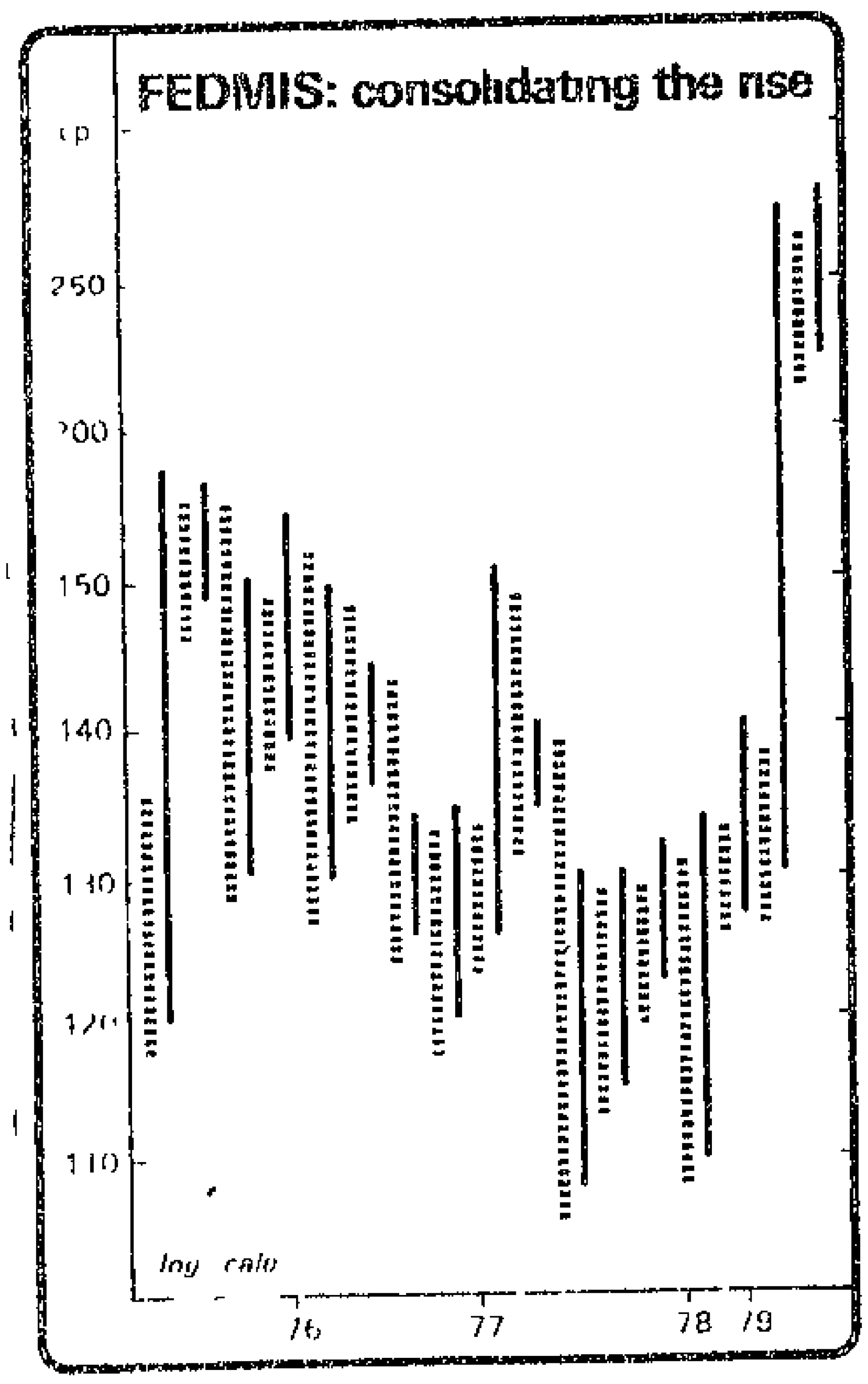
Financial: *Year to December 31 1978 Borrowings long and medium term, R28,8m, net short term, R12,9m Debt equity ratio 72,9% Current ratio 1,7 Net cash flow R18,2m Capital commitments R3,5m*

Share market: *Price 280c (1978 79 high 285c, low, 177c, trading volume last quarter 331 000 shares) Yields 9,9% on earnings, 6,6% on dividend Cover 1,5 PE ratio 10,1*

	'75	'76	'77	'78
Return on cap %	20 4	17 4	15 8	21 0
Turnover (Rm)	118 8	129 0	163 0	194 8
Pre tax profit (Rm)	13 7	11 1	16 1	20 3
Gross margin %	11 6	12 2	7 9	13 3
Earnings (c)	27 5	22 5	20 3	27 7
Dividends (c)	16 5	16 5	16 5	18 5
Net asset value (c)	115	116	120	133

While growth prospects are clouded by the current drought and escalating costs, this year's phosacid turnaround should lead to increased earnings

Despite a larger than expected phosacid loss due to higher costs last year, Fedmis increased attributable profit 26,4% to R11,6m (R9,5m) as the benefits of diversification into the production of non-fertilizer chemicals and the production of by products flowed through Chairman Hendrik Smit points out that the 89% increase in cement turnover had a significant impact on earnings



FEDMIS: consolidating the rise

Cement is produced from the clinker resulting from sulphur dioxide production, which is in turn an offshoot of the phosacid plant Technical problems which limited cement production have been resolved and the resultant 89% turnover improvement helped make a substantial contribution to higher profits

With improved cash flow of R18,2m (R16,4m) the company was able to reduce total borrowings to R41,7m (R54,3m) with a corresponding beneficial effect on return on capital However, future returns could be set back by higher replacement costs Smit points out that the profit improvement of the last few years was largely due to high volumes being achieved in plant that is 15 years old

Replacing existing plant would cost about three times the original cost, with effective unattractive returns on capital Although the price controller had assured the fertilizer industry that the higher plant replacement cost will increasingly be taken into account, Fedmis intends diversifying further out of the fertilizer sector Meanwhile it has increased its provisions for plant replacement to R4,1m (R3,1m) over and above the normal R7,8m (R7,4m) depreciation — a move which has again attracted a qualified auditors' report

The additional provision had the effect of reducing earnings by 5,6c, though it is difficult to fault management's conservative approach

This year's earnings could be adversely affected by cut backs in fertilizer purchases by a drought-hit farming sector exacerbated by the 60% reduction in the State's subsidy on fertilizer purchases This together with the 12,2% fertilizer price hike so far this year should impact unfavourably on fertilizer volume

A further unfavourable factor is the high cost of sulphur, as Iran, which previously supplied about 20% of the company's annual 250 000 t consumption, ceased deliveries and weather conditions in Canada and Poland prevented those countries from meeting their commitments Fedmis has had to pay a premium for sufficient sulphur to keep its plant operating

With the world phosacid price apparently set to reach $350 by the end of the year, the pre tax contribution of Fedmis's 165 000 t P205 plant could be in the region of R4m assuming break-even costs of $280 and an average phosacid price of over $300.

Improved export revenues should enable the company to achieve earnings of around 32c and pay total dividends of 21c for a 7,5% prospective yield On this basis and despite uncertainties in the local fertilizer market, the share is attractive to investors with medium-term objectives

Peter Pittendrigh

AECI

Profit explosion

(183) FM 6/4/79

Activities: *Chemical and explosives producer which owns 60% of PVC from coal facility, Coalplex, 49% of Triomf and 100% of SA Nylon Spinners. AECI is controlled by Anglo American Corporation and ICI, each holding 40% of the equity.*

Chairman: *H F Oppenheimer, managing director: D N Marvin.*

Capital structure: *148,6m ordinaries of R1; 3m 5,5% cum prefs of R2. Market capitalisation: R713,3m.*

Financial: *Year to December 1978. Borrowings: long and medium term, R165,2m. Net cash. R24,3m. Debt:equity ratio: 51,5%. Current ratio 2,0. Net cash flow: R81,0m. Capital commitments. R61,7m.*

Share market: *Price: 480c (1978-79: high, 480c; low, 205c; trading volume last quarter, 348 000 shares). Yields: 7,8% on earnings; 4,6% on dividend Cover· 1,7 PE ratio 12,8.*

	'75	'76	'77	'78
Return on cap %	6,4	11,8	12,3	17,4
Turnover (Rm)	364	432	590	704
Pre-tax profit (Rm)	48,6	54,6	64,6	95,3
Gross margin %	16,3	14,6	13,3	15,5
Earnings (c)	33,4	29,8	24,7	37,6
Dividends (c)	18	18	18	22
Net asset value (c)	232	219	233	254

If consumer demand shows the expected response to the government's budget measures, AECI should be one of the first to benefit through the multiplier effect on manufacturing production The group's products are used widely in the manufacturing sector and it is likely that the chemicals and synthetics divisions will lead the year's profit improvement.

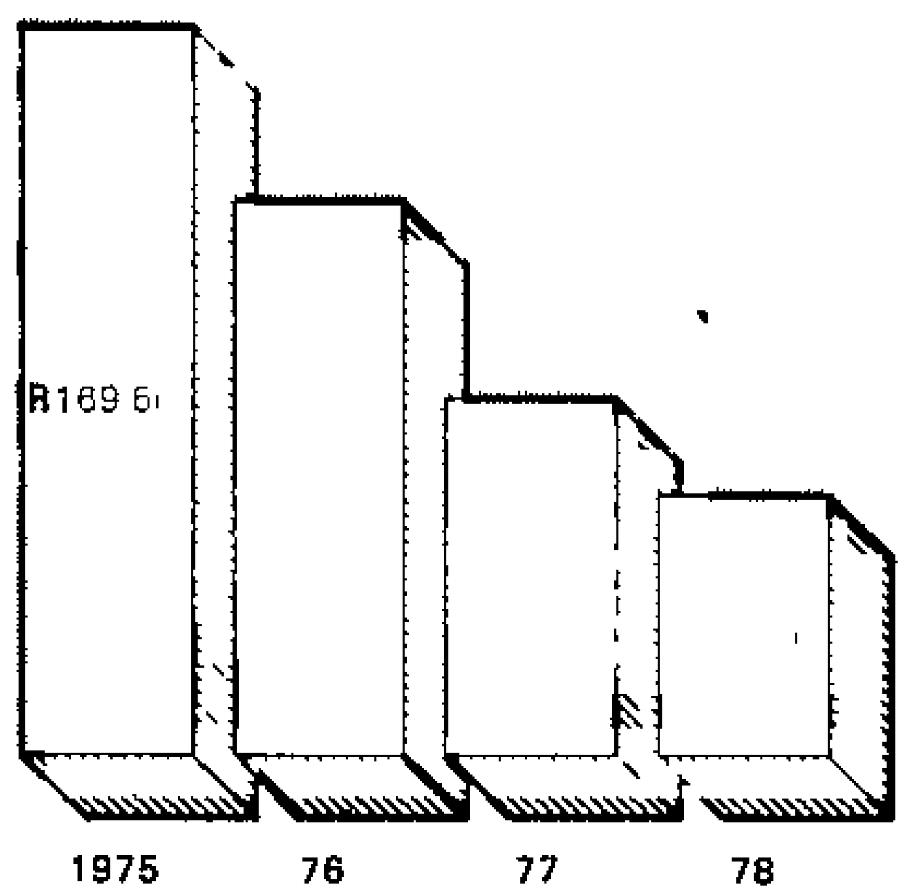
Last year's profit growth was largely due to the agricultural division, SA Nylon Spinners and a smaller than expected loss from Coalplex.

Group attributable profit rose 54% to R57,3m (R37,2m) on a 37,1% increase in sales. This excludes a R4,5m (R16,4m) tax saving on investment allowances and exchange losses transferred to and from the non-distributable reserve. Had the tax saving and exchange losses been included in attributable profit, earnings would have increased 20,7% to 40,8c (33,8c)

While financial director George Thomas concedes that this method of bringing these items to account deviates from generally accepted accounting principles, he is not prepared to do it any other way, even if it means having a qualified set of accounts — as was the case again this year.

He explains that "we don't regard the investment allowance, which is essentially a government grant against investment expenditure, as being distributable. Regarding the exchange losses, we feel that these accrue over a period and don't necessarily relate to the year in which the losses occur."

CAPEX DECLINE



The agricultural division's strong profit improvement was due largely to the improved production at the coal-based No 4 ammonia plant at Modderfontein Last year, improved efficiencies hoisted AECI's total ammonia production to a record 500 000 t

The group hopes to achieve full production at these plants this year, with the commissioning of a 7 800 t nitric acid plant and an 11 000 t nitrate plant, which will balance the overall nitrogenous operation at Modderfontein. The increased production should find a ready market with local demand rising and an available export market — last year 90 000 t of urea were exported

PROFIT CENTRES

	Turnover 1978	Turnover 1977	Trading profit 1978	Trading profit 1977
	Rm		Rm	
Agriculture	117,9	92,5	21,3	4,3
Chemical	166,2	161,5	15,1	25,8
Explosives	145,6	124,4	31,1	25,3
Plastics	273,8	211,8	36,3	20,3
	703,5	*590,2*	*103,8*	*75,7*

Triomf's forecast of a dividend will not benefit the agricultural division as it accrues to the group as income from investments. In any event, AECI will not receive this dividend until next year

Almost as significant as the agricultural division's performance was that of the synthetic polymers (plastics) division, which weighed in with 35,0% (26,8%) of group trading profit. The division's 78,8% trading profit improvement was due to a significant increase in demand for local textiles which resulted in higher demand for Sans' products Sales were helped by the higher textile duties, the import surcharge and a weaker dollar, which improved Sans' competitive strength.

The 41,5% trading profit drop of the chemical division was largely due to Coalplex. However, high output volumes achieved last year — the first full year of production — resulted in 22 000 t of PVC exports and lower-than-expected losses, with a favourable impact on group profits. Coalplex cost 12% less than expected, and this resulted in a R15m capital saving to AECI.

The explosives division, which contributed a diminished 30,0% (33,5%) of group profit, can be expected to enjoy continued profit growth largely on demand from the mining sector.

Although AECI's capex has declined in the past three years, a major polyethylene project, expected to cost some R120m and doubling the Midlands plant's capacity, awaits board approval.

Other expansion plans include the new Modderfontein nitrogen plants, a plant to manufacture major ethical drugs, and increasing the production facilities at Sans.

On the back of the strong cash flow the group is steadily reducing its debt structure and should significantly reduce last year's R14m (R13,9m) interest bill.

The share has risen from 215c to the current 470c over the year, but still looks attractive on growth potential and yield considerations.

Based on chairman Harry Oppenheimer's forecast that "profits should show a further improvement in 1979," and on economic prospects, earnings could be around 50c, from which a 1,8 times covered 28c dividend could be paid for a 6% prospective yield. Depending on tax considerations, some investors might find the options offer a cheaper route into the company

Peter Pittendrigh

each by Michael Rapp and Stanbic

Chairman and managing director: *D Gordon*

Capital structure: *10,9m ordinaries of R1 5,2m 7% cum red prefs of R1 Market capitalisation R158,3m*

Financial: *Year to December 31 1978 Borrowings: long and medium term, R21,7m Debt;equity ratio: 28%*

Share market: *Price 1 450c (1978-79· high, 1 500c; low, 100c, trading volume last quarter, 53 000 shares). Yields: 7,9% on earnings; 5,9%* on dividend Cover: 1,3. PE ratio: 13,0.*

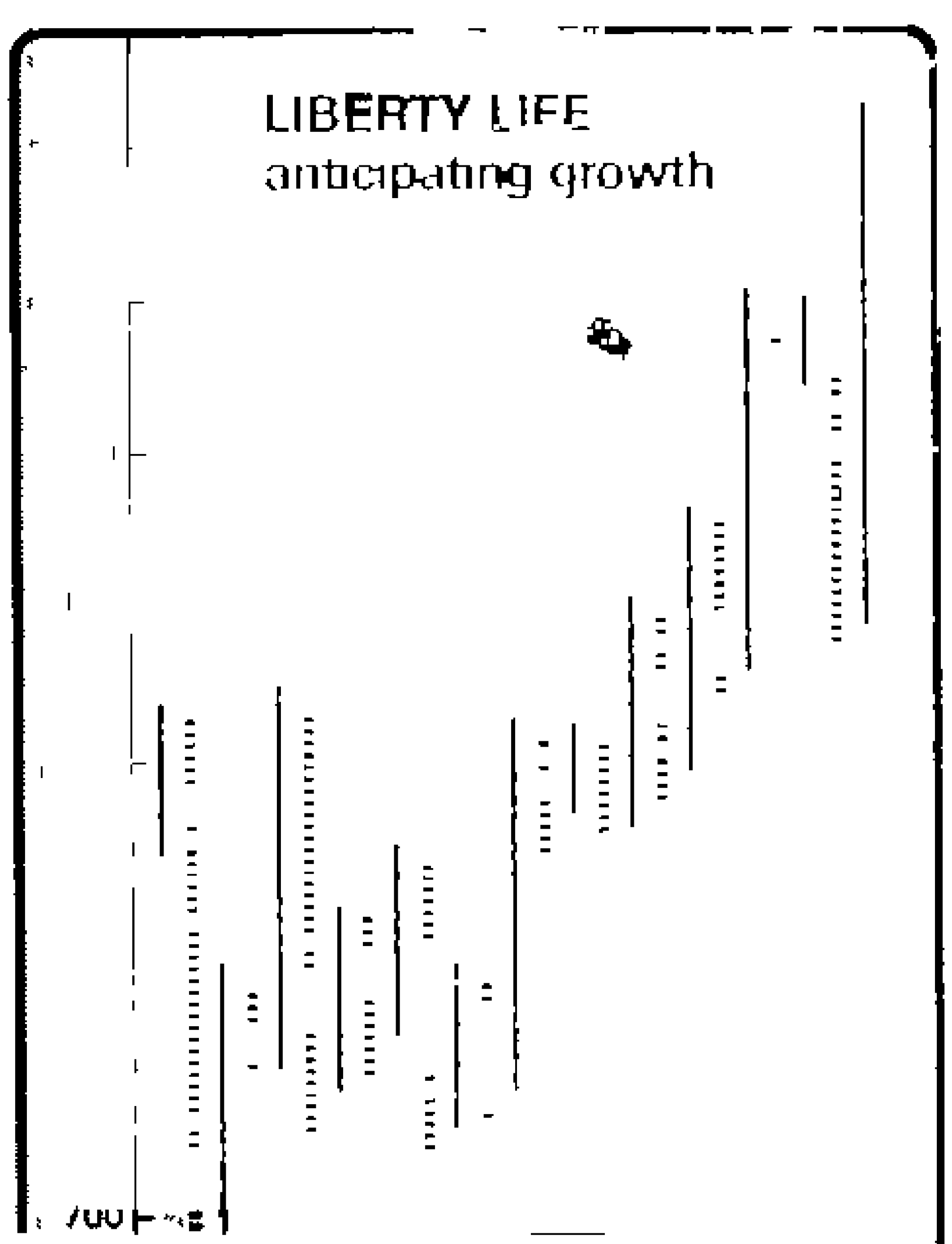
	'75	'76	'77	'78
Total assets (Rm)	388,2	479,3	621 2	737,6
Life fund (Rm)	314,1	371,2	451,6	560,8
Investment income (Rm)	27,6	34,1	39,8	47 7
Net premium income (Rm)	67,0	80,6	94,3	113 8
Claims ratio†	13,9	15 7	37,1	33,0
Expenses ratio	29,4	27,3	24,5	23,0
Claims and benefits (Rm)	9,3	12,6	35,0	37,6
Commissions & expenses (Rm)	13,4	14,4	23,7	26,2
Income/outgo	2,2	2,2	2 2	2,4
Taxed profit attributable (Rm)	6,2	8,4	10,4	11,4
Earnings (c)	73,1	94,9	84,7	115,2
Dividends (c)	54	64	74	*86
Net asset value (c)	473	571	651	581

**Excludes special dividend of 50c*

†Claims and policyholders benefits net premium income

LIBERTY HOLDINGS

Capital Structure: *44,3m ordinaries of 25c. 12m cum prefs of 10c†. Market capitalisation· R119,4m*



Financial: *Year to December 31, 1978 R21,7m Borrowings long and medium term, Debt.equity ratio 17,8%*

Share market: *Price 270c (1978-79 high, 270c, low, 154c, trading volume last quarter, 245 000 shares). Yields 8,7% on earnings, 5,0% on dividend Cover 1,6 PE ratio 11,5 earnings 23,5c (1977 19,3c dividend 15c (12,8c), nav. 134c.*

†A further 3m 11c dividend cum prefs of 10c issued at 115c after year end

Estate duty, retirement annuity and retirement gratuity concessions in the Budget have underpinned the share prices of the Liberty twins Both went ex-dividend on Friday, Liberty Life to the tune of 68c and Liberty Holdings 10c.

Nevertheless, Liberty closed at 1 450c against 1 500c on Budget day, while Liberty Holdings closed at 270c against 263c on March 28.

Chairman Donald Gordon, unlike some other long-term insurers, is lukewarm about the concessions, saying· "The market grows steadily from year to year and is affected more by living standards and the rate of inflation than anything else."

The feeling at Liberty seems to be that only the concession enabling the self-employed to deduct up to 15% of taxable income by way of contributions to retirement annuities will really affect performance The measure affects only the relatively rich and at this stage a "self-employed person" is too vaguely defined to generate excitement, but the wider the definition, the better for the long-term insurers

ANNUAL GROWTH (%)

	*'74	†'75	‡'76	'77	'78
Net premium income	74	1	20	17	21
New recurrent business	60	22	14	19	11
Investment income	93	25	24	17	20
Earnings	24	25	16	16	16
Dividend	25	20	19	16	16
Sun Life merger*	25	20	19	16	16

†Minorities in Real Estate Corporation taken out

‡Full control of Rapp and Maister acquired and Fugit stake increased to 43% and in 1977 and 1978 to 65%

It was partly, if not largely, on the strength of retirement annuity business that Liberty Life made big inroads into the long-term market But as the market share table shows competition is intensifying

MARKET SHARE (%)

	'76	'77	First half '77	First half '78
Non-pension recurring premiums	11,6	11,5	11,8	11,9
Group business	3 6	3,1	3 3	3,3
Retirement annuity	16,5	16,0	16,8	15,6
Ordinary endowment/whole life	9,7	9,6	9,7	10,2

Liberty's Gordon . . . life is great

With total assets of R737,1m up 19% from R621,7m, funded by equity of R103,7m (R96,9m), debentures and long-term loans of R21,7m (R22,2m), a life fund of R560,8m (R451,6m) and unchanged current liabilities of R50,9m, Liberty Life is as financially solid as ever.

Net premium income and new recurrent business up 21% and 11% respectively are back on a growth tack, after slowing down in 1977, while surrenders at about 16% of net premiums and management expenses have both been well held And once again investment income surged — last year by 20% to R47,7m. Claims appear to be rising, partly due to the Manufacturers' Life and Sun Life business acquired in 1974 and 1975 and partly due to the maturation of some of Liberty's own business

Liberty ranked third among long-term insurers in the management expenses ratio stakes in 1977 Its mortality experience is still "better than average," due largely to its concentration on the upper income bracket and its stringent health screening of potential lives

There have been several changes in the investment portfolio over the past three years Whereas property made up 28% of the portfolio in 1976 after the Real Estate Corporation minorities were taken out and full control of Rapp & Maister was acquired, property now accounts for only 24% despite expansion in R&M and Eastgate in particular The equity content is up from 8% to 18% while gilts now make up 33% (30%) of the total portfolio. Higher equity and gilt prices would obviously partially account for the change.

Disclosed earnings are pretty nebulous and cover of 1,3 is understated. There are substantial retentions in the life fund, 242 183

NORISTAN NEEM SCS-GROEP OOR

Deur ALPHONS DU TOIT

MET die oorname van die SCS Farmaseutiese groep van Johannesburg is die Noristan-groep nou op een na die grootste maatskappy in die private sektor van die land se farmaseutiese bedryf.

Die oorname van SCS (vir 'n bedrag wat streng geheim gehou word) het gevolg op 'n deurtastende ondersoek en onderhandelings wat agt maande geduur het Die transaksie is deur Finansbank van Johannesburg beklink Die finale koopkontrak is Woensdag onderteken

Dr Hugo Snyckers, besturende direkteur van die Noristan-groep het aan my gesê „Na verwagting sal die Noristan-groep se omset, wat nou meer as R10 miljoen per jaar beloop, weens die oorname met tussen 30 persent en 40 persent toeneem Dit sal vanselfsprekend die posisie van die Noristan-groep in die private sektor van die Suid-Afrikaanse farmaseutiese mark dramaties verander "

Dié groep beklee tans die sesde posisie in die mark en sal nou maklik na plek nommer twee opskuif.

Grootste

„Maar wanneer verkope aan die openbare sektor asook kontrakvervaardigings vir ander etiese maatskappye in berekening gebring word is Noristan reeds waarskynlik die grootste vervaardiger van etiese farmaseutiese produkte in die land "

Volgens dr Snyckers bestaan tussen 50 persent en 60 persent van die totale farmaseutiese mark (wat sowat R164 miljoen per jaar beloop) uit verkope aan staatsinstansies en die openbare sektor in die algemeen „'n Aansienlike persentasie van hierdie verkope bestaan uit generiese middels, of ons daarvan hou al dan nie

„Ons was al geruime tyd op die uitkyk en die SCS-groep het geskik geblyk Dit beskik oor 'n afdeling vir etiese produkte, 'n reeks patente-medisyne en 'n beduidende aandeel van die generiese mark "

Registreer

Met die oorname van die SCS-groep sal Noristan ook nou in besit gebring word van nuwe produkte wat reeds bemark word, op 'n tydstip wanneer dit al moeiliker word om sulke produkte, veral patente-medisyne te registreer en om volgehoue groei en markpenetrasie te bewerkstellig

Die maatskappye wat deur Noristan-groep aangekoop is sluit in SCS Farmaseutiese Laboratoria, Ethimed, en Satab Labatoria, wat gesamentlik as die SCS-groep bekend staan

PAINT

We will survive

Small [illegible] litre, [illegible] 80-odd [illegible] 90%- [illegible] total turnover [illegible]

[illegible] Evans tops [illegible] market share In the six months to [illegible] March Plascon-E[illegible]

Painters at work . . . looking for growth

pushed up turnover over 25% to R60,4m (R48,3m) with profits hiking 18,3% to R6,3m (R5,4m) MD John Dixon says, "Values have been distorted beyond recognition by inflation with prices almost doubling over five years "

A 37%-38% share of the market belongs to the wholly-owned AECI subsidiary Prolux Paint Holdings, whose stable includes Dulux, Rockgrip, Elvolac, Albertono, and Duco Vice-chairman of the SA Paint Manufacturers' Association and Prolux MD, Klaus Dienst, says "We don't publish turnover but we're looking for R65m-R70m this year "

Market share crumbs are left for smaller manufacturers and the "backyard boys" who, says one of the big manufacturers, are mostly one-man outfits or small-time operators showing a nasty tendency to fold swiftly

Neverthless their turnover "could be 7%-10% of total turnover, but that is a thumbsuck," says one industry spokesman "Their speciality is making low quality PVAs that require little manufacturing expertise "

The paint industry is widely diversified The decorative market predominates and represents 55%-60% of turnover The trade market represents 40% and hives off into many sectors like the automotive and refinishing markets where Prolux predominates with a 60%-70% share of both

Overall the industry shows a 3%-4% growth over the last two years Improved economic conditions, says Dienst, should make for 6%-7% growth in 1979.

The industry he says is "seeing all benefits of the upturn in [illegible] pressed areas [illegible] activ[illegible]

tal projects " He points out the paint industry is "right at the end of the construction cycle " Plans passed benefit the industry only after roughly 18 months Conversely a downturn's adverse effects are felt later

With the industry "covering a huge field of activity," says Dixon, "it's been relatively smoothed out from the recession " Though certain areas are depressed, home decorating has spurted forward Says Dienst "In difficult times people tend to move houses less but concentrate on redecorating and upgrading "

Paint, however, like everything else feels the crunch with increased raw material and production costs Oil-based raw materials, solvents, chemicals have upped 20%-25% Labour and production costs have increased steeply too

Putting up prices by 10% in April only covered raw material price increases says Dienst "It hasn't touched labour, rates, taxes " It's agreed that the industry is absorbing at least 15% of cost increases resulting in slashing of profit margins "It's through sheer size and volume sales that we make out," comments Dienst

Adds Dixon "Profit margins have gone to hell Profitability is no more than 6%-8% on sales " He admits price hikes must affect demand, "but not catastrophcially" Price increases over the last 15 months now total 25% and yet costs are still being absorbed by manufacturers Says Dixon "What saves the industry is because it is so competitive you can't get away with exorbitant price increases We have to be efficient to survive "

6/6/79

245

183

BUSINESS

Pharmaceutical price control not needed — review

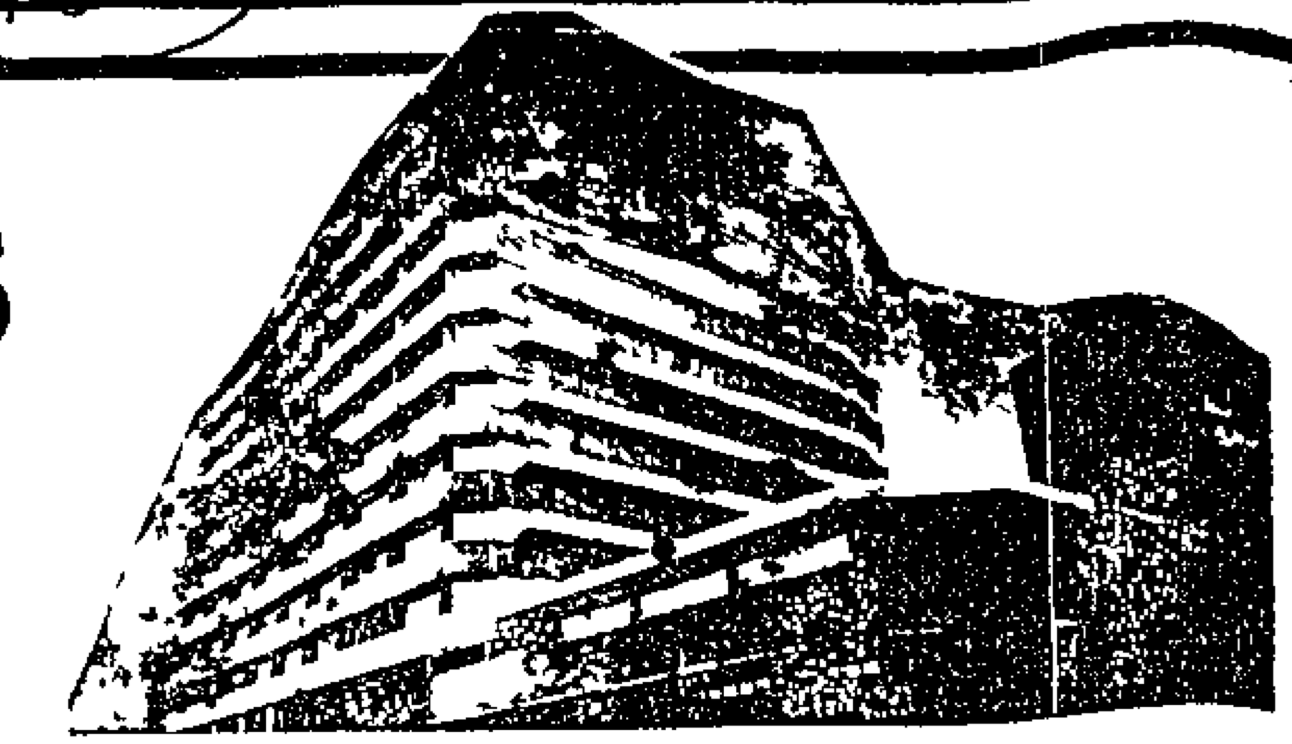
Price control in the highly competitive pharmaceuticals industry is unnecessary and inefficient and should be discarded, is the call from the Standard Bank.

In its latest review the bank points to the modest recovery being experienced in the pharmaceutical industry as a result of more open handed public sector spending policies and a firming of the job market.

And the demand for drugs is expected to improve further with private sector sales of over the counter drugs to blacks improving particularly, and the demand of public sector institutions continuing to rise in line with the growing emphasis on social spending.

But continued fierce competition plus a wave of inevitable cost increases likely to arise from escalation in oil-based product prices will continue to pressurise margins. "Under these circumstances price control, basically inefficient and unnecessary in a highly competitive industry, will not play a useful role and should therefore be discarded in the interests of the industry and the country," says the review.

Phosacid demand adds lustre to Triomf



TRIOMF and Fedmis have signed contracts to supply Brazilian buyers with phosphoric acid at a three-year record price of $370 a ton cif during the current third quarter of 1979

While world phosacid capacity still exceeds demand, most plants — particularly in developing countries, for technical reasons — are unable to attain rated capacity

So prices are expected to go even higher in the final quarter and to continue to rise for the next two years, making the medium term outlook rosy

One problem is that the price of imported sulphur, a vital ingredient in the sulphuric acid that goes into phosacid, has also rocketed

While Fedmis estimates that the cost of sulphur in a ton of phosacid is "nearly half the fob realisation for phosacid", Triomf says the current sulphur cost is about $120 a ton of P_2O_5

The cost may be lower to Triomf because its plant is nearer the coast and is still operating on contracts signed some time ago

Still, sulphur prices are a brake on profits But phosacid prices are expected to outstrip sulphur prices in the next two years, largely because of long-term sulphur contracts already signed

The SA phosacid suppliers claim to be beating the prices of other suppliers by $20 a ton at present, so future orders and prices look secure But widespread drought will probably depress local demand for fertiliser so, despite price increases profits here will be lucky to level-peg

While Triomf s phosacid plant operated at only 75% capacity last year in producing 300 000 tons of P_2O_5, it is now working at 96% capacity, or an annual rate of 385 000 tons A seventh concentrator line will bring capacity up to just over 400 000 tons by July

Triomf last year reckoned it needed $265 per ton cif to break even before finance charges Sulphur costs may have pushed this up to $290 per ton

If an average phosacid price of $340 for the year can be attained, this will translate into a gross profit of R16,5-million from phosacid alone

Assuming domestic fertiliser gross profits are unchanged at R12-million and an interest bill of R13-million (R15-million), group pre-tax profits will be R15-million odd

Tax will be nil and minorities about R7-million, making taxed attributable profits R7-million to R8-million and earnings about 57c

So, despite the higher phosacid prices, I would not expect Triomf's earnings in the current year to greatly exceed Mr Luyt's forecast of "not less than 60c" this year

Louis Luyt's earnings target anticipated current phosacid prices but perhaps not sulphur prices It was certainly quite ambitious I would not expect more than a token dividend of 5c to 10c even if 60c of earnings is achieved

Last year Triomf's debt-equity was a daunting 705% and total net borrowings were equivalent to 17,4 years' net cash flow True, a good portion of the loans were from shareholders but the interest bill was covered a slim 1,2 times by gross profits

So even though current cash flow of R20-million plus in the operating company may be adequate to meet loan repayments over the next three years, there is a strong need to reduce borrowings

Assuming breakeven at Fedmis to be $290 per ton and an average price for the year of $340, phosacid gross profits at this 165 000 tpa plant could approach R7-million against a small unquantified loss last year

While domestic lime and fertiliser profits may be down on 1978, fertiliser exports should be appreciably higher, so these divisions should level peg

The nitrogen division uses oil-based naptha, so might have been hit by higher raw material costs, while cement and animal feeds are unlikely to have made a big impression on prospects

But in the light of the boost from phosacid, it would be surprising if Fedmis earned less than 35c after additional depreciation of 7c — a 25% improvement on 1978's 27,7c

Policy is to increase cover, so the dividend looks unlikely to exceed 20c, putting the share on an 8,9% prospective yield

Both shares look good value on a two-to-three year view

Oil strike rumours in perspective

Sun Times Bus. 24/6/79

Diagonal Street

By DAVID CARTE

FOR some weeks, the market has been a-buzz with rumours of an oil strike near Mossel Bay

Rumours have grown increasingly wild One has it that 5 000 houses are being built there, another that new electrical installations "big enough for an industrial town the size of Vanderbijlpark" are under construction

Fact is, drilling rig FP1 has just completed a borehole 4 000m deep and, on the way down, there were some faintly encouraging oil-'shows' Now the borehole is completed and is being tested

Starting from the bottom, sections of the hole are blocked off and an explosion triggered The big hope is that the borehole casing will be ruptured in a relatively soft oil-bearing strata and that oil will flow

Testing could be completed this week

Dr PJ van Zijl, managing director of Soekor, says the results of the test will be announced "as soon as possible"

If there is a significant strike, the Prime Minister or Minister of Mines will announce it If not, Dr Van Zijl will

In the meantime it's crazy to think they would sit on the information or build a town before they knew for sure

Soekor's financial manager, Mr W F J van Zyl, last year estimated the capital cost of a "small" off-shore field of 80-million bbl at R150-million

Such a field would yield 30 000 bbl a day for seven years Operating costs over seven years would be R240-million, which would translate into a profit of R150-million to Soekor, R280-million for the State in taxes — and save the country R1 400-million in foreign exchange

His projections were on crude prices obtaining before the Iranian revolution and the current oil crisis. These developments would presumably have made an even smaller field a viable proposition

Exploitation of the gas well discovered off Plettenberg Bay in 1969 seems to be a more immediate prospect than a big oil strike

In 1973 Dr F W Quass, then managing director of Soekor, said proven reserves were "0 5-trillion cubic feet"

As liquified natural gas (LNG) for export to the US, he valued the potential revenue at R500-million, assuming a price of R1 per cubic ft

An undersea pipeline today costs R1-million to R2-million per km The well is 70km off the coast, so the capital cost of landing the gas would be R140-million

Two Soekor experts recently told the Confederation of Civil and Mechanical Engineers in Pretoria that the most economical way to exploit the gas field was to convert the gas to methanol on an off-shore platform and to ship it to shore The estimated capital cost of a processing platform was R200-million

Now, this was presented only as a technological possibility

Much will depend on the comparative advantages or disadvantages of further petrol from coal or from sugar cane or maize plants

The gas, valued at R500-million as LNG way back in 1973, must be much more valuable today — especially as methanol

Considering the country's strategic position and on the most superficial sums, I would expect a go-ahead for both exploitation of the gas field and construction of ethynol plants in the not-too-distant future

Good energy news would lift the entire market and the economy definitions

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

TWINS

FM 6/7/79

Still speculative

Activities: *Holding company for pharmaceutical, medical and cosmetic manufacturing and distributing interests Alex Lipworth is a listed subsidiary*

Chairman. *S Krok, managing director A Krok*

Capital structure. *6,2m ordinaries of 50c 66 500 6½% cum prefs of R2 Market capitalisation R5,3m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R656 000, net short-term, R1,1m Debt equity ratio 25,7% Current ratio 1 7 Net Cash flow R1m Capital commitments R96 000*

Share market: *Price 85c (1978-79 high, 100c, low, 35c, trading volume last quarter, 62 000 shares) Yields 28 4% on earnings, 11,8% on dividend Cover 2,4 PE ratio 3,5*

Not only did earnings increase for the first time in three years, but the balance sheet is now much stronger Total borrowings have been reduced from R3,3m to R1,7m to give a much more comfortable debt equity ratio of 25,7% (56 9%) and the interest bill has been pared from R477 000 to R272 000

	'75	'76	'77	'78
Return on cap %	33 9	28 3	22 2	32 6
Turnover Index*	135	142	148	166
Pre tax profit (Rm)	2 4	2 2	1 6	2 6
Earnings (c)	26 4	21 6	14 8	24 1
Dividends (c)	13 0	8 0	5 0	10 0
Net asset value (c)	72	84	89	103

*1972 100

Given the better financial position, it is not surprising then that the dividend was doubled to 10c — or that the founding Krok brothers have decided against taking out minorities

Talks have been in progress since December and the shares in both Twins and listed subsidiary Alex Lipworth were suspended in February Although no price was mentioned at the time, chairman Solly Krok told the *FM* the directors intended offering minorities between 70c and 80c (the December range was 70c to 80c, and the February re-instated price between 90c and 100c)

In the current year the group is optimistic that, provided economic conditions improve sufficiently, earnings and return on capital employed will continue to increase Krok points out that Twins is influenced to a large degree by growth in black spending power and that the average real household income of blacks continues to grow more rapidly than for other population groups

But even allowing for the sharp profit recovery and attractive yield, investment at this stage is still speculative. It would be wiser to wait until the full effects of price hikes on disposable black incomes become apparent

Jean Moon

results and dividends

SUNDAY TRIBUNE, JULY 15, 1979

Supl.

Tribune 15/7/79

Censor free in porn film case

(183)

By Tony Spencer-Smith

THE STRANGE saga of the censor and the sex films came to a happy ending this week for Cape Town businessman Mr Richard Borden 42, when he was acquitted in the Wynberg Magistrate's Court of possessing four pornographic films.

Three of the films were exotically titled Doctor Sex, Doctor in Bed and Sea Lovers.

Mr Borden, of Robin Borden Motors (Pty) Ltd, a Cape Peninsula service station and used-car chain, told the SUNDAY TRIBUNE after the not-guilty verdict that he found the whole thing "rather amusing". And he said he had no knowledge of how the films came to be among the rubbish which he had cleared out of one of his business premises in October last year.

He said he was a member of the Cape Town Book Censorship Committee of the Directorate of Publications. "I don't censor films and my censorship work had absolutely nothing to do with the films being on my premises.

Used car

"I wish I knew how the hell they got into the rubbish," he said. "Perhaps they came from a used car traded in or something.

"I found a black bag among rubbish which had overflowed from the bins outside.

"When I looked inside I found boxes containing the films. The boxes had two explicit photographs on them. I didn't take a look at the films — I knew at once they were something with which I wanted nothing to do."

He said he immediately gave the films to an employee, Mr Ismal Sait, to throw away, but apparently he had not.

"I think he took them home. How the police got involved, I don't know."

According to evidence, Sergeant Johan Engelbrecht went to Mr Borden's house and questioned him on the evening of the day Mr Borden found the films.

He searched the house but found no indecent matter. He then took Mr Borden to his business premises and searched them, but again found nothing.

Confidential

When the SUNDAY TRIBUNE asked Mr Borden what qualifications he had to be a book censor, he said that information was confidential.

Mr Sait, who still works for Mr Borden as a used-car salesman, said he had been given a suspended sentence a few months ago for being in possession of the films.

"I was told to get rid of them by Mr Borden when he found them, but I didn't," he said.

Two of Mr Borden's young daughters said they had been told very little about the case against their father.

The Magistrate, Mr M. S. Knox, said that because Mr Borden had immediately discarded the films, he could not find him guilty of possessing them.

TRIOMF

Heading for [illegible]

If chairman [illegible] Luyt is right Triomf shareholders who have [illegible] for two consecutive years won't go [illegible] dividend of 30c a share this year [illegible] says that with [illegible] earnings in the six months to end-June the earlier [illegible] share earnings prediction [illegible] attainable.

On turnover [illegible] first-half trading profit [illegible] R700 000 more than earned the whole of 1978 and a complete reversal of the [illegible] loss suffered in last year's first half.

Triomf has a [illegible] tax loss to be utilised so no tax [illegible] payable for several [illegible] of operating subsidiaries [illegible] and other [illegible] for Triomf [illegible]

Luyt is at [illegible] the [illegible] profit turnaround [illegible] down to a very depressed local [illegible] and can [illegible] fully be fully [illegible] to the higher export volumes in conjunction with greatly improved net margins on phosphoric acid."

Triomf's gearing is such that any improvement in profit [illegible] through on a geometric basis. At last balance sheet date, debt equity was 70[illegible] "Fantastic" gearing, in Luyt's own words.

Financial Mail July 20 1979

The reliance on exported phosacid is not a pleasant situation, however, and Luyt says that "relief" for local fertiliser companies has been applied for and is expected to come through in August. June and early July gave signs of recovery in the domestic fertiliser market. "Should this trend continue, budgeted tonnages will be achieved," says Luyt. And although margins are "alarmingly low" the relief expected in August should have significant effect on earnings if sales keep up. The relief, Luyt stresses, will not be simply price increases "which I do not like."

Triomf needs to earn 46,5c a share this half to meet its forecast earnings. And Luyt is not alone in thinking it can be attained, at this week's 320c a share the market is valuing Triomf on a prospective PE of 5,3. The share price seems to be well under-pinned. And if 30c a share is paid (and payout in 1975 was about 68% of earnings) a buy today would be cheap. It is the type of payout Luyt would like to make if he has the earnings to cover it.

Ian Muil

(183)

F.M. 27/7/79

FEDMIS (183) FM 27/7/79

Fertile growth

Fedmis' first-half net trading profit showed a 21,7% improvement on last year's R3,1m due mainly to the strengthening phosphoric acid market An increased 4,5c (4c) interim dividend was paid from 8,8c (7,5c) earnings Second-half profits, which are normally higher than those of the first half, are likely to receive an additional fillip from this division. Industry sources predict further phosacid price rises due to world shortages

With plant operating at full annual capacity of 170 000 t, and an average margin of approximately R40/t possible, this division's working profit could reach R3,4m in the second half However, costs of raw materials such as sulphuric acid — 3 t of sulphuric acid is required for the production of 1 t of phosacid — have been increasing and margins could be narrowed by the year end In the domestic fertiliser market, record sales were achieved during May and June This should be followed through in the second half, especially as farmers recover from the drought Certainly, the directors are hopeful

Although fuel cost increases are likely to affect fertiliser sales, "relief," probably in the form of government subsidies, which are expected to come through in August (*Fox* July 20), could go a long way to off-setting increased production costs Also income could be raised through higher local sales, if early summer rains save the day

In line with management's cautious but optimistic forecast, of "an overall moderate improvement in group results over the second half of the year", a final dividend of 16c should be within reach

Edward Hung

FM 27/7/79 (143)

AECI

Capex pay-off

If there have been any fears that AECI's pending capex programme for increasing production of polythene and filament yarn would act as a restraint on dividends, first-half results should lay them to rest That is the pay-off for shareholders' patience with the company's recent heavy capex programme

And though MD Denys Marvin warns shareholders of the risks of ever-increasing oil-based feedstock prices, there seems little fear that the historic 2 3 earnings split between first and second halves will not be repeated

For the first time, the 60 40 Coalplex joint venture with Sentrachem achieved a positive cash flow, though first-half project depreciation of R6m will, I reckon, have resulted in a R2m-odd book loss That loss situation should be reversed by early 1980 as the effects of higher volume throughputs work through Elsewhere, with the drought, some slackness in fertiliser sales restrained turnover growth But again, especially for producers of nitrogenous fertilisers, sales should pick up during the second half Couple that with a strong growth market in mining explosives, and the effect of higher volume throughputs at the Modderfontein facility should reflect strongly during the second half.

SANS profit improvement continued though the full benefit of local industry protection has probably not yet been felt

For 1979, overall depreciation will probably weigh in at over R55m with a full year's charge against Coalplex But taking that in conjunction with likely second-half taxed income of R46m, group cash flow before distributions looks set for a healthy R135m

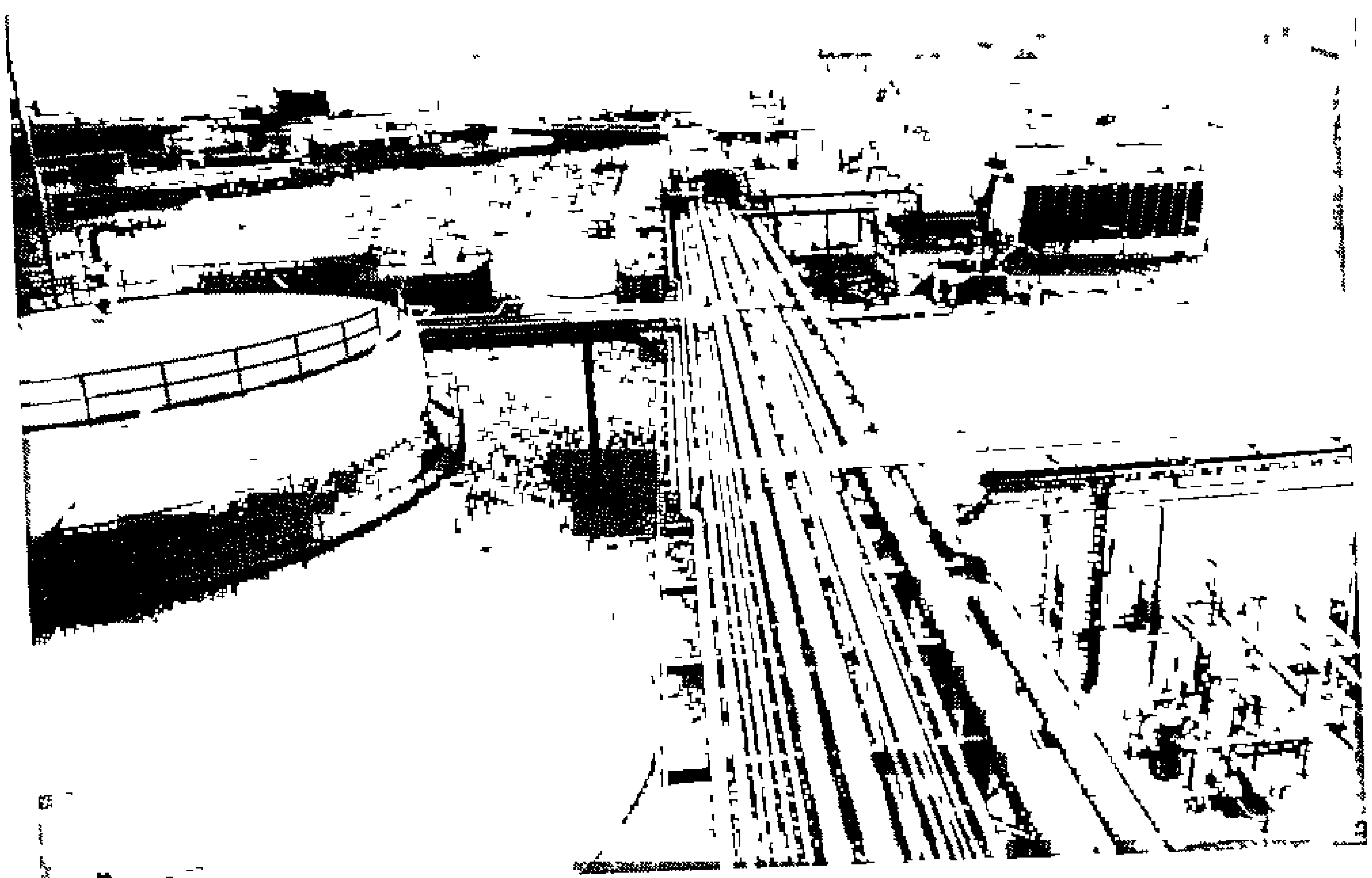
AECI BY HALVES

	Six months to Jun 78	Dec 78	Jun '79
	Rm		
Turnover	332,7	370,8	394,3
Pre-tax profit	40,1	55,2	50,4
Net attributable	22,6	34,7	29,8
Pre-tax margins (%)	12,1	14,9	12.8

That is my estimate, but in addition, finance director George Thomas is confident that further capex can be funded from internal sources and borrowings, while maintaining satisfactory borrowing ratios And that implies at least maintenance of last year's 17,4% return on capital employed on a steady basis

Within the next few months and once agreements for technology and ethylene feed-stock supplies have been concluded, announcement of the group's R120m polythene expansion plans spread over a couple of years should be forthcoming

After first half earnings of 20,1c, a total approaching 50c seems possible AECI's accounting policies are sufficiently conservative that shareholders need not be starved by increased dividend cover That being so, following the higher 12c (10c) interim, a final of at least 14c (12c) could be on the cards for a 6% prospective yield at the share's current 435c *Jim Jones*



Coalplex . . . profits in the pipeline

has been projected forward using the age spe
1970 and taking into account the actual births
group. Allowance was made for migration.

For Africans, a different procedure was adopte
only part of the country was required. The 1
magisterial district was used, the numbers bei
gross population estimates by economic region.

81

DISCUSSION

The crude death rates
Asians and 'coloureds
The interpretation o
the underlying struc
the various groups w
urban Africans, whic
of healthy working
migratory labour si

The standardised mo
experience of a pop
series of age speci
all the age specifi
corresponding numbe
deaths so obtained
this figure is inde
the choice of the st
the deaths in the v
population as a sta
weight to deaths amo
will reverse the pos
ranking of the morta
answer. As the Duk
and statistics'!

Infant mortality rates
is experienced in obtai
Africans are not publis
cal officers of health[9] have estimated the infant mortality rates for
their urban areas. These show considerable variation. (See also ref.15).
A mean figure and the range are given in Fig. 2. These de facto figures
should be interpreted with caution as sick infants are often brought to the
cities from rural areas. An indication of the situation in the rural
areas is given by a sample survey carried out in Cape Town and Transkei
among Xhosa-speaking Africans.[12] An increase in infant mortality was
observed with decreasing urbanisation, the figure for the completely rural
areas being of the same magnitude as those parts of the world devoid of
medical services. Fig. 4 summarises the age specific mortality rates of

... central government The various medi-

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

INFECTIVE AND PARASITIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
	1,99	2,2	9,81	6,60	55,55	51,04	29,36	27,05
	,16	0,13	0,76	0,79	8,27	7,48	3,56	3,42
	,02	0,02	0,07	0,08	0,21	0,21	0,20	0,22
	06	0,03	0,17	0,20	1,14	0,78	0,36	0,45
25–44								
45–64								
65+								
ALL								
No.								

FERTILIZERS

183

The acid test

FM 10/8/79

The 54% leap in phosphoric acid prices over the last 20 months gives Triomf Fertilizer a good cushion against sagging domestic fertilizer demand

This has ensured the immense profitability of the Richards Bay plant,a project much criticised at its inception, particularly with respect to the supposedly unreliable and fluctuating world price of phosphoric acid Constant price hikes, however, have proved the sceptics wrong

During 1978 Triomf exported about 300 000 t of phosphoric acid, principally to Brazil, at a price that rose from $240 a ton in the first quarter to $262 a ton in the fourth quarter of 1978 It was mainly through this modest increase of $22 a ton, according to Luyt in Triomf's 1978 annual report, that the fortunes of Triomf underwent such a dramatic change

The modest price increases of 1978 have been totally eclipsed by the escalations of 1979 The first quarter of this year witnessed a leap to $290, and again to $320 in the second quarter, and finally to 370$ a ton in the third quarter Moreover, the plant is now running at its full capacity, producing an estimated 415 000 t of phosphoric acid a year

Despite the general rise in operating costs, the Richards Bay complex looks unlikely to suffer unduly The rising cost of imported sulphur in particular looks like easily being passed on to buyers of phosphoric acid, according to Triomf "We are in a very fortunate position as regards sulphur, as we don't buy on the spot market, and have long term contracts with Canada With overheads already recovered, every R1 increase in the export price of phosphoric acid is cream on the top"

Triomf has concluded "satisfactory" contracts with Brazil, with quantities fixed and prices to be negotiated each quarter, but demand is not limited to South America, and Triomf sees itself as a supplier "to the lucrative contracts the company holds on a world-wide basis, not relying on the Brazilian market alone"

In reply to the charge of the perhaps untoward reliance of the company on the export price of phosphoric acid, Triomf maintains that cash flow and gearing are already being resolved during the current sellers market, a market which Triomf hopes to last four to five years, "if suppliers do not push the price up unrealistically"

It is clear that, not being subject to price control, the phosphoric acid project will provide a better return than local fertilizer under price control, and it is as clear that the factory once described as "a massive white elephant in the making" has revitalised Triomf's fortunes at a time of dearth in the domestic demand for soil nutrients Although Triomf sees the prospects for the 1979 domestic market in a much more hopeful vein than the forecasts earlier in the year, a full recovery of the domestic market cannot yet be expected Triomf, however, remains exceedingly optimistic the rising export price of phosphoric acid should continue to dwarf such clouds as do exist on Triomf's domestic horizons

Louis Luyt . . . sitting on a good cushion

II

NEOPLASMS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0–1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1–4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5–24	0,09	0,05	0,07	0,05	0,06	0,04	0,05	0,04
25–44								
45–64								
65+								
ALL								
No.								

Camera dealers now in the picture

Sun. Trib.

183

19/8/79

By JACK BRICKHILL

A CAMERA price war is looming with independently-owned photographic retailers closing their ranks to ward off the strong challenge from chain stores and hypermarkets.

A new buying company, Fotomark, representing 36 members with 46 outlets in South Africa, was formed last week with Durban retailer Jeremy Whysall as chairman.

The company will buy imported goods in bulk and distribute them to members for a small fee. The price of goods sold by the independent retailers should drop appreciably. For example, some brands of slide projectors will drop in price by about 25 percent and the price of a range of binoculars will also come down sharply.

Whysall is confident that specialised knowledge in buying and in retailing will keep prices below those at the hypers and chain stores.

The new buying group will secure lines exclusive to its members in South Africa Prices of these lines generally will be lower than prices of lines sold at present in the larger stores.

A vital factor in the camera war is the provision of back-up services and guarantees. Each major centre has a repair workshop contracted to Fotomark members. In the last two or three years the independents' share of the market has dwindled and some of them have gone to the wall.

Whysall estimates that Fotomark's share of the market is about 40 percent and this is expected to grow as the new arrangement takes effect.

Not all photographic equipment will come down in price because some lines are marketed through established agents in South Africa But where bulk orders are secured direct with overseas suppliers, the prices will come down sharply.

The move by the photographic retailers is another blow to the wholesalers. About 400 pharmacists recently clubbed together in a bulk-buying organisation called Link

Putting profits back into focus . . . Jeremy Whysall, chairman of Fotomark the cost of raising the necessary funds has to be taken into account. The funds themselves are already justified by comparison with the alternative methods of provision, but there are additional costs involved in raising them: interest on loans, or administrative and incentive costs of raising taxation. These are normally insignificant for any given project, but may affect the overall amounts available for the health budget.

Where the methods of providing a given service use the same kinds of resources in different proportions, the decision-making can be simplified by means of Linear Programming, though health service choices cannot usually be presented in the simplified way required by this method.

2. CHOICE OF PROGRAMMES

So far, we have discussed methods of choosing means to obtain a given objective. But what tools are available to aid the choice of objectives themselves? Can anything be said on the question of the priority to be given to particular diseases or age groups, whether to allocate more to child welfare clinics or care of the aged?

Overall criteria are needed, and they have to be expressed in such a way that they can guide these detailed questions. Essentially, the problem is not only to relate resources used to objectives achieved, but to relate the various objectives to each other.

There are various means of doing this; but all of them require that expenditure be accounted for by the ends it is expected to achieve.

2.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:

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

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

STRETCHING A POINT

FM 31/8/79 (183)

Chemical giant Sentrachem this week announced a R124m project to replace virtually all of the natural and synthetic rubber currently being imported (at a foreign exchange cost of R100m annually)

Sentrachem's subsidiary, Karbochem, will produce three types of synthetic rubber from coal — polyisoprene rubber (chemically and in performance identical to natural rubber), polybutadiene rubber and styrene-butadiene rubber — at a 73 000 t/a plant at Newcastle

SA currently consumes 85 000 t a year of rubber, of which 40 000 t is natural At present, 65% of the total is imported, but when the new plant comes on stream in 1982, more than 90% will be locally produced Meanwhile, there'll be exports

The price will be competitive with foreign-produced synthetics, says Sentrachem MD Dave Marlow, while the R1 200/t landed price of natural rubber "presents no problems"

An interesting feature of the scheme is the financing arrangement through a bank consortium of Nedbank, Senbank and Stannic

Corrie Smuts, GM Finance, explains that 100% of the cost is being funded on a suspensive sale scheme (somewhat like hire purchase), which means that the banks are effectively the overall contractors and Sentrachem lays out no cash until the plant is in production

Terms call for relatively low payments during the first five years of operation with a large balloon payment after that and there is no pre-production interest

This way, Sentrachem can claim the entire cost, which will be well over R150m including financing, against tax

Sentrachem's Marlow (right) and Francis le Riche . . more bounce per ounce

183 FM 7/9/79

PLASTICS

There's a boom out there

Sales of plastics have leaped between 13% and 30% this year and sparked a major new round of investment to expand production capacity

Sentrachem subsidiaries Safripol (jointly owned with Hoechst) and Styrochem (where Shell Chemical is a minority partner) are together spending some R22m-R23m respectively to raise production of high density polyethylene (HDPE) by 66% and double that of polystyrene

Meanwhile, AECI is on the point of announcing a 150 000 t/pa low density polyethylene (LDPE) plant which will cost close to R100m at 1979 values With packaging accounting for the biggest slice of plastics demand, the boom is a clear indicator of reviving consumer confidence

"It's a lot of nonsense about the economy being sluggish," says Ted Smale, AECI executive director

One of the more exciting performers is polyvinyl chloride (PVC) where sales, according to AECI plastics division manager Mike Sander, are running 24% ahead of last year and likely to exceed 74 000 t for the whole of 1979 Coalplex, the R230m coal-based PVC facility (60% AECI, 40% Sentrachem), has just come into full production, lifting the industry's annual capacity to 142 000 t, so there's plenty to spare

Styrochem's Naude . . . increasing number of grades

But AECI has been going all out to find new markets for PVC, with signal success, notably in piping for the mining industry

"Half of our growth has come from traditional markets and half from new markets," says Sander

There's also a significant export market, boosted by the fact that most PVC on world markets is oil-sourced and thus subject to rocketing prices they rose 40% in the past nine months, according to Smale PVC exports this year will be around 34 000 t, mainly to South America

AECI's Smale . . "lot of nonsense about sluggishness"

LDPE demand up 13% on last year, will be some 85 000 t this year, against AECI's present capacity of only 75 000 t The proposed new plant would comprise two units of 75 000 t capacity, the first of which could come into production at the end of 1981

Initially, there is likely to be some available for exports, though Sander says this depends on the cost of ethylene Demand for HDPE climbed 20% in the financial year just ended, says Sentrachem general manager Johan van der Walt, "and in the first two months of the current year it is even better" There's been some pipeline replenishment, but also significant genuine growth

Growth has been experienced in all major products — soft drink crates, film, bottles and pipes The pipe market, smaller and more specialised than that for PVC, is in industries such as the mining industry which require abrasion resistant pipes

HDPE capacity was increased from 48 000 t to 60 000 t/pa in April by de-bottlenecking, and R15m will be spent raising it to 100 000 t within the next two years That represents good value for money replacement cost of the existing plant is R80m Advances in technology made it possible to expand the plant at relatively low cost

Room for growth

Polypropylene (PP), youngest of the thermoplastics, saw growth of 30% this year to 30 000 t But with capacity of 44 000 t, there's plenty of room to expand. Van der Walt foresees continued strong demand in both HDPE and PP In PP it will come from new applications and the existing base as well as from what he calls a "fundamental change in the structure of the industry

"Efficient converters have grown stronger in recent years," explains Van der Walt "They are well organised, well managed and have good financial backing With supplies assured as the thermoplastics industry switches to a coal base, they are investing heavily in new equipment to exploit areas of demand previously untouched by plastics"

PP is used in woven textiles, carpeting and packaging

Styrochem, the Sentrachem-Shell Chemical subsidiary, is investing some R7m-R8m to increase polystyrene capacity from the present 15 000 t/pa to about 27 000 t/pa, says GM Bill Naude

Polystyrene offtake has increased between 7% and 24% in the last five years, says Naude, with an average improvement of 8,5%-9% But there is, additionally, latent demand for new grades Some of this will be met with the new expansion, which will increase the number of grades produced here from 17 to 20 Most polystyrene demand is in packaging (55%-60%) and insulation

Plastics prices in general are expected to be stable at least for the rest of the year But a lot depends on the price of ethylene, the basic feedstock for LDPE and HDPE Ethylene prices have risen from R77/t in 1973 to R734/t in the second quarter of 1979 They almost doubled in the last year

So far this year, SA polyethylene prices have increased by 55%, while PVC rose

FM 14/9/76 (183)

TECHNOLOGY

Green sludge, anyone?

Those humble pool pests, the algae, could hold the key to SA's own green revolution Chemical giant Sentrachem is spending more than R70 000 on algae research which looks like coming up with truly dramatic improvements in yields of stock-feed. And the beauty of it is that the process is inexpensive, uses very little water, and will come off as a by-product of ethanol production

Whereas the average annual maize yield in SA is 3 t-4 t/ha (in Rhodesia it's 5 t-6 t/ha), and cassava at best 30 t/ha, Sentrachem is talking of at least 100 t of protein-rich algae coming annually out of each hectare of algae pond. And it could be much more. US programmes have achieved 360 t/year

The basic chemistry is well known For years, scientists have contemplated the production of simple single-cell proteins from such life forms as algae, which takes organic matter from water and converts it, via photosynthesis, to protein or carbohydrate using solar energy.

But there are two problems, unsolved until now algae grows very slowly, and separation is expensive However, if algae are fed with carbon dioxide (CO_2), they "grow like crazy," says Sentrachem GM Dr Robbie Robinson.

One of the by-products in making ethanol from maize or other vegetable matter is lots of CO_2 So, when Sentrachem gets around to building one of its R35m ethanol plants (it'll happen soon, promises chairman Francis le Riche), there will be a downstream algae unit with each one. (Sentrachem's ethanol proposal is for 10 R35m plants around the country, producing enough ethanol to replace 10% of the country's petrol needs

For a piddling amount (R1m should do it, says Robinson), there will be a 100 ha algae pond system capable of producing at least 10 000 t/year of algae With a plastic cover, water loss will be minimal and the same water will be used over and over to produce the algae — an important consideration in SA, where the shortage of water looms as a major future problem.

But that's not all Another waste product of the ethanol process (when maize is the feedstock) is dried distillers' grain and solubles (DDG&S), which is a very valuable animal feed, high in protein and minerals, and ideal for chickens, dairy cows, pigs and goats But it is deficient in two amino acids (protein building blocks) which are crucial to human beings lysine and methionine Algae just happen to be rich in them

A mixture of DDG&S and algae will be "the most valuable protein-rich concentrate in the world today," says Dr Robinson "A new protein food, previously unknown, which is better than the best available now, fish meal"

A parallel application of the algae will be to feed it directly into fish farm ponds, so that separation of the algae is not required Talapia feed on the algae and carp feed on the talapia, resulting in exceedingly rapid growth

The cherry on the top of the whole programme is that when algae absorb CO_2, they give off oxygen

"We don't intend to let that oxygen go to waste," says Dr Robinson. "It will be collected and used for making fertilizer, particularly ammonium nitrate The whole package will be a self-contained solar energy unit producing proteins and ethanol, with no depletion of natural resources"

R5m investment plan for Afrox

Sun, Fab Finance Reporter 18/9/77

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

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

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

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

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

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

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

AECI to use new process

Hd 1/9/79

RDM 183

AECI has negotiated a licence agreement with Union Carbide Corporation of New York for its new low-pressure Unipol process for the manufacture of low density polyethylene (LDPE).

AECI will have the right to construct a LDPE plant with a capacity of 150 000 tons a year, using the new Union Carbide technology

The overall investment in the project will be about R150-million and the plant will consist of two reaction units fed by a single gas purification facility Each unit will have a production capacity of 75 000 tons a year, and commissioning of the first unit is expected during the second half of 1981

With considerably lower capital and operating costs than plants employing current technology, AECI says, the Union Carbide process will offer these advantages to the South African plastics industry

- The impact of lower plant cost on LDPE prices will be less than with higher capital cost conventional plants
- The new process is capable of producing a comprehensive range of LDPE grades
- New grades of LDPE will be available which will enable plastic converters to broaden the base of products and allow diversification, particularly in the packaging and pipe fields.

The new plant will be sited next to the company's high-pressure factory at Midland factory, Sasolburg. AECI says two plants will be able to meet the full needs of the South African plastics industry.

South Africa's current demand is 90 000 tons a year, of which 75 000 tons are supplied from AECI's Midland Factory and 15 000 tons are imported

DISCUSSION

The crude death rates and the standardised mortal
Asians and 'coloureds' and urban Africans are pr
The interpretation of these figures is confounde
the underlying structure of the population. Th
the various groups were pictured in Part I with
urban Africans, which appears in Fig. 2. This
of healthy working males and lack of elderly per
migratory labour situation.

The standardised mortality rate provides a single
experience of a population which can only be ful
series of age specific death rates. The SMR is
all the age specific mortality rates in the observed population by the
corresponding numbers in the standard population, adding the number

SENTRACHEM

Chemical reaction

FM 28/9/79

Activities: *Diversified chemical group Owns 40% of the Coalplex PVC plant Sentrachem is 57%-owned by Central Chemical Holdings which in turn is jointly owned by FVB, BP Chemicals and the IDC*

Chairman: *J H Smit, deputy chairman F J H le Riche, managing director D J Marlow*

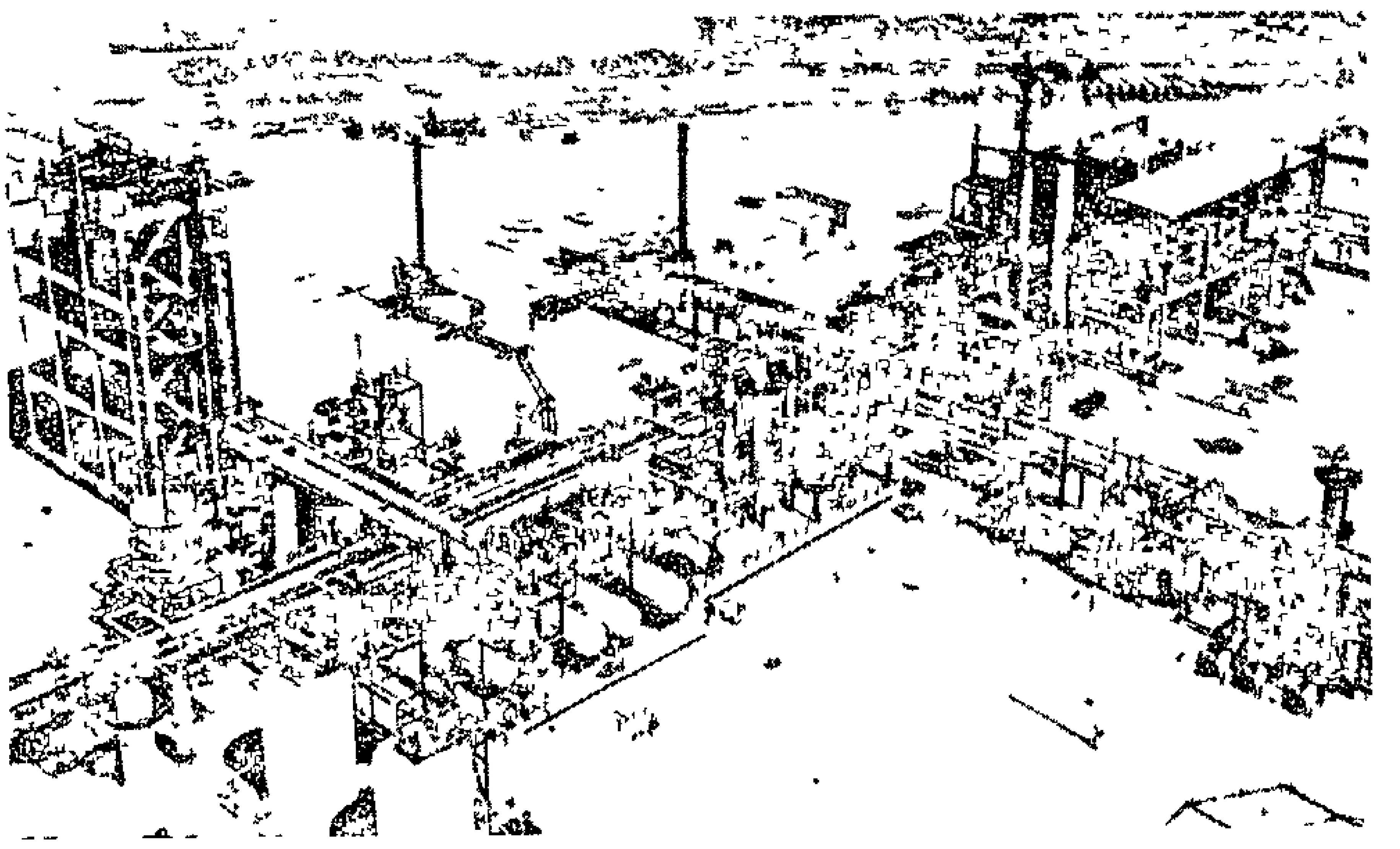
Capital structure: *56,6m ordinaries of R1, 20m 11,5c dividend red prefs of 10c Market capitalisation R283m*

Financial: *Year to June 30 1979 Borrowings long and medium term, R65,2m, net short term, R16 9m Debt equity ratio 58 9% Current ratio 1,2 Group cash flow R43,1m Capital commitments R153,6m*

Share market: Price 500c (1978-79 high, 505c, low, 220c, trading volume *last quarter, 348 000 shares) Yields 8 2% on earnings, 4,6% on dividend Cover 1,8 PE ratio 12,1*

	'76	'77	'78	'79
Return on cap %	23 2	19 2	16 4	16 4
Turnover (Rm)	142 3	155 4	186 5	236,5
Pre-tax profit (Rm)	25 2	30 1	34 1	38 4
Gross margin %	20 9	24 2	22 0	20 6
Earnings (c)	33 3	33 0	36 4	41 2
Dividends (c)	15 5	18	20	23
Net asset value (c)	156	173	196	259

A feature of the financial statements is the way capital commitments have rocketed The group has authorised R153,6m (R22,1m) capex, of which R100m will be applied to a polyisoprene rubber plant based on local raw materials — the biggest project yet tackled alone



Coalplex . . . feeding profits soon

The remaining capex will be applied to the establishment of new plants to produce agricultural and mining chemicals and ion exchange resins

Just as Sentrachem earlier anticipated a shortage of oil-based feedstocks and linked up with AECI to form Coalplex, the group's crystal ball now indicates that something more has to be done to move away from oil as a source of chemical feedstocks

Chairman Hendrik Smit has also indicated that further projects which would entail a R100m investment and include detergent alkylate and ethanol plants, would be considered in the short term

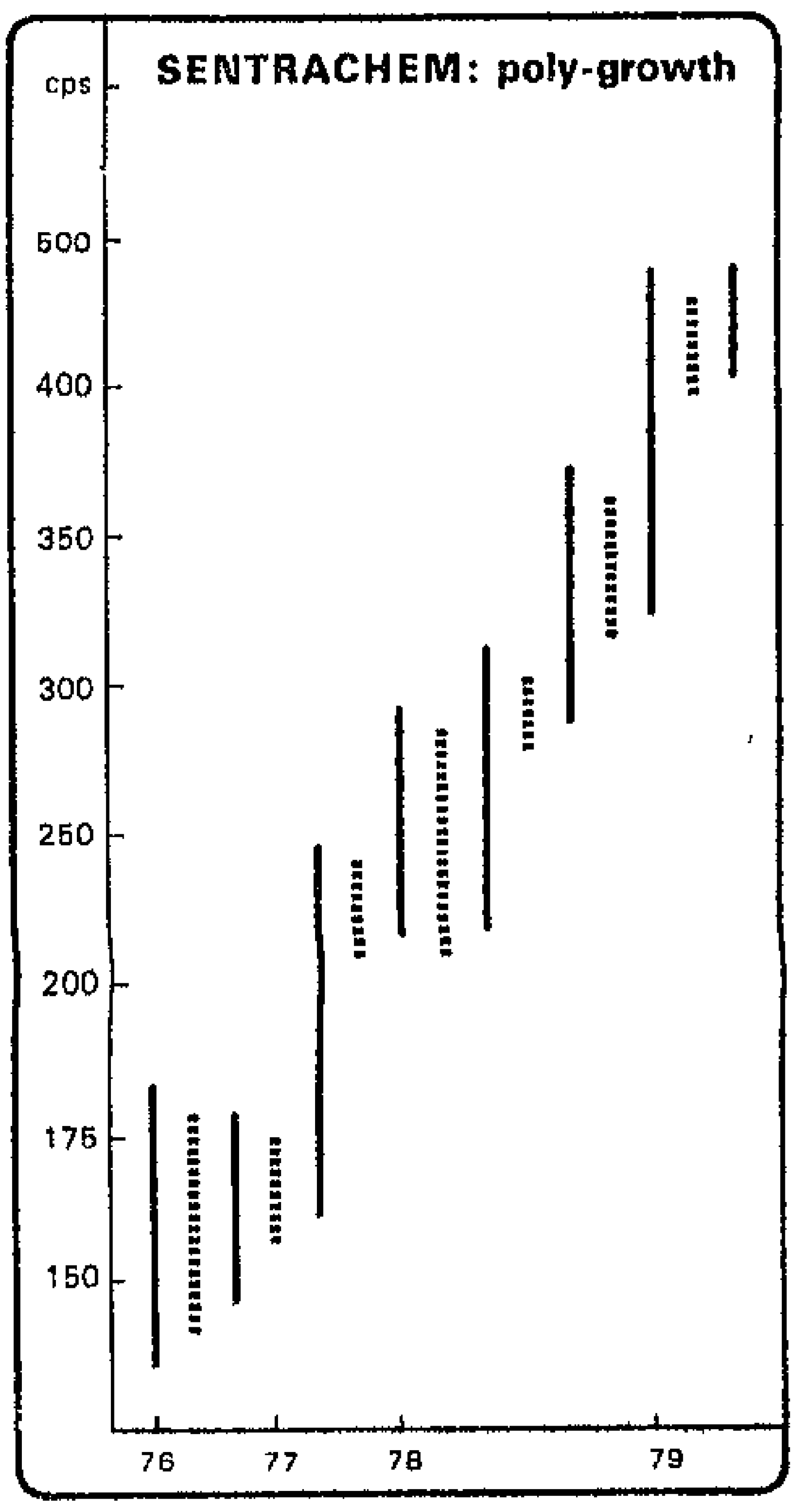
On a 10-year view, the group's tentative plans appear to be even bolder It could be prepared for example, to invest R150m in a R600m ethanol group and it is sure partners could be found But fuel ethanol production is still in an embryonic stage and government has yet to give an assurance that ethanol will form part of the fuel pool

Coalplex continued to retard earnings Just how much the complex cost Sentrachem this year is made clear in the annual report Smit says "were it not for Coalplex, group pre-tax profit would have increased by some 48%," implying that Sentrachem s share of Coalplex's loss was in the region of R18m However, he adds that it achieved a "cash break-even, ignoring finance charges '

But Coalplex's 1980 prospects look promising, with the plant now running at full design capacity following last year's commissioning of the second carbide furnace The AECI subsidiary should have little difficulty in disposing of the increased volumes at higher prices due to the more buoyant export market The directors point out Coalplex's prices have become more competitive on foreign markets with the higher oil prices impacting on overseas PVC prices Also local sales are expected to rise together with those of other plastics

The plastics division showed the lowest growth due to Coalplex's loss, while near-term cost pressure on the profit margins of subsidiaries Safripol and Impala Plastics could continue to depress profitability And, this year, sharp rises in monomer prices could slow growth temporarily in certain areas

Nevertheless, sales should be helped by increased local demand with new housing starts forecast to increase and consumer spending being stimulated To meet the higher demand, Safripol has increased its high-density polyethylene plant to an annual 60 000 t with further expansion plans in the pipeline capable of boosting production to 100 000 t



DIVISIONAL CONTRIBUTIONS

	Gross profit 1977	1978	1979
	Rm		
Industrial chemicals	8 8	7 7	10 2
Rubber	5 8	6 4	9 8
Plastics	5 2	7 0	7 1
Agricultural chemicals	4 4	5 1	6 4
Foodstuffs	4 8	4 9	5 6
Mining chemicals	1 4	1 9	3 1
Animal feeds	(0 9)	,0 6	2 8
	29 5	33 6	45 0

The strong 32,5% growth (12 5% decline) in the industrial chemicals division was largely due to increased sales as a result of generally improved trade conditions rising exports and new applications Innovations in the use of metal hydrides for fuel storage and the manufacture of sorbitol, a starting point for fine chemicals, could produce new growth areas

The rubber division is not expected to have a significant effect on this year's earnings growth due to fuel restrictions But the new synthetic rubber plant should double the group s local market share The rubber division sees the opportunity of substituting imported rubber on a large scale In fact it believes it can almost make SA independent of imports currently running at some 60%

The agricultural chemical division's pesticide section experienced a disappointing year, with pressure on margins following drought conditions. However, greater market penetration by Agricura partly as a result of SAR s weed control contract which Sentrachem won last year, higher exports by KOP and increased atrasine sales enabled the division to increase gross profit by 26 6% (14 1%)

Nothing seems to be standing in the way of strong growth in this division's operations It cites three major contributing factors

- Agriculture is not only a source of food, but could become an important energy and raw material supplier
- Agricultural chemicals should find an increasing market in the black homelands in view of the political priority being given the development of these areas
- Rising fuel prices should alter cultivation and weed control techniques, and result in more general agricultural use of chemicals, particularly herbicides

With all the mooted projects being considered for the Eighties, the group expects to keep the debt equity ratio within its limit of 100%, except in 1983 when additional funding of the rubber plant kicks in This is not a problem as long as cash flow continues to increase strongly Last year, group cash flow rose 19 8% to R43,1m (R34 5m)

With all divisions expected to do well and losses from Coalplex likely to be reduced, earnings could rise some 33,3% to 55c From this, 26,5c could be paid, the higher retention rate being necessary to fund future projects The share has limited short-term appeal with a prospective yield of 5,3% In the longer term, growth prospects appear to be exceptional, particularly as 1980 is likely to be the last year of low dividend growth with Coalplex coming out of the woods

Ian Hittendrigh

rates for
their urban areas. These show considerable variation. (See also ref.15).
A mean figure and the range are given in Fig. 2. These de facto figures
should be interpreted with caution as sick infants are often brought to the
cities from rural areas. An indication of the situation in the rural
areas is given by a sample survey carried out in Cape Town and Transkei
among Xhosa-speaking Africans.[12] An increase in infant mortality was
observed with decreasing urbanisation, the figure for the completely rural
areas being of the same magnitude as those parts of the world devoid of
medical services. Fig. 4 summarises the age specific mortality rates of

183 FM 5/10/79

Cutting down on imports

SA's chemical industry faces a daunting challenge in reducing imports of fine and speciality chemicals worth R652,3m in 1978, with a further R265,3m for polymers (such as plastics and rubber) and synthetic resins Local fine chemical output for 1978 was R95m (2% of the total)

Technical economist Terry le Roux (in a recent paper delivered to The SA Institute of Chemical Engineers) defines fine chemicals as those produced in a relatively pure state, and usually in relatively small quantities, for use in pharmaceuticals, foodstuffs, cosmetics and toiletries, laboratory reagents and pesticides

Speciality chemicals are often formulations (rather than single substances) made up of mixtures of chemicals designed for particular industrial applications, and include dyestuffs and textile finishes, coagulants for water treatment and metal extraction from solution, printing inks and resins for paint manufacture

Fine and speciality chemicals are strategically crucial, considering the roles of antibiotics, laboratory reagents for scientific work, and production chemicals vital in manufacturing and mining

Despite having an impressive heavy chemical industry, SA will find the extension of its fine chemicals industry a frustratingly difficult matter, says Le Roux For a start, the economies of scale are loaded heavily against SA, as the fixed cost element in fine chemical production is considerably higher than the variable cost The reason is that large investment is required in expensive equipment for quality control and in the requisite research and technical support

With the scales loaded like this, the long-established giants like ICI, BASF, Hoechst and du Pont will not be easily dislodged

Le Roux believes, sensibly, that SA cannot for the most part, be expected to make fundamental breakthoughs in developing pharmaceuticals and other fine chemicals Rather, the local industry should aim to find routes to some of the more important fine chemicals, using locally available raw materials

But there are areas where SA is well-placed in veterinary science SA already produces important enzymes from animal glands, and the entire field of animal and plant material could usefully be developed further

Le Roux . . don't look for breakthroughs

And the large local fermentation industry could provide the basis for more local antibiotic manufacture and possibly enzyme and vitamin production

The simple purchase of technology is unhelpful, says Le Roux — it is too expensive and the opportunity to develop local skills is lost And, too often, the local supplier is a subsidiary of an overseas concern with no economic motive for SA manufacture

Recognising the pivotal role of skilled manpower in fine chemicals manufacture, Le Roux proposes measures to build up the industry

- Improving the salary structure and corporate status of chemists and chemical engineers so they are not drawn to higher paid marketing jobs where their scientific skills are lost
- Encouraging universities to incorporate courses in small plant processing and in fine chemical synthesis (including microbiological methods)
- Encouraging exports which are indispensible to expansion of the fine chemicals industry because of the economic size of the local market
- Granting widespread tax benefits covering both capital outlay and current expenditure to local concerns engaged in research and development
- Initiating a "local content" programme for the manufacture of specific chemicals or groups of chemicals
- Maintaining anti-dumping tariff protection

Clearly the road to chemicals self-sufficiency is going to be long and expensive and involve a great deal of persuasion.

CHEMICALS

Flying high

135

12/10/79

SA's two chemical giants, AECI and Sentrachem, hold strikingly high positions in technical publication Chemical Age's league table ("CA 200") analysing the world's top two hundred chemical companies

Ranked according to 1978 sales, AECI holds position number 100 with $836,9m and Sentrachem number 183 with $224,5m But when it comes to profit margins, Sentrachem leaps to number 15 at 18,3% and AECI to 35 with 13,6%

Also, on rate of growth in sales (1978 over 1977) Sentrachem (at 19,9%) was placed 28th and AECI (with 19,1%) 33rd In rate of profit growth, AECI achieved position number 22, with 47,5%

But SA's modest position is put into perspective by listing 1978 sales for the world's Big Five, Hoechst $12 599m, BASF $12 111m, Bayer $11 894m, Du Pont $10 584m and ICI $9 247m

Chemical Age observes that the German behemoths, nevertheless, show a strikingly modest rate of return compared with their U S, and British counterparts Thus, Hoechst had a 1978 margin of 5,2%, BASF 4,9% and Bayer 5,4%, against Du Pont's 12,6%, Union Carbide's 8,0% and ICI's 9,3% It seems that competition is far more severe in the German chemical industry than in the US, a surprising result in the light of American Justice Department hostility to cartels and Europe's traditional tolerance Could the sharp rise in the value of the Deutschemark against the dollar (with consequent pressure on export profit margins) provide the explanation?

The SA chemical market obviously has some special characteristics which provide a shelter for local companies against the rigours of world competition AECI, for example, has a captive market for its explosives output Then, coal as a feedstock is beginning to display an increasing price advantage over oil

Still, the strong showing of the SA concerns demonstrates that the local chemical industry is reaching maturity

CHUFFED

Steam locos are alive and living in the Orange Free State In fact, they have taken over surface haulage duties at President Brand, President Steyn and Western Holdings, where "about nine" Class Eleven steam locos, ex-SAR stock (and bought at knockdown prices), are chuffing along in place of diesel units

President Brand Manager Zach Lombard explains that the steam locos were bought as part of the implementation of a policy decision made in the national interest around 1974 to save diesel and petrol wherever possible Actual running costs are higher than for diesel haulage — a sacrifice deliberately assumed by the group

---

were examined by a medical assessor attached to the office of census and statistics was 1929, and this year has therefore been chosen as the starting point for the present study.

The Asian population has been excluded from this investigation because of the small number of deaths involved and also because of inconsistencies in the published data.[8,9]

Age specific population figures for Africans in the principal urban areas are not available and consequently the majority of the calculations cannot be performed for this group. Furthermore, where the denominator for a rate can be obtained, as for infant mortality, migration in and about the urban areas can make the rate obtained meaningless. An example of this is Johannesburg, which in 1929 had a de facto infant mortality rate of 1820:1 000!

The following indices were calculated for whites and 'coloureds':

(i) Infant Mortality rates (IMR)

(ii) Standardised Mortality rates (SMR)

This procedure eliminates the differences in the age structure of the two communities, differences which are apparent from Fig.1. The absolute values of the rates depend on the population used for standardisation, and consequently the SMRs should be used for comparison between groups. The population used for standardisation was representative of a developed country (e_o = 65, r = 0,01).[8]

(iii) Age and cause specific death rates. Age specific rates were grouped into twenty year intervals except in the early years of life.[10] To avoid inconsistencies caused by differences in the revisions of the ICD over the years, the causes of death have been collated into twelve categories,[6] which are summarised in Table I.

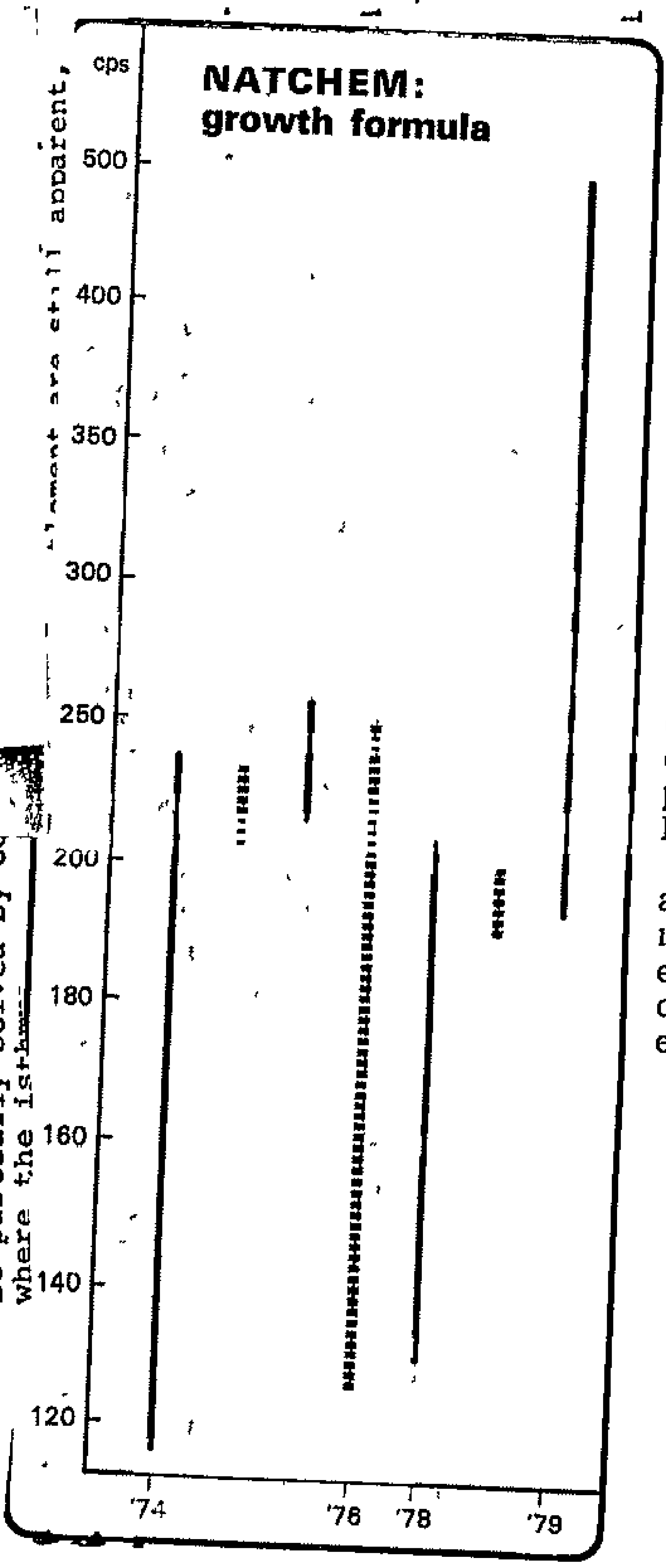
The age and cause specific mortality rates for the years 1941, 1951 and 1960 had previously been calculated by Preston *et al*[8] and this data has been used in the present study.

NATCHEM

Growth tack

Activities *Manufactures wattle extract, synthetic resins and plastic products. Industrial Investments owns 52% of the equity*
Chairman *A J Hepburn, deputy chairman Dr G Jaebel*
Capital structure *[illegible] ordinaries of 50c. Market capitalisation R4,8m*
Financial *Year to June 30 1979. Borrowings: long- and medium-term R81 000, net short-term R1,0m. Debt equity ratio 14,8. Current ratio 2,1. Group cash flow R1,5m. Capital commitments R194 000*
Share market. *Price 482c (1978-79 high, 515c, low, 180c, trading volume last quarter, 10 000 shares). Yields 20,1% on earnings, 4,8% on dividend. Cover 4,2. PE ratio 4,9*

Financial Mail November 2 1979



	'76	'77	'78	'79
Return on cap %	11,8	11,9	12 9	15,9
Turnover (Rm)	8,4	12 8	16 5	18,7
Pre-tax profit (Rm)	0,6	0,8	1,0	1 4
Gross margin %	7,0	6,5	6 3	7 8
Earnings (c)	45 3	58,8	80 9	97 0
Dividends (c)	12,0	14,0	18 0	23,0
Net asset value (c)	529	611	704	806

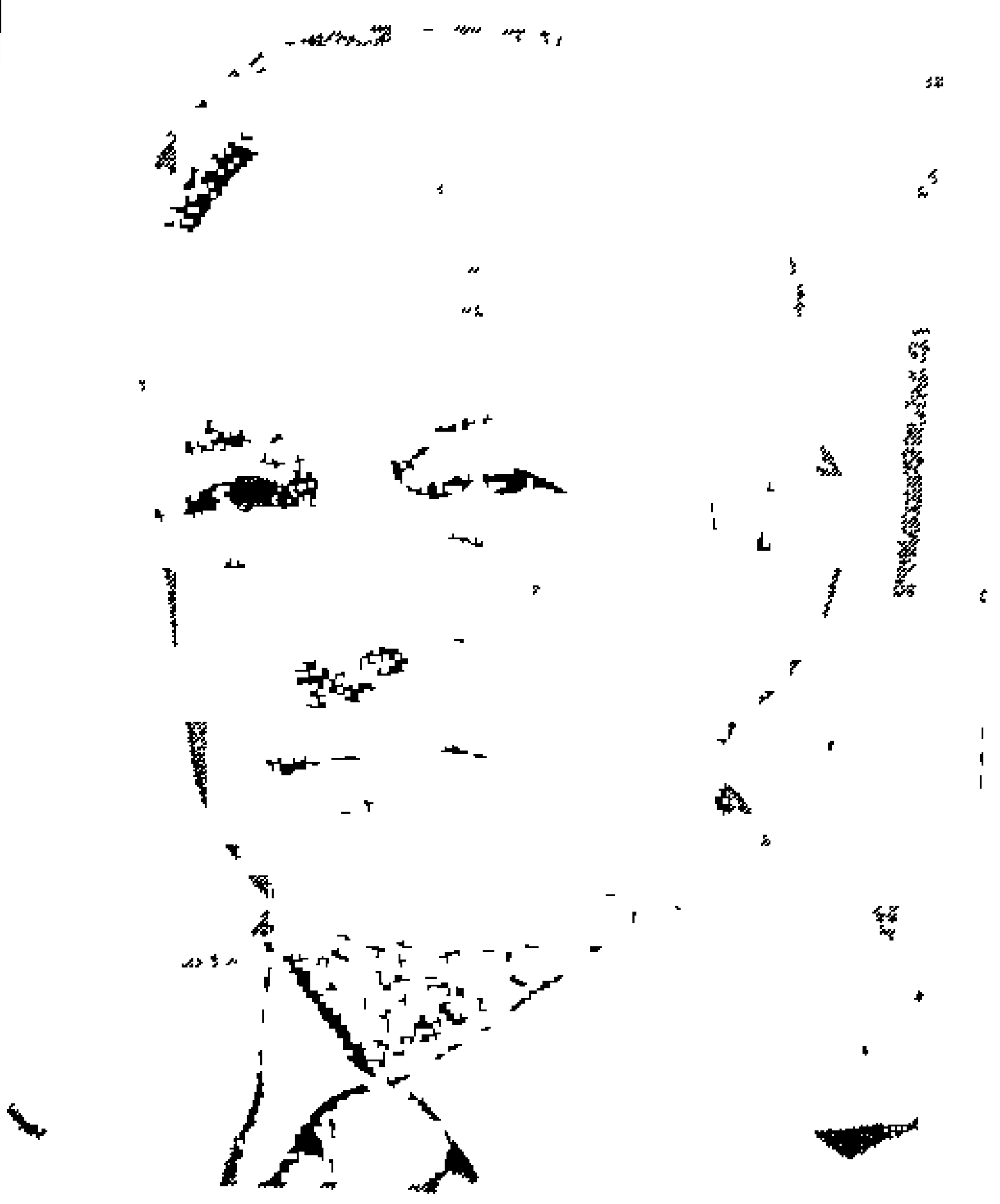
Reading between the lines of Natchem's annual report is almost impossible as the board gives little information to shareholders. However, it is possible to glean that the wattle division produced lower profits as the directors point out that "had it not been for increased costs being offset by higher selling prices, the results would have declined further."

The plastics division increased its contribution to group profit as a result of improved trading conditions, plant efficiencies and higher plant utilisation. But concern is expressed on the effects of escalating raw material costs.

It was probably this division's improved profitability, achieved through cost savings, which enabled the group to increase its gross margin to 7,8% (6,3%). And had the plastics division not switched to the Lifo stock accounting method, which lopped off a pre-tax R344 000, the gross margin would have been 8,5%. This reflects a 77,6% pre-tax profit improvement to R1,8m (R1,0m), which would have been shown had Lifo not been introduced.

Adopting Lifo resulted in a R144 000 tax saving, reducing the overall tax rate to 26,0%, against 29,0% on the higher figure before the Lifo adjustment. In the previous year, the group paid only R34 000 tax, probably due to export allowances. Consequently, last year's higher tax incidence resulted in a relatively small 19,9% earnings increase compared with 37,0% pre-tax profit increase, after adjusting for Lifo.

The balance sheet shows greater reliance on short-term borrowings, resulting in a 14,8% (5,7%) debt equity ratio. However this is still low and could quite comfortably be increased. Increased interest-bearing debt was partly offset by a decrease in creditors to R2,6m (R3,5m), leaving current liabilities only R424 000 higher at R4,3m, mainly due to R322 000 (R6 000) owed to the Receiver.

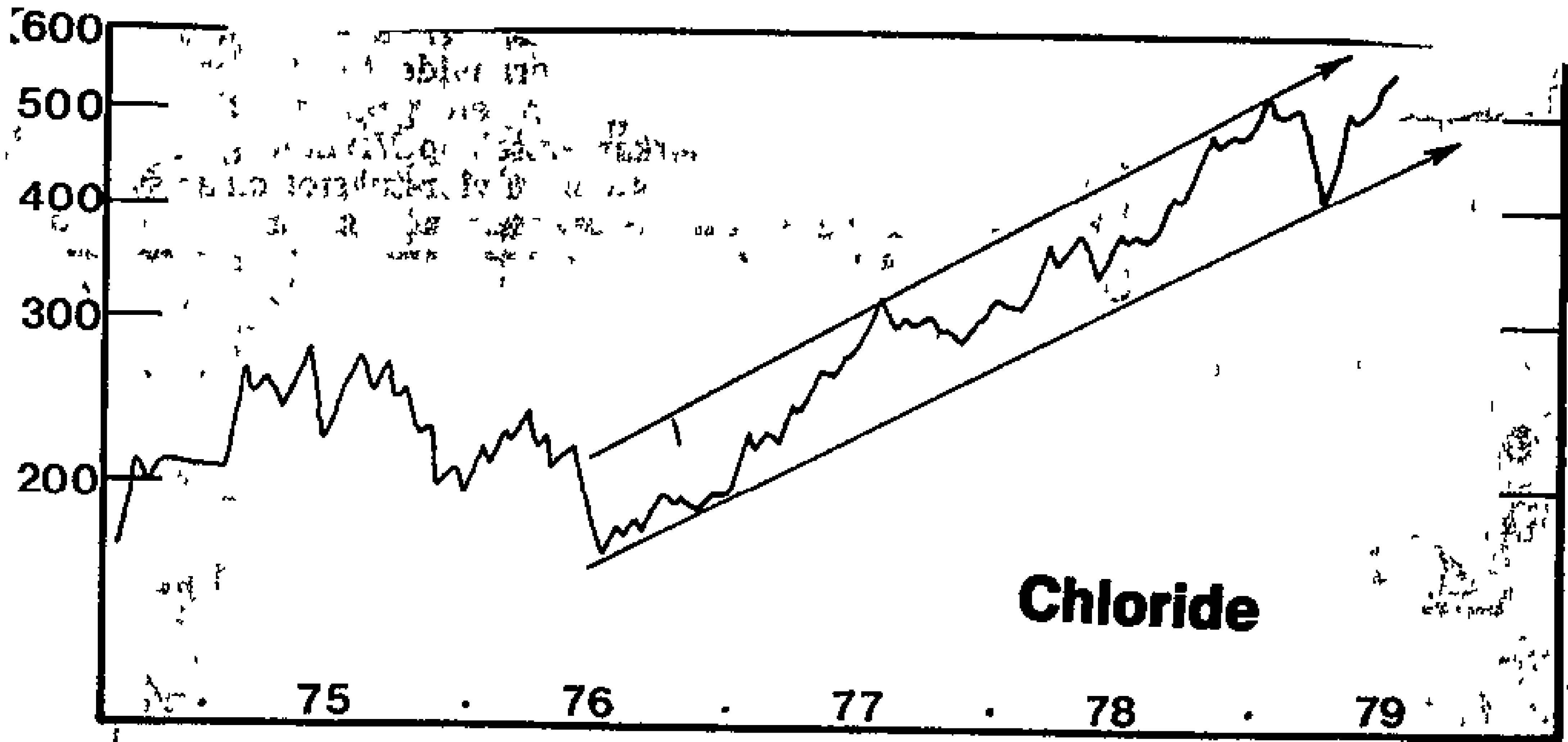


Natchem's Hepburn . . . on a growth path

Shares are tightly held, by family interests through Industrial Investments, so institutions are unlikely to be attracted. However, limited tradability has not prevented the share rising from 265c to 482c during the past year.

Earnings are obviously on a growth path, and a 25% advance to over 120c is possible this year. A 4,3 times covered 28c dividend could be paid, putting the share on a 5,8% prospective yield with more to come next year.

Peter Pittendrigh



SEDERT sy laagtepunt van 175c per aandeel aan die einde van 1976 het die waarde van Chloride meer as verdriedubbel. Die afgelope drie jaar het dié aandeel binne duidelike kanale beweeg. Maar die huidige prys van 550c lyk asof dit deur die perke daarvan gaan breek. Maar die moontlikheid van 'n skielike en aansienlike opwaartse beweging is skraal. 'n Belangrike nadeel van hierdie aandeel is sy volume-patroon. Chloride is nie 'n aandeel waarin baie verhandel word nie. Die volume kan wissel tussen 15 000 in een week tot niks vir 'n hele aantal weke. Dié aandeel sal nogtans saam met die nywerheidsektor beweeg. Daar is egter ander aandele wie se grafieke en volume-patrone veel meer opwindend is. RAPPORT 4/4/79 **Dr. Clive Roffey**

CHLORIDE BAAT BY SY RASIONALISASIE

DANKSY die sterk toename in die vraag na nywerheidsbatterye sedert die jongste verhogings in die prys van brandstof en die rasionalisasieprogram wat deur Chloride Oldham Holdings van stapel gestuur is, behoort die maatskappy wins ná verlede jaar se geringe daling besonder goed te wees.

Na verneem word, word Chloride se tussentydse resultate vir die ses maande tot 30 September aanstaande week bekend gemaak. Hoewel die besturende direkteur, mnr. Don Searle, in hierdie stadium niks wil sê nie, word daar op gesag verneem dat dit die beste resultate oor ses maande is wat die maatskappy nog getoon het. Die vooruitsigte vir die volgende ses maande lyk ook besonder goed — veral wat die nywerheidsmark vir batterye betref — en na verwagting behoort die maatskappy sy boekjaar met besondere goeie winste af te sluit.

Hoewel hy in die eerste ses maande van die jaar nog nie baie voordeel daaruit getrek het nie, sal Chloride besondere baat by die die rasionalisasieprogram wat sedert die begin van hierdie jaar onderneem is. Die maatskappy het sy bemarking van motorbatterye sedertdien aansienlik gewysig, met groot kostebesparings.

In die verlede het hy sy eie bemarkingsnetwerk gehad en moes op eie koste batterye aan sowat 3 500 verskeie kleinhandelspunte verskaf. Sedert die begin van die jaar is daar oorgeslaan na sowat 44 hoofverspreiders in die kleinhandelsektor, en hoewel hy groot kortings aan hierdie groot verspreiders moet toestaan, is die voordele van grootskeepse aflewering van so 'n aard dat hy nogtans aansienlik op kostes behoort te bespaar.

Na verneem word, is hierdie bemarkingsbeleid so suksesvol dat die maatskappy moontlik in die nabye toekoms sekere van hierdie voordele aan die algemene publiek kan deurgee.

Chloride se wins is ook verlede jaar nadelig geraak deurdat sy filiaal Chloride Systems, wat batterylaaiers, gelykrigters en uitklinkskakelaars vervaardig het, nie die mas kon opkom nie.

Chloride het verlede jaar 'n ooreenkoms met Allied Electric vir die vervaardiging van hierdie spesialiteitstoerusting aangegaan en onderneem nou net die bemarking daarvan. Die verliese van hierdie afdeling is gevolglik ook iets van die verlede.

Chloride behoort in die tweede helfte van sy boekjaar besonder goed te vaar in die nywerheidsmark, veral in die mynbedryf, waar nou op groot skaal na elektriese aangedrewe voertuie oorgeslaan word. Na verneem word het hierdie mark sedert die jongste verhoging in die prys van brandstof reeds met sowat 40 persent toegeneem en kan die groei nog 'n geruime tyd duur. Die maatskappy vind nie net alleen baat by die groot toename in die vraag na nuwe nywerheidsbatterye nie, maar sal later ook die voordeel trek uit batterye wat vervang moet word.

Dieselfde geld die groot oorskakeling op die oomblik van motoraangedrewe na batteryaangedrewe vurkhysers.

Daar bestaan selfs die moontlikheid dat Chloride binnekort self in die mark kan beweeg vir die verskaffing van elektries-aangedrewe voertuie soos vurkhysers.

Om die nywerheidsmark ten volle te benut, het die maatskappy begin met die opleiding van tegniese personeel vir die diens van nywerheidsbatterye, en op die oomblik is daar reeds sowat 124 opgeleide personeel dwarsdeur die land.

Daan de Kock

192

183

should differ and the variation within each strata should be a minimum. These two principles, if strictly adhered to, facilitate the application of sampling procedures and analysis, without loss of precision, irrespective of whether the material has been pre-sorted. Texts for theory and application are (Yates F. 1960; Cochran W.G. 1963)

2. Raw Material

Results indicate that the formation and identification of microwear traces are influenced by the nature and properties of the raw material itself. The mechanical properties which determined whether a material could be successfully shaped and flaked also governed its performance in subsequent use; namely, hardness, cleavage, fracture, tenacity, density. Other properties which effect the identification of wear traces are colour, lustre, reflection, dispersion, and refraction. Single standard methods exist for investigating all these properties. (Batty M.H. 1972)

design methods if necessary.

4. Cleaning and Preparation

Warm water, none abrasive detergent, ultrasonic cleaning, sodium hydroxide, hydrochloric acid, serve to remove grease, organic and mineral deposits. (Keeley L. 1977). For coating and replica techniques used on the courser grained material and for SEM work standard methods are available in most research institutions, details and references are given in (Aldworth S.1979).

5. Recording of Information

Working drawings of the artefacts are made using a portable image device, designed primarily to protect the artefacts from edge and surface damage, and at the same time allowing quick and accurate drawings to be made of plans and sections. Morphological data may be obtained from these as

PROJECT FINANCE (183)

Taxman in a dither

Two massive suspensive sale agreements totalling nearly [illegible] which could bring substantial tax savings to chemical giants Sentrachem and AECI are awaiting clearance by the authorities.

If the deals are finalised a significant new approach to financing capital projects could be heralded.

In both cases the finance is being provided by banking consortia and is intended for the expansion of manufacturing capacity.

Sentrachem plans to use the finance for its planned R123m synthetic rubber plant and AECI for its low density polyethylene plant.

Essentially a suspensive sale deal enables a firm to capitalise both the principal debt and finance charge portions of the sale, thereby receiving greater tax relief on finance charges. In effect, because the whole debt is capitalised, firms can apply initial and, if applicable, investment allowances to the interest element as well as the capital.

Companies would thus be able to write off 130% of the finance charges, as opposed to 40% on other types of financing. Further, in a normal deal with HP repayments made over a period, tax savings on repayments total 42% of the 30% allowance. Now the benefits can all be brought up front.

If the benefits can all be absorbed in one year, the firm will realise higher profits in the first year and savings on interest during succeeding years. Estimates are that the saving could total 85% of 40% of the finance charges on a suspensive sale.

Tax base needed

Not surprisingly, suspensive sales only make sense for a company with a substantial tax base. If the firm is losing money, or is starting operations, the method of financing is not an important consideration from the tax viewpoint.

Inland Revenue men apparently are apprehensive over whether the tax allowances should be granted against the capitalisation of both the principal debt and the interest.

Sentrachem is currently negotiating with them on this question and AECI is still assessing the whole question itself. The banks behind the deals believe there is no problem and are mystified by the objections, the exact nature of which the FM was unable to substantiate before publication.

One banker goes so far as to say that if Inland Revenue should block the deals now, it would amount to a dramatic policy change.

If this be so, and precedents have been set, it does seem that in view of the urgent need to stimulate manufacturing production, and the present abundance of State finances, the men in Pretoria could be more pragmatic.

Financial Mail November 9 1979

CHEMICALS

A cracking future

SA, which will import R1 billion worth of chemicals and plastics this year, could become a net exporter of these products within a decade thanks to Sasol 2 and 3, says Johannesburg-based "techno-economist" Terry le Roux.

Major imported chemicals, all produced from petroleum-derived naphtha, are ethylene (from which is made plastics and other products), aromatics (benzene, toluene, resins, nylon filament, etc) and propylene (plastics, explosives, emulsion paints, pharmaceuticals, cosmetics, etc).

About 80% of these imports come from Europe, the rest from the US and Japan.

Sasol 2 alone will be producing 185 000 t/a of ethylene — enough to meet the country's needs until well into the 1980s — as well as ammonia, sulphur, tar products and other chemicals.

But in addition, says le Roux, although SA will continue for many years to be an importer of naphtha, Sasol will have the ability to extract or synthesise all the basic petrochemical building blocks that are currently being imported.

The significance of this is accentuated by the way naphtha prices have gone through the roof in the last two years.

Le Roux, who acts as a consultant to local chemical companies, notes that naphtha prices have risen out of proportion to oil prices, primarily because of supply/demand factors.

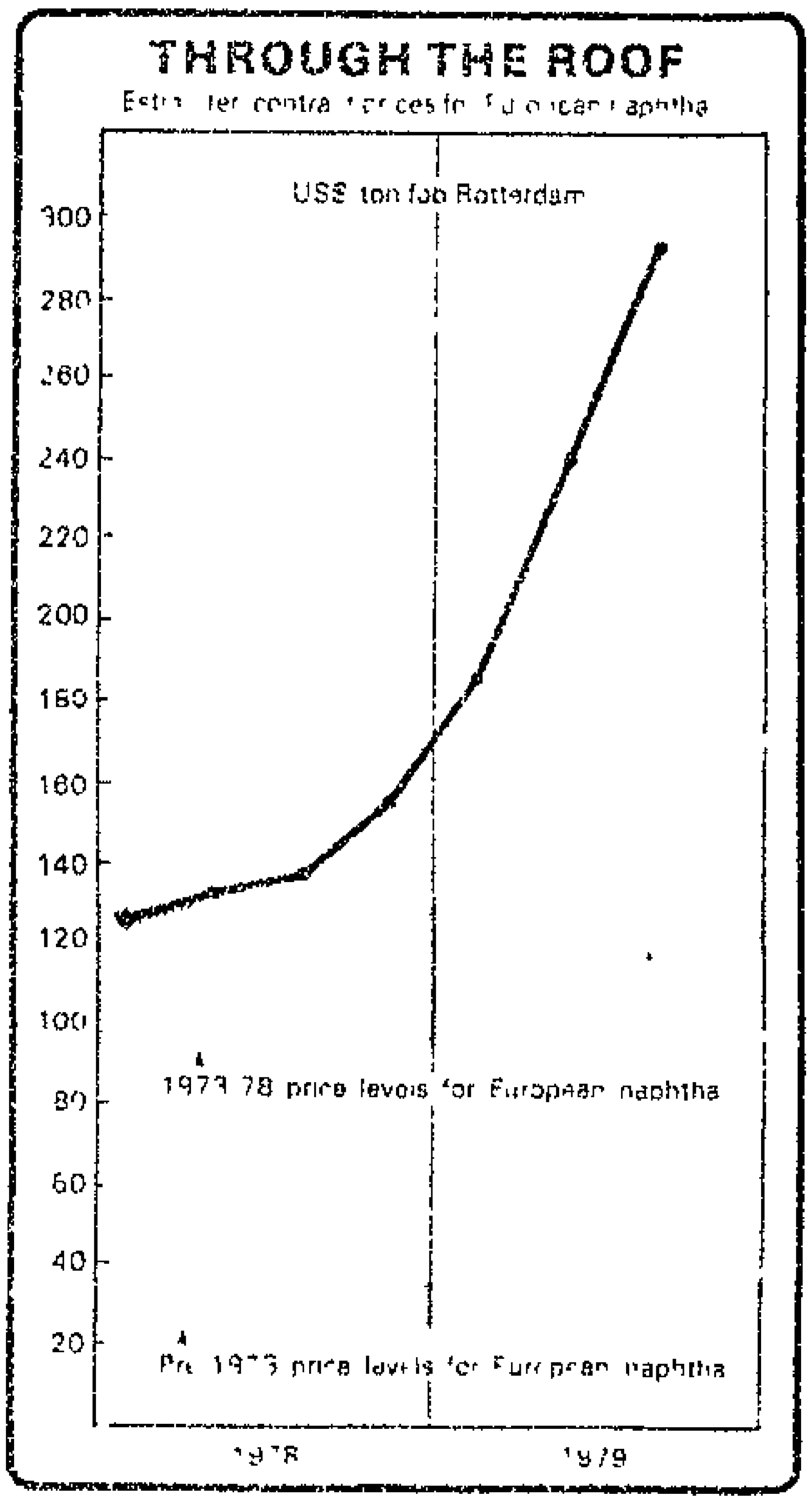
In the past 12 months, for example, while oil prices rose 25%, naphtha prices rose 140%. The real added value in making naphtha from oil is only a small proportion of that.

"All indications are that naphtha will continue for many years to command a high premium over the crude oil from which it is derived," says le Roux.

It is expected that naphtha will remain the major raw material of the European petrochemical industry for the next decade, though it is diversifying its feedstocks to include more gas oil.

But the high price of European naphtha has given the incentive to Sasol and other local chemical companies to embark not only on a programme of import replace-

THROUGH THE ROOF



ment," he adds, "but one of export-oriented expansion.

"The SA market for most of the plastics, polymers and petrochemicals currently imported is far too small to justify their production for local demand alone," he says.

"Sasol stands to gain the most from any major expansion — the added value of its coal-based chemicals is higher than that of its fuels.

"Its pricing policy plays a crucial role in allowing export-oriented investment to take place as it is an important factor in determining the international competitiveness of the local product.

"Flexibility and cooperation are essential if Sasol and the chemical industry are to spread the risk and also share the profits resulting from the expansion."

STUFFED CABBAGE SALAD

43

May Bennett, Ridgeworth

1 fresh green medium size cabbage
onions
carrots
tomatoes
fresh pineapple
radishes

SPRING GREEN SALAD

44

May Bennett, Ridgeworth

1 medium size lettuce
2 onions
parsley
1 cucumber
mint (fresh)
scallions

---oOo---

EGG SALAD

May Bennett, Ridgeworth

hard boiled eggs
salanaise
salt and pepper
paprika and parsley

Cut eggs in half and lay on a flat salad platter; cut side down. Pour over salanaise.

---oOo---

CHICKEN AND CUCUMBER SALAD

S. Drury, East London

1 cup cooked chicken, diced
4 T finely chopped walnuts
French dressing/mayonnaise
lettuce
1 cup cucumber, peeled and dic
1 cup cooked green peas

Marinade chicken, cucumber, nuts and peas with French dressi
Serve on lettuce with mayonnaise. Cover with greaseproof pa
and refridgerate until ready for use.

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

---oOo---

CHEMICALS

(193)

Mealie power

FM 9/10/79

In the first step towards its proposed chain of ethanol fuel plants, Sentrachem subsidiary, National Chemical Products plans to put up a R4m ethanol pilot plant capable of producing 5 million litres (4 000 t) a year. Construction is to start shortly in Germiston, says MD Chris Orpen.

The plant will have two purposes. "It is designed to handle maize and other substrates on a commercial basis so we can evaluate the fermentation residues for nutritional purposes as well as do work on the fine tuning of the fermentation process," says Orpen.

"There is a certain amount of optimisation to be done. In the past, alcohol production has been primarily for the liquor industry and the efficiency of the process has not been so vital.

"But if you are going to produce alcohol for fuel or chemical conversion, it becomes very important indeed."

Sentrachem has been producing ethanol (ethyl alcohol) for 40 years at two plants which have a capacity of 40 million litres a year.

"The pilot plant will enable us to do a variety of experiments and work on optimising the process without interfering with present production," says Orpen.

Sentrachem has proposed to the Government a series of 10 plants around the country together capable of producing 800 000 t of ethanol a year which would be mixed with petrol to extend fuel supplies. Total cost would be about R350m. A mixture containing about 15% ethanol could be used in conventional motor car engines without modification.

s Times, November 11, 1979

By ANDREW MCNULTY

Foskor on R25-million expansion drive

S. Times 11/11/79 (183)

THE Phosphate Development Corporation (Foskor) has been launched on another major expansion drive — at a cost of R25-million — to boost production for domestic and overseas markets.

These developments will mean many extra millions of rands in foreign exchange

In the year to September exports of phosphates used in phosphoric acid directly earned R42-million

This will rise to at least R50-million next year

Demand for concentrates to be exported after use as a raw material in the production of phosphoric acid has turned about and soared this year — but Foskor is also studying plans to build a large plant to export raw phosphate rock

Large scale pilot tests are about to start on a promising new process for the beneficiation of phosphate-bearing ore

Spot sales of exported surplus rock are expected to become possible in about a year

Such an export drive will have a massive impact on the corporation's foreign exchange earnings

A R135-million capital expenditure programme has just been completed raising annual production capacity from 900 000 tons of phosphate concentrates in 1974 to 2 75-million tons

Export tonnages have soared from virtually nil in 1974 to 1 47-million in the year ending September 1979 rising by 38 7% in the past year alone

Earnings have jumped dramatically with net taxed income up 67% from last year's R8,95-million to R14 8-million

A new R25-million programme has just been initiated to increase production by a further 400 000 tons a year—cut costs and streamline metallurgical processing

This will include a R3,5-million mobile crushing unit — said to be the largest in the world — which will crush 2 700 t/hour and use only electrical power

Higher capacity is considered essential to meet higher demand from the two big local phosphoric acid producers, Triomf and Fedmis which are currently supplying rapidly strengthening markets and benefiting from a phosphoric acid price which has risen from $290 a ton at the end of March to a record $400

Foskor is also deriving significant direct benefits from sales of phosphoric acid

When acid markets were slack it agreed to keep a low base price for concentrates with an arrangement for profit sharing when the phosphoric acid price exceeded a certain level

There is now strong optimism for long-term demand for phosphoric acid

The phosphate concentrate produced by Foskor is an important raw material used by Triomf and Foskor who buy the concentrate at prices far lower than they would pay for the imported product

Local prices are R22 50 a ton from Phalaborwa compared with landed prices from the other two major producers Florida and Morocco of about R63 a ton

In addition to having far lower producer prices than overseas competitors Foskor's product is of the highest quality in the world at 80% bone phosphate content (BPL) compared with about 68% for the overseas product

On direct exports Foskor obtains a substantial premium for its high quality

The world market for phosphate rock is many times larger than that for phosphoric acid and Foskor has virtually unlimited reserves

Increased capacity is also needed to meet firming demand from domestic markets, which are price-controlled

The last price increase was a 8,9% hike in January, and it has been decided that no further increases will be requested over the next year

183 FM 16/11/79

CHLORIDE

Recharged profit

Chloride's profit for the six months to end-September vindicates last year's dividend increase to 26c (23c), despite then falling earnings Management said then that the higher payment reflected the longer-term profit trend of the group

Despite almost static automotive battery sales in the first half, Chloride reported a 43% pre-tax earnings increase to R2,3m (R1,6m) This rise came from a 14,5% rise in turnover to R19,3m (R16,9m) and, according to MD Don Searle, improved margins through factory efficiency, tight cost control and the benefits of previous capex

However, erosion of the tax shield afforded by the capex on the Berlin secondary lead smelter meant the tax rate increased to 38,1% (26%) in the first half An abatement appears unlikely in the near-term, despite capital commitments of up to R750 000 in the second six months

Earnings for the period amounted to 31c (26c) from which a higher 11c (9c) interim dividend has been declared

Searle says sales of industrial batteries were about 25% higher in the first half and strong demand continues The bulk of the increase in first-half turnover came from the mining industry, where there is an increasing trend towards battery traction Results from certain mining companies in the past six months highlighting the prohibitive cost of diesel and petrol in ore extraction and processing offer Chloride a great sales potential

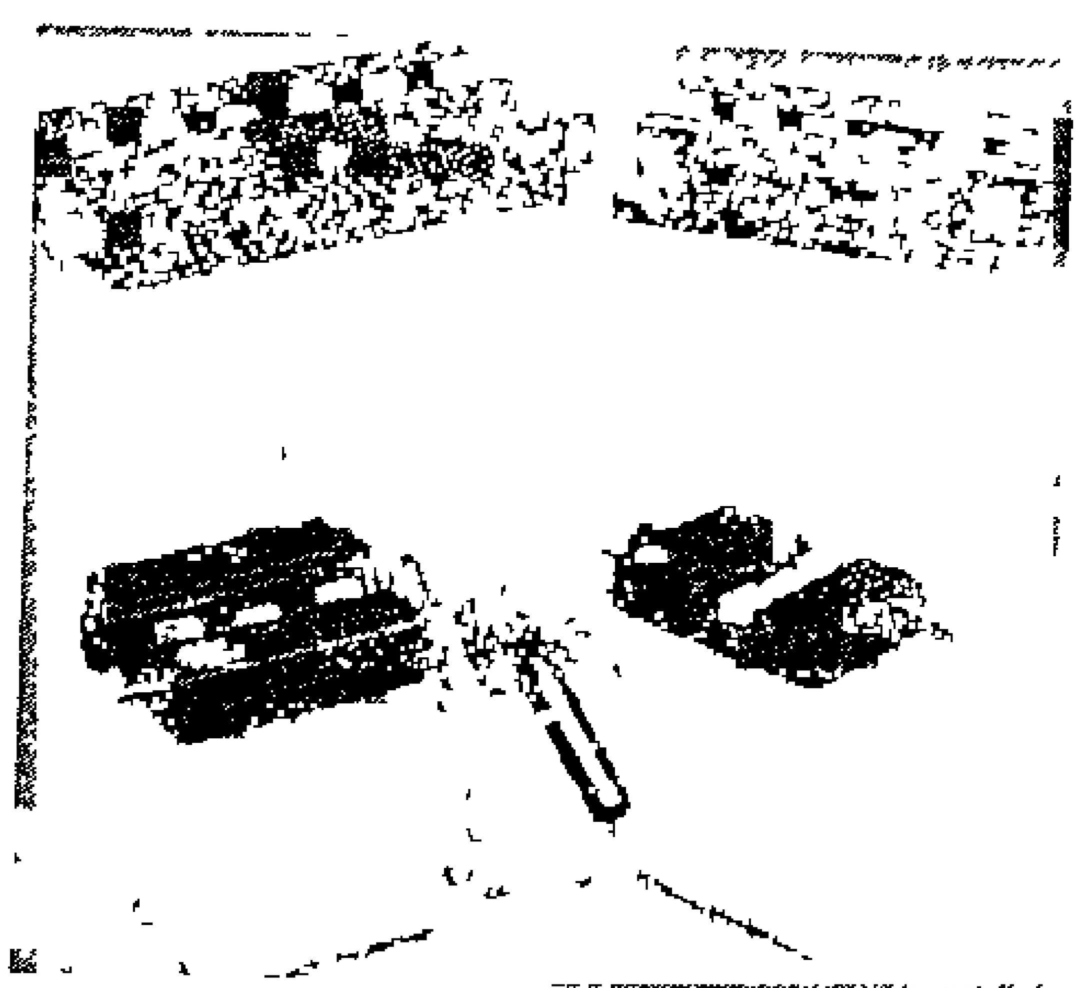
Automotive sales look set to remain dull. Last year, the national vehicle sales figure fell, and Chloride was adversely affected because its original equipment clients, BMW, Mercedes and Ford, were among the worst affected by the move away from larger cars. Also, BMW lost part of its export market to Iran However, now the over-reaction to the mid-year fuel price hikes is over, these clients are showing sales gains, and BMW has replaced lost foreign markets

During the first half, Chloride spent about R750 000 on expansion and modernisation of its premises. Second-half capex includes R500 000 to be spent increasing annual capacity of the Berlin smelter to about 18 000 t (14 000 t) This will enable the smelter to accept lower grade scrap, thereby helping keep down lead cost in batteries However, Searle says cost pressures are great In the first half wages and overheads advanced while there was a 30% rise in the price of the polypropylene used in battery cases

Searle says second-half earnings should be at least the same as the 31c reported in the first half The group has streamlined its distribution system and plans are in hand to make group products more price competitive at the retail level.

The forecast of at least 31c earnings in the second half is likely to be conservative as the economic pick-up gains momentum An 11c interim dividend augurs well for at least the same 17c final for a minimum 28c annual total and a prospective 4,2% yield at the current 675c The market in the shares is small, with only 1,4m ordinaries not held by the UK parent. At the current price, the share is mainly attractive to medium-term investors

Des Kilalea



Chloride power .. charging up earnings

shall be transferred to an account to be called the "share premium account", and the provisions of this Act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the share premium account were paid-up share capital of the company.

(2) Where assets are acquired by the issue of shares of a company and no consideration is recorded, the assets so acquired shall be valued and if the value of the assets is more than the par value of such shares, the difference between the par value of the shares and the value of the assets so acquired shall be transferred to the share premium account.

(3) The share premium account may, notwithstanding anything contained in subsection (1), be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid capitalization shares or in writing off—

(*a*) the preliminary expenses of the company; or

(*b*) the expenses of, or the commission paid or discount allowed on, the creation or issue of any shares or debentures of the company,

or in providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the company.

(4) This section shall as from six months after the date of its commencement apply to any company in respect of any balance of share premiums as at the said commencement date which arose from the issue of shares at a premium before the first day of January, 1953.

(5) This section shall also apply to any company in respect of any balance of share premiums which arose from the issue of shares on or after 1 January 1953.

[Sub-s. (5) added by s. 5 of Act No. 76 of 1974.]

77. Proceeds of issue of shares of no par value to be stated capital.—(1) The whole of the proceeds of an issue of shares having no par value shall be paid-up share capital of a company and shall be transferred to an account to be called the "stated capital account".

(2) If shares having no par value are issued by a company for a consideration other than cash, a sum equal to the value of the consideration as determined by the directors shall be transferred to the stated capital account.

(3) The stated capital account may, notwithstanding anything contained in subsection (1) or (2), be applied by a company in writing off—

(*a*) the preliminary expenses of the company; or

(*b*) the expenses of, or the commission paid on, the creation or issue of any such shares.

78. Effect of conversion of par value share capital into no par value share capital and vice versa.—(1) Where a company converts all its ordinary or preference shares having a par value, or both such ordinary and such preference shares, into shares without par value, there shall be transferred to the stated capital account of the company—

(*a*) the whole of the ordinary or preference share capital, as the case may be; and

(*b*) the whole of the share premium account or that part thereof contributed to

› par value
alue, there
the stated
ed.

le nominal
is shall be

Labour worries plastics

The Plastics Federation plans strong measures to counter the strain on further development in the industry because of its manpower shortage

At the moment there are 23 plants that produce plastic materials, employing roughly 5 000 people Preparations are underway for the in-plant training or training at industrial training centres of almost 3 000 people and the training of more than 300 students at technical colleges and laboratories in 1980, according to the annual report released this week

The production of plastics products last year was 15 percent higher than the year before, and it is [illegible] growth rate will be maintained in the short term

The Federation will keep on working on industrial training as its major priority with the aim of establishing a system to provide training facilities "that have long been overdue," says the outgoing president, Mr H E Stiegler, in the annual report

FM 24/11/83 (183)

TRIOMF/FEDMIS

Yugoslav connection

What were leading members of the SA shipping community doing in Monte Carlo this week? Strange as it may sound, they were trying to get a slice of two SA companies' ship chartering business

Fertiliser giants Triomf and Fedmis recently formed a joint company, Trifed, which besides looking after their shipping needs, has been appointed local agent for European potash producers It is also on the lookout for other commodity agencies

Trifed has appointed an experienced Yugoslav in Monte Carlo to charter ships, principally for the import of about 750 000 t/year of potash and sulphur "He will be our exclusive broker," says Fedmis senior GM Cecil Robertson

But there seems to be another side to the story "It seems extraordinary to me that two big SA companies should do their chartering arrangements from Monte Carlo," says one local shipping man pointing out that AECI has signed a charter contract direct with Safmarine

Before Trifed's formation, Fedmis's and Triomf's shipping arrangements were handled by Eurafma (owned by Fedmis and a German company) and Phosocean (a Paris-based firm in which Triomf had a small stake) respectively

Says Robertson "We're doing it in the way that suits us best We've always had our shipping interests managed from overseas" Certainly, Eurafma, in which Fedmis has sold its stake, has no complaints "We have been promised a chance to quote for Trifed's chartering business", says GM John Hughes

SA ship operators have apparently also not given up hope of getting a slice of Trifed's business, even though it is being handled outside SA Among the men in Monte Carlo on Monday was the head of Safmarine's bulk division "We're hard at work to participate," says a spokesman.

Factory workers 'sit-in' for more pay

183

152

ROM

By SOPHIE TEMA

A GROUP of 37 black workers at a Johannesburg chemical factory refused to work yesterday after complaining they were being grossly underpaid

The employees of the Unico Chemical Company, in Springfield, staged a sit-in protest outside the factory demanding an immediate pay rise

Yesterday the workers claimed they had discussed the pay issue with the management at a meeting two weeks ago where they had been promised an increase, to be paid last Friday But they were paid the usual amount, they said

The employees, some of whom claim service terms ranging from one year to 36 years, also expressed dissatisfaction at the fact that they do not get an end-of-year bonus.

One of the workers said "We are being grossly underpaid by this company We have had meetings with the company's management Each time we are promised we will get an increase, but it never comes. We start at 7am and work until 5pm for peanuts "

Another general objection was that there was no workers' committee in the company for black workers.

Mr German Tsotetsi, who is among the oldest men employed, said he had a record of 36 years unbroken service and earned R30 a week.

Mr Abram Masuku said he had been employed by the company for 35 years and earned the same

Others who claimed long service records are Mr Solomon Tumiso, 31 years, and Mr Philemon Baloyi, 29 years Both said they earned R30 a week Mr Isaac Makule who said he had worked for the company for 24 years, earned R19

The manager of Unico, Mr R J Prinsloo, refused to comment when the Rand Daily Mail approached him on the matter

"I have no comment In fact, I do not think it would be advisable to have an article on the strikers published

"I have informed our directors, and I'm hoping we'll resolve the issue amicably with the workers "

He was aware workers were complaining about wages

Four Unico Chemical Company workers, all with long service records, pictured at their place of employment yesterday. Thirty-seven Unico workers staged a sit-in strike after complaining they were underpaid.

Picture PETER MAGUBANE

27/11/1979

Rand Daily Mail

Star 27/11/79

(b) the allot[...] shares by the holding company to its subsidiar[...]

(4) Subsections [...] ubsection (2), apply to a nominee of a company which is a s[...] ie said subsections to such a company included references to [...]

(5) In relation [...] antee which is a holding company, the reference in this sectio[...] ll be construed as including a reference to the interest of its n[...] e form of that interest

40. No division i[...]**r shares in guarantee companies.**—(1) In the case of a company [...] rovision in the memorandum or articles or in any resolution [...] give any person a right to participate in the divisible profits [...] an as a member shall be void

(2) Any provi[...] articles or in any resolution of a company limited by guara[...] undertaking of the company into shares or interests shall be v[...]

[...]*anies*

41. Names of co[...]—No memorandum containing a name for a company to be [...] d if in the opinion of the Registrar the name is undesirable

42. Reservation [...] may, on written application on the prescribed form and o[...] fee, reserve a name (approved by him) or a literal translation [...] ge of the Republic of a name of a company or a shortened fo[...] ny, pending the registration of a memorandum or a change o[...] gistration of another form of the name

(2) Such reserv[...] exceeding two months or such extended period, not exceeding [...] egistrar, upon payment of the prescribed fee, may in the special [...] allow.

43. Registration [...] **form of name or defensive name.**—(1) The memorandum of any company to be incorporated may contain a literal translation into the other official language of the Republic and one shortened form of the name of the company, and any company may, on the prescribed form and on payment of the prescribed fee, apply to the Registrar for the registration of such translation and shortened form of its name, if in each case the translation and shortened form of the name concerned is not in the opinion of the Registrar undesirable

(2) Any person may annually on application on the prescribed form and on payment of the prescribed fee apply to the Registrar to register any name as a defensive name which is not in the opinion of the Registrar undesirable

(3) The Registrar shall register such literal translation or shortened form of the name of the company concerned or such defensive name and, where registration is effected pursuant to an application under subsection (1) or (2), the Registrar shall give notice thereof in the *Gazette*.

44. Change of name and effect thereof.—(1) (a) Any company may by special resolution change its name to a name which is not, in the opinion of the Registrar, undesirable

(b) Where a company changes its name, it shall at the same time, if the translation or shortened form of the name of the company has been registered under section 43 (1), and such translation or shortened form is no longer applicable to the name of the company as changed, apply on the prescribed form and on payment of the prescribed fee—

The sit-in workers are back and 'happy'

183 162

By Derrick Thema

All the black workers who staged a sit-in at a Johannesburg chemical factory yesterday were back at work today after management agreed to give them wage increases ranging from 20 to 25 percent

Mr R J Prinsloo, manager of Unico Chemical Company, said "Everybody is happy and back at work"

And in Port Elizabeth, 300 blacks jostled for work today at the Ford Struandale motor plant where 700 workers were dismissed last week after staging a fourth wildcat walkout

Mr Dunbar Bucknall, public affairs director at Ford, said today 40 people were hired yesterday and more applications were being processed.

About 200 former strikers at Port Elizabeth's General Tire and Rubber Company plant were rehired by this morning, said Mr R G Nicholson, the firm's managing director.

183

27/11/79 Post

Unico workers go on strike

A GROUP of 37 black workers of a chemical factory in Doornfontein, went on strike yesterday after complaining they were being grossly underpaid.

The workers, all males and employees of the Unico Chemical Company, staged a sit-in strike outside the firm and threatened not to work unless they were given an immediate pay-rise.

Yesterday the workers claimed they had held a meeting with the company's management two weeks ago where the pay issue was discussed. A promise of an increase was made which all workers had expected on Friday last week.

But workers were shocked when they received their pay packets last week and found they had been paid their normal wages.

UNDERPAID

The employees, with services ranging from one year to 36 years, claim that not only are they underpaid but they also do not receive bonuses when they break up at the end of the year.

One of the workers, who asked not to have his name published said: "We are being grossly underpaid by this company. We have had meetings previously with the company's management. Each time we are promised that we would receive an increase but it never comes.

"This time we decided to lay down tools if our demands were not met. We start work at 7 am until 5 pm just to be given peanuts."

He complained that there was no workers' committee in the company where black workers could take their compaints. This had also resulted in the workers not having a spokesman to represent them whenever they had grievances.

Some of the men claimed they had worked for the company for over 30 years and were still earning R30 a week.

Mr German Tsotetsi, who is among the eldest employed by the company has a record of 36 years unbroken service and earns R30 a week.

Others with service records of 35 years, 31 and 29 years earn the same. Mr Isaac Makule with 24 years earns R19 a week.

The manager, Mr R J Prinsloo, refused to comment when the allegations by the workers against the management were put to him. He said: "I have no comment to make. In fact, I do not think it would be advisable to have an article on the strikers published in the newspaper.

"I have informed our directors about the matter and I am hoping that we will resolve the issue amicably with the workers."

But Mr Prinsloo, said he knew the workers were complaining about wages. —Sapa.

fox

FM 30/11/79 183

FM 30/11/79

183

SENTRACHEM/FEDMIS/GENMIN

Establishing a growth base

Sentrachem is eventually to establish its own mini-Sasol The group has decided to establish joint operations with General Mining, to produce methanol or coal-based chemical feedstocks which are currently in short supply from Sasol

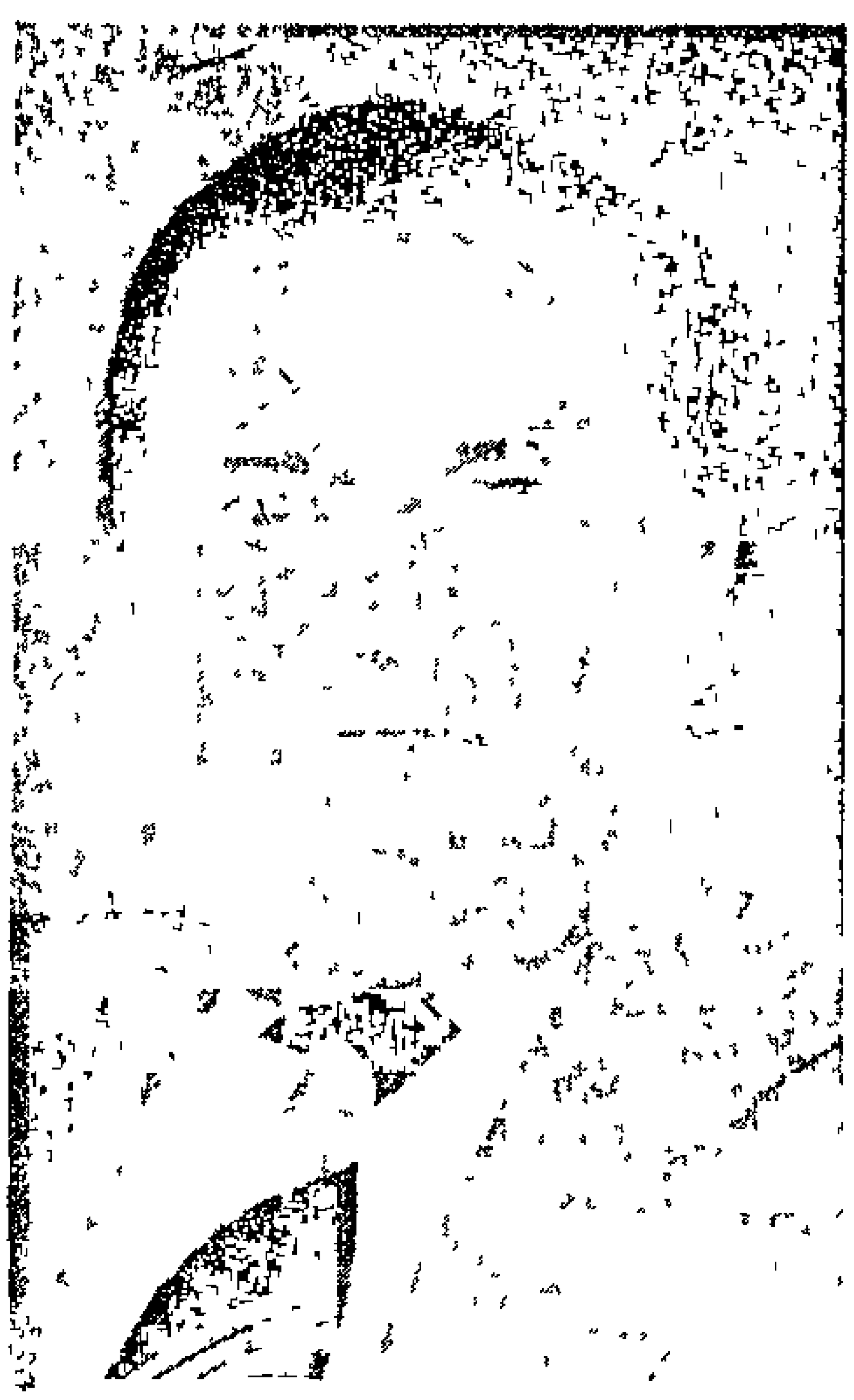
The scheme involves the exploitation of Northern Transvaal uranium-bearing coal reserves owned equally by Genmin and Trans-Natal

In exchange for being allowed in on the "ground floor" when the coalfield is exploited, Sentrachem is to sell a 10% stake in itself to Genmin for R39m — equivalent to 470c a share

The ramifications of the scheme could be enormous, but at this stage no-one will disclose the likely scale, nature or cost of the new coal-based operation Sasol-type plants are expensive and the final capex figure could easily exceed R300m

But AECI has its own R750m methanol production plans, and it is not difficult to envisage the situation whereby both chemical groups collaborate as they did over Coalplex

In another deal, Sentrachem plans to take over all of Fedmis' equity It will offer Fedmis shareholders 100 Sentrachems for every 200 Fedmis held, which, based on Sentrachem's 570c pre-suspension price, is equivalent to 285c Alternatively there is a 400c cash offer



George MrKusic . . . overseeing the new Sentrachem

While the cash offer is at a 19,4% premium over Fedmis' 335c pre-suspension price, shareholders taking cash will not be eligible for the 17c final dividend Those opting for the share swop will receive Fedmis' final and Sentrachem's anticipated 17,5c final Thus the paper offer reflects a 4,6% discount to the pre-suspension price

Whether it will be worthwhile accepting the share offer depends on whether Sentrachem is re-rated on today's re-listing The merger will create a group with annual sales of R500m and a market capitalisation of a similar amount

But, contrary to some expectations, the transaction will not be immediately followed by large expansion programmes Sentrachem financial director, Corrie Smuts, says Sentrachem's current plans are largely unchanged, and that expansion of existing plant is slated to cost about R150m The other plans are well know (See leader)

So, it appears that any rationalisation benefits need not cause an immediate jump in the share price, and the prudent action would be to accept the cash offer and buy the stock back at the lower level later

Merchant bankers UAL and Senbank, who are handling the transaction, expect about 25% of Fedmis shareholders to accept the cash offer That indicates that the majority shareholders, Fedchem, the IDC and Old Mutual, have probably shown their hands and will accept shares

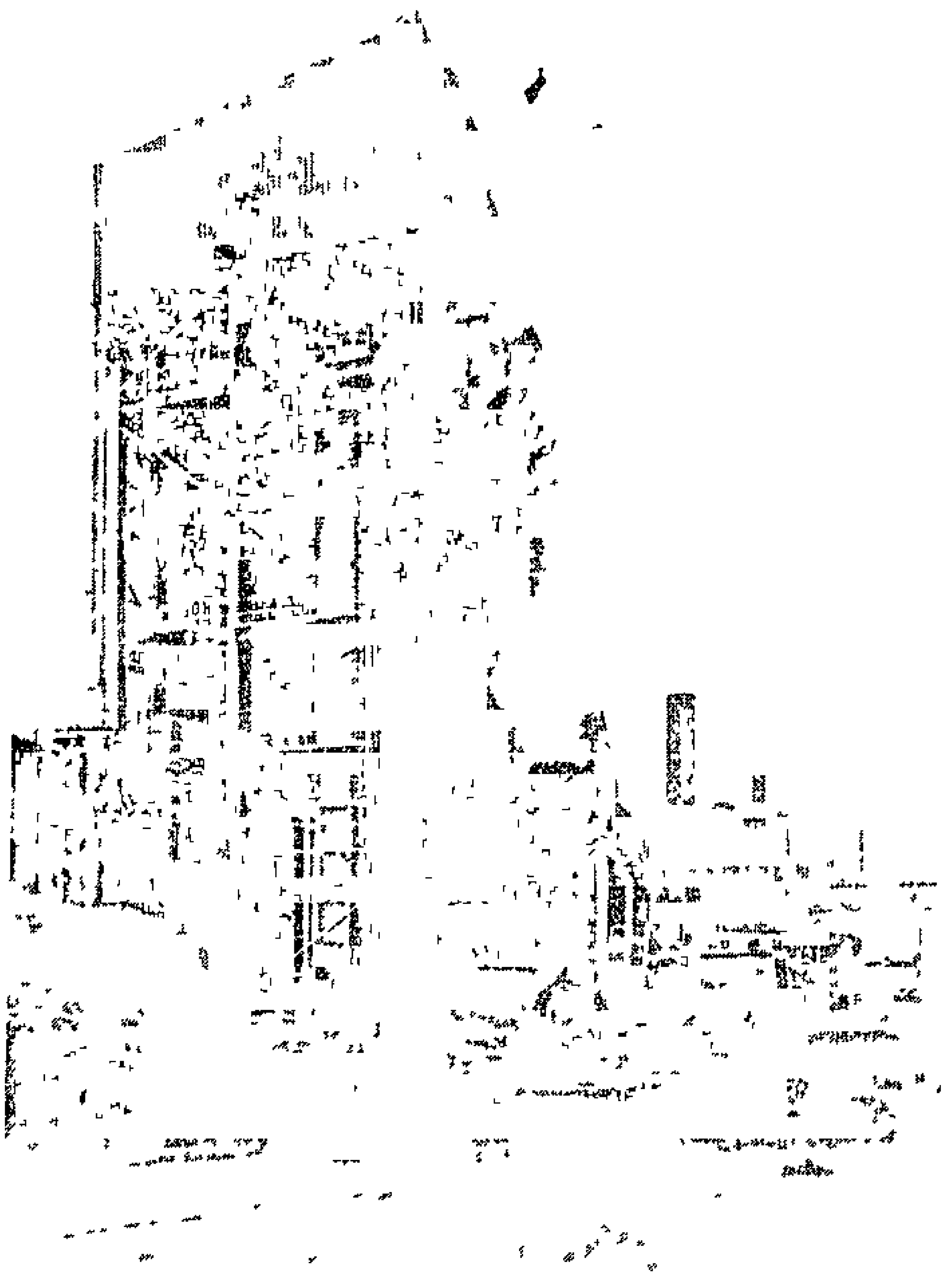
Another effect of the transactions will be to dilute the 19% stake of each of the major Sentrachem shareholders, Fedchem BP and the IDC, to around 13% But Fedchem is part of the FVB group, which has a stake of around 40% in Fedmis Therefore the FVB group's effective stake in the enlarged Sentrachem will be around 25%

Before the benefits of rationalisation and the arrangement with General Mining, the merger is expected to increase Sentrachem's projected earnings this year from 59,6c to 62,1c, its dividend from 26c to 31,5c and its nav from 268,1c to 274,6c

Peter Pittendrigh

SMITHCHEM

Born to export



Smithchem . . getting into as many markets as possible

Smithchem was born to export because it couldn't have lived on the local market alone This wholly owned subsidiary of C G Smith Sugar uses bagasse the fibre left over after sugar cane is crushed to make furfural It is used mainly in the processing of lubricating oils and as a base for furfuryl alcohol important to the foundry resin industry

It started production in 1974 with 130 t of furfural and now produces more than 4 000 t a year of which 90% is exported Earnings last financial year were R397 000 A R2 75m furfuryl alcohol plant is expected to come on stream in May and not only will this generate export earnings but it could replace current imports of about R550 000 a year

This year the company has started making another bagasse derivative, diacetyl, used as a flavour carrier in foodstuffs Almost the entire output will be exported

Smithchem has travelled a hard road to success There were endless teething troubles with the original plant from Finland Then last year it lost its entire market in Europe and Australia to freebooting communist Chinese producers out to earn foreign exchange at any cost With considerable effort it was able to re-establish itself in Britain and the US

'We have tried to get into as many markets as possible, says MD Ian Mackenzie, 'to spread the risks but it is a very thin market with not many producers and not many customers either

Low cost

He adds Our real strength is that we are a low cost producer I believe that plants in Spain and the Philippines have had to close over the past few months because of losses Our biggest threat is freight rates and the only counter is to ship in bigger quantities

'The bulk shippers were tremendously helpful when we started off and so were the local and overseas trading houses who helped us find our feet he says

Mackenzie believes that to succeed in such a market it is important to build up credibility and good personal relationships "One has also got to offer the full range of services offered by competitors "

Exports this year are expected to be R2,5m

Strongest competitor is the US which has about 65% of the world market for furfural and probably 80% for furfuryl alcohol

Smithchem may not be able to slay the giant but it is certainly out to see Goliath ends up with a severe head ache

Financial Mail November 30 1979

(3) Every external company shall with... year lodge with the Registrar, under cover of the prescribed form, a copy ... financial statements together with the report of the auditor of the company in respect of its financial position, trade and business in ...

(4) The provisions of sections 281, ... remuneration of auditors and of Chapter X... panies shall apply *mutatis mutandis* to the ... section (3) of this section in respect of eve...

(5) Every external company shall within six months after the end of its financial year, lodge with the Registrar a certified copy of its latest complete annual financial statements as prepared under the requirements of the foreign jurisdiction in which it was incorporated and, if such statements are in a foreign language, a certified translation thereof in one of the official languages of the Republic

(6) The Minister, when he considers it to be in the public interest, may exempt an external company from all or any of the obligations imposed by this section and may also do so on application by such external company on the ground that the required disclosure of information or of any particular information will be harmful to the company or will be impracticable or will be of no real benefit to the members of the company in the Republic in view of the insignificant amounts involved: Provided that such application shall be renewed every two years.

330. External companies to lodge annual return.—(1) Every external company shall not later than one month after the end of its financial year lodge with the Registrar a return in the prescribed form, specifying the particulars prescribed by the Minister by regulation, in regard to the company, as at the date of the end of its financial year.

[Sub-s (1) substituted by s. 23 (1) of Act No 59 of 1978.]

FM 30/11/79

(103)

Hatching grand schemes

SA's R2,5 billion a year chemical industry is planning ahead on a massive scale. It has announced more projects than any other industry in the private sector. But published plans only scratch the surface. Major chemical groups are hatching new schemes on a grand scale.

During the past 20 years Sasol provided firm support for the local chemical industry. Besides producing fuel from coal, it also supplies chemical feedstocks such as ethylene, sulphur and propylene (derived from naphtha, an oil product) at Sasol 1. But the local market was initially too small to support economically viable plants by world standards. So plants tended to be small and local chemical prices were normally higher than world prices as the industry relied heavily on import protection.

The deepening oil crisis accelerated the return to coal technology and AECI decided in 1973 to build a R230m PVC plant - Coalplex. With Sentrachem also planning for PVC, AECI offered that group a 40% share in the project, which it accepted. But even before the oil crisis AECI decided to build a R100m coal based ammonia plant at Modderfontein. This came on stream in 1974. Now Sentrachem has commissioned Fluor, the US engineering firm responsible for the erection of Sasol 2 and 3 — to put up a R123m synthetic rubber plant at Newcastle. Sentrachem also saw possibilities in producing ethanol from local biomass (plant matter) and intends sinking R100m into projects to produce this and other products based on local raw materials.

Currently Sentrachem's ambitious plans tend to overshadow AECI's ostensibly rather less impressive expansion prospects. However this is only because AECI says less about its plans than Sentrachem. AECI MD Denys Marvin tells the *FM* that the group's expansion prospects will ensure that it maintains its market share.

For example it is not generally known that AECI sees the possibility of producing some 2 500 t of methanol daily as an alternative to petrol and diesoline. Marvin tells the *FM* that this would require an investment of up to R750m.

But at this stage, says Marvin, it would not be practicable to go ahead. A first prerequisite is to establish a market and the second would be to enlist State support, particularly as regards excise duty and protection.

This is no dream, stresses Marvin, pointing out that "theory guides and practice decides."

Marvin believes the market will be

created by the availability of a redesigned engine which will run on methanol. "It is not that we are committed to producing fuel, but we are established methanol producers out to make money," he says.

A recent AECI think tank concluded that, with oil prices escalating and supplies likely to dwindle, the industry would need to return to the supply position ruling at the beginning of the century. Then coal tar formed the base for chemical feedstocks. Consequently, another possible scheme is for AECI to establish its own plant to supply feedstocks from coal. This would mean AECI would have to find a large coal field and establish a colliery and massive surface coal gasification works. In fact, this would be nothing short of a chemical-orientated Sasol.

The chemical industry hardly ever plans a project in isolation. The inference of these two pieces of intelligence is that the methanol plant would double as a feedstock supplier. In 1975, AECI bought the licence to convert catalytically methanol into hydrocarbons (liquid fuels) from Mobil.

In the immediate future, AECI is proceeding with its plan to establish a low-density polyethylene plant which will cost about R80m at today's prices. This is to be followed by a second stage which could cost about R70m. Other projects in the offing, which Marvin hopes will be approved in March, are a R10m polyol (base for polyurethane) plant and a R30m ethylene oxide and mono ethylene glycol plant. SA Nylon Spinners, AECI's Cape based subsidiary, is expected to increase the capacity of its polyester spinning plant at a cost of R40m.

Besides these projects, the expected growth in the mining industry will probably necessitate capex averaging up to an annual R30m on explosives production in the next five years.

As far as growth prospects this year are concerned, Marvin has no hesitation in forecasting AECI sales of over R1,1 billion next year — more than 30% higher than this year's expected R850m.

Marvin ... basing the future on coal

With AECI's policy of controlling costs and increasing margins, and with Coalplex likely to show a small profit next year, operating profit could rise substantially. But the high price of oil was not the only catalyst to growth in the industry. Both Triomf and Fedmis saw the opportunity of using SA's cheap electricity to produce phosphoric acid from local phosphate rock produced by Foskor.

On Wednesday Sentrachem not only disclosed the basis of the proposed Fedmis takeover, but announced a second transaction involving General Mining and Trans-Natal. Genmin and Trans-Natal each have a 50% stake in a uranium-bearing coalfield near Warmbaths which, due to its unique nature, will allow Sentrachem to share in the exploitation of the carbonaceous content of the coal in return for 8,3m Sentrachem shares, amounting to 10% of the enlarged group.

It is not yet clear whether the coal will be used as an energy source or to provide chemical feedstocks. What is clear is that AECI and Fedmis are thinking along the same lines, but Sentrachem is moving faster.

As was anticipated (*Fox*, November 9), Fedmis is to become a wholly-owned subsidiary of Sentrachem. Fedmis minorities are to be offered 100 Sentrachem shares for every 200 Fedmis shares held, equivalent to only 285c based on Sentrachem's 570c pre-suspension price, or 400c in cash. This compares with Fedmis' 335c pre-suspension price. However, shareholders who elect to take Sentrachem shares will be entitled to the 17c Fedmis final dividend and Sentrachem's probable 17,5c, which pushes the offer price up to 319,5c.

According to Sentrachem the advantages of this transaction are in synergy. As seperate entities the two groups would not have been capable of producing the product ranges which now become possible. One of the major prospects is the production of potassium from local raw materials, probably, the Northern Transvaal coal reserves.

Shareholders may do better to take the cash offer and buy Sentrachem in at a lower price later. (See *Fox*.)

Chemical industry sources believe the industry will grow at 1,6 times the GDP growth rate. So chemical shares offer strongly growth-orientated investments which should continue to show above-average appreciation.

Peter Pittendrigh

SMITHCHEM

Born to export

(183)

FM 30/11/79

Smithchem getting into as many markets as possible

Smithchem was born to export because it couldn t have lived on the local market alone This wholly-owned subsidiary of C G Smith Sugar uses bagasse, the fibre left over after sugar cane is crushed, to make furfural It is used mainly in the processing of lubricating oils and as a base for furfuryl alcohol, important to the foundry resin industry

It started production in 1974 with 130 t of furfural and now produces more than 4 000 t a year of which 90% is exported Earnings last financial year were R397 000 A R2 75m furfuryl alcohol plant is expected to come on stream in May and not only will this generate export earnings but it could replace current imports of about R550 000 a year

This year the company has started making another bagasse derivative, diacetyl, used as a flavour carrier in foodstuffs Almost the entire output will be exported

Smithchem has travelled a hard road to success There were endless teething troubles with the original plant from Finland Then last year it lost its entire market in Europe and Australia to freebooting communist Chinese producers out to earn foreign exchange at any cost With considerable effort it was able to re-establish itself in Britain and the US

"We have tried to get into as many markets as possible," says MD Ian Mackenzie, "to spread the risks, but it is a very thin market with not many producers and not many customers either "

Low cost

He adds "Our real strength is that we are a low-cost producer I believe that plants in Spain and the Philippines have had to close over the past few months because of losses Our biggest threat is freight rates and the only counter is to ship in bigger quantities

"The bulk shippers were tremendously helpful when we started off, and so were the local and overseas trading houses, who helped us find our feet, ' he says

Mackenzie believes that, to succeed in such a market, it is important to build up credibility and good personal relationships "One has also got to offer the full range of services offered by competitors "

Exports this year are expected to be R2 5m

S. Times 2/12/79

183

Low-profile Natal company shines in chemicals

ANOTHER sector where the company to fare best by the standards of the Business Times Top 100 Companies survey, surprisingly, is chemicals.

It's a fair bet few people would have thought that the best growth rate — and that by a handsome margin of more than 100% — would be recorded by as little known a company as Natal Chemical Syndicate

In one sense, the fact that it is little known is hardly surprising, as most years, turnover in its shares on the JSE is less than 25 000 It is controlled by the Durban-based Industrial Investments, whose own shares are even more difficult to trade in

The signs of the company's intrinsic merit have nevertheless been there to see for some time In 1977, Natal Chemical appeared in place 75 in the list, moving up usefully to 17th last year

It actually has a venerable history, having been founded in the early 1900s. It owned wattle farms in the Ixopo district, sold in 1973, and has built up a useful portfolio of listed investments (worth R90 000 in the last balance sheet) and properties, but its main traditional business was the manufacture of wattle extracts, from factories at Vryheid and Schroeders

From the early sixties, no doubt to minimise the dependence on a risky business like processing agricultural products, the group moved more into resin and plastics products, at a factory in New Germany

It has generally followed a conservative dividend policy and development has been financed almost entirely internally With just under 1-million shares in issue, the company thus has the advantage of operating from a fairly narrow equity base

In 1965, another manufacturer of plastics products, Sarnia Chemicals (Pty), was bought, but this was less than a brilliant success Sarnia's factory was subsequently closed, and its activities transferred to New Germany

However, after decades of depression, conditions in the wattle industry picked up in the seventies There was a massive decline of production in SA's former biggest rival, Brazil, while dramatic breakthroughs in wattle chemistry opened up dozens of new applications for bark products

In the 10 years up to 1973, the area under wattle cultivation dropped by 53%, to 182 000 ha, but that year the Wattle Growers' Association advised its members to stop converting wattle land to other crops

In addition to advances in the main use of wattle bark in tanning, there were also great developments in wattle-based adhesives

In 1973 a 10-year, R40-million contract to supply wattle chips to Japan was concluded, a further major boost to growers

Sales of wattle bark extracts are controlled by quotas issued to manufacturers in terms of a wattle bark industry agreement, of which NCS held 21%

It also owned a substantial investment in another producer Comec Mimosa Extract, which had a 10,14% quota In 1959, as a result of a partial merger of the two companies, Comec started to process 6,86% of the NCS quota, leaving NCS 14,14% The close relationship between the two was strengthened in 1976 by an outright merger on a share exchange basis Comec became a wholly-owned subsidiary of NCS with effect from July 1, 1976

The NCS annual report is lamentably lacking in information Perhaps the management feels that, with such a tighly-held capital, there is not much point in spending money on disclosing information regarded by most groups as commonplace

It does not even disclose what proportion of profits is attributable to wattle and how much to plastics But it would appear that the Comec merger and the revival in the wattle industry are the main reasons behind the excellent record of recent years although the directors imply that in 1979, wattle profits dropped

Amazingly, more information (and even that is scant enough) is given on the current outlook in the Industrial Investments report than in that of NCS itself

The chairman of Industrial Investments, Mr A I M Hepburn, who is also chairman of NCS (and, as a matter of interest, of Hunt Leuchars & Hepburn Holdings) says in the second report that NCS's earnings are not expected to grow at the same rate this year

This implies that some growth is still hoped for Whether it will be enough to keep NCS In the upper reaches of the Top 100, as well as in the Royals, next year may be doubted

Nevertheless, its good showing in the past couple of years is proof that you don't have to be big to achieve results, or operate in a glamorous sector of the economy

NCS shows that you can be fairly small and specialised and still do well enough to keep your shareholders happy and prosperous

RAPPORT 2/12/79

183

222

Sentrachem bou dalk eie Sasol

VANDEESWEEK se oorname van Fedmis deur Sentrachem en die belang van 10 persent wat General Mining in die vergrote maatskappy verkry het, word deur kenners bestempel as die voorloper van 'n tweede Sasol in die kleine. 'n Ander alternatief wat genoem word, is die grootskaalse vervaardiging van metanol.

Die vergrote Sentrachem sal hom toelê op die ontwikkeling van die groot steenkoolveld van General Mining in die Noord-Transvaal naby Nylstroom, wat as 'n unieke neerslag beskou kan word.

Inligting in verband met hierdie steenkoolveld sowel as sy potensiaal is volgens die gesteldheid van die steenkool geklassifiseer en die twee maatskappye sê in 'n verklaring dat dit nie in hul belang sal wees om hierdie inligting bekend te maak nie.

'n Rowwe aanduiding is egter vroeer vanjaar deur General Mining gegee waarvolgens die potensiële reserwes in vier hoofkategorië ingedeel kan word, naamlik 'n gebied wat vermengde kookssteenkool bevat, gebiede wat stoomsteenkool van gemiddelde gehalte bevat met aanduidinge van aansienlike uraankonsentrasies, beperkte gebiede waar steenkool swak ontwikkel is, maar waar uraan teenwoordig is, en 'n redelike groot gebied wat stoomsteenkool van 'n gemiddelde of lae gehalte bevat en waar uraan teenwoordigheid onbeduidend is.

Dit is veral die steenkool met 'n lae gehalte wat moontlik die grootste potensiaal inhou vir die vervaardiging van petrol

Die uraanneerslae in hierdie steenkoolveld word deur sommige kenners bestempel as meer belangrik as dié wat in die Karoo voorkom. Hulle sê die ekonomiese sukses van die projek sal in 'n groot mate afhang van die metode om die uraan en die steenkool van mekaar te skei sodat nie een van die twee produkte in die proses onbruikbaar word nie.

'n Moontlike metode wat genoem word, is om die steenkool te verhit sonder dat dit brand en in die proses die uraan te onttrek. In die proses sal die steenkool wat agterbly vloeibaar gemaak word in teenstelling mèt die vergassingsproses wat op die oomblik deur Sasol gebruik word. Dit is veral hier waar Sentrachem met die ontsaglike chemiese kennis wat hy in Suid-Afrika opgebou het 'n baie belangrike rol sal speel

General Mining sal waarskynlik vir die ontginning van die steenkool verantwoordelik wees en na verneem word, sal dit met 'n oop mynboumetode gedoen word. Verder sal hy waarskynlik ook verantwoordelik wees vir die afset van die uraan Daar word ook verneem dat die uraanwaardes wat in die steenkool gevind word aansienlik hoër is as dié wat by 'n konvensionele myn voorkom.

Sentrachem maak geen melding van die vervaardiging van petrol nie, maar mense wat behoort te weet, sê dit is onwaarskynlik dat 'n projek van hierdie omvang aangepak sal word slegs vir die ontginning van ander chemiese produkte uit steenkool. Baie van hierdie chemiese produkte sal uit die aard van die saak geproduseer word wanneer Sasol II en Sasol III op dreef is.

Sentrachem noem drie hoofgebiede waar gesamentlike voordele verwag kan word.

Dit is op die gebied van vervaardiging en bemarking van chemiese produkte (kunsmis, plaagbestrydingsmiddels en dierevoer) vir die landbou, ontwikkeling in die skeikunde op die gebied van steenkool, fosfate en stikstof; die plaaslike produksie van kalium en die benefisieëring van natuurlike gas, indien dit ekonomies uitvoerbaar word om dit as grondstof in Suid-Afrika te ontgin

Dat dit 'n enorme projek gaan wees, word ook weerspieël deur die feit dat Sentrachem, sê dat die samesmelting dit makliker sal maak om toegang tot die plaaslike en internasionale kapitaalmarkte te verseker.

Dat Sentrachem 'n groot voorstander was vir die vervaardiging van brandstof uit organiese produkte soos mielies en suikerriet is geen geheim nie As hy destyds die groenlig gekry het om met hierdie projekte voort te gaan, sou dit moontlik reeds in bedryf gewees het.

Dit bly egter 'n uitgemaakte saak dat die vervaardiging van metanol uit steenkool steeds 'n meer ekonomiese proposisie is en al sou die vergrote Sentrachem dan nie petrol uit die olie haal nie, is dit feitlik 'n uitgemaakte saak dat hy op groot skaal metanol sal produseer

Die feit dat BP Suid-Afrika ook by die projek betrokke is, verhoog natuurlik die kanse dat vloeibare petrol of metanol vervaardig kan word, want hierdie maatskappy het reeds 'n landwye bemarkingsorganisasie vir petrolprodukte

as Central
free areas,
a seasonal
(Stenning 1959).

pansion
an
uthern
le pastoral
po-
list and
of the
creasingly
ages of
en man
available.
1) to move
gathering
herbivores,

decreased at this time making the environment unattractive to tsetse and the tsetse belt contracted southwards (figure 2).

The rainfall peak just after 3500 B.P. similarly coincides with the end of occupation of Karkarichinkat suggesting the possibility of a northward expansion of the tsetse belt once more rendering the Tilemsi Valley unacceptable for pastoral occupation.

many of whom have quite different water requirements to cattle); 2) to migrate to where sufficient water and pasturage would be available. The decision to choose the latter alternative over the first would depend on there being available a region into which to migrate and how strong the social dependence was on the pastoral way of life.

That the latter choice was made underlines how important the pastoral

PLASTICS F.M. 7/12/79 (183)

Sasol spin-off

SA plastics output will benefit greatly from the availability of by-product ethylene from Sasol II, says Safripol general manager Roy Pithey

Safripol (a joint venture of Sentrachem and Hoechst SA) is to spend R4m during 1980 to boost annual production capacity of high-density polyethylene from its current level of 60 000 t to 80 000 t Polypropylene capacity will go from 40 000 t to 48 000 t The expansion programme will cost R16m when complete and, by 1982, will bring high-density polyethylene capacity to 130 000 t annually

SA currently imports about 10% of its high-density polyethylene, but could become an exporter once Safripol's expansion is complete (Its expanded Sasolburg plant will then have sufficient capacity to meet anticipated local needs until 1986).

As Sasol II will produce 250 000 t of propylene annually, which can be extracted from its product stream if demand justifies, local raw material would be available for further polypropylene expansion after 1980 too But expansion of polypropylene capacity beyond 48 000 t annually would have to await the development of export markets or a further growth in local demand

Heinz Lassen, general manager of Plastomark, Safripol's marketing company, notes that SA demand for high-density polyethylene and polypropylene has risen by 30% over the past two years Demand should increase further next year, with plastics making inroads into the markets for alternative packaging materials like paper, cardboard, steel and tin plate

Pithey emphasises two aspects of Safripol's expansion the first R4m will be spent in SA, while the entire programme represents a substitution of local coal-derived intermediates (ex Sasol) for petrochemicals derived from imported crude oil ıs consistently worse than that of the whites. The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic diseases in women in this group, and cardiovascular disease in men 45-64 years of age during 1960 and 1970. Clearly the rate of 5/1 000 which has ... arbitrary but a similar pattern of mortality emerges

...quire emphasis. ...eases in question, ...or example, a ... only be influenced ...oved prevention at ...ch will consequent-...ited mortality.

...ulation of rates is ...onsideration the ...he actual numbers ...those groups which ... population, for example 'coloured' children 0-4 years old. ... nt demographic profiles of the two communities for 1951 are presented in Fig. I, and this pro-vi... of the age distribution of whites and 'coloureds'. ...curred between 1941 and 1970 are, ... relative unimportance.

... and whites are presented in Fig. 6. ...icans[5], this is speculative and is ...bility to warrant inclusion. Two ... included: (1) e_o - the expectation ...ctation of life at 45 years of age. ...expectation of life than men, and ...th whites and 'coloureds'. In fact, ... 'coloured' females have a better ... What is perhaps of some concern is ... life for males and females is widen-...the whites and the 'coloured' communi-...ed in the latter for whom Male:Female deficit ... become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

183

F.M. 14/12/79 (183) (4AO) 62

CHEMICAL ENGINEERING

Hands across the sea

America's Fluor Corporation and SA's General Erection (Genrec) have decided to make permanent the strong working arrangement built up between them in the course of putting up Sasol II and III (Fluor is managing contractor on the Sasol II and III complexes, while Genrec is a principal contractor)

A jointly owned company, Fluor-Genrec SA, will perform process plant engineering, maintenance and construction in SA and adjoining countries Chick Cannon, president of Fluor Engineers and Constructors, says that his company has signed a letter of intent and is negotiating a definitive agreement to work out details of the proposed jointly owned company This agreement will not require Fluor to purchase shares in Genrec

Fluor is a world leader in chemical engineering, providing procurement, construction and project-management services, especially to energy and natural-resource clients Genrec offers engineering and construction services to mines and industry

An irresistible question comes to mind on the strength of this news would this corporate marriage have been announced if the parties did not anticipate further lucrative contracts for putting up more Sasol plants (or other types of synthetic fuel plants) in the not-too-distant future?

1185

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

REFERENCES

1. Acheson, R.M., Hall, D.J. and Aird, L. eds. (1976): Seminars in Community Medicine, Volume 2: Health Information, Planning and Monitoring, Oxford University Press, London.

2. White, K.L. and Henderson, M.M. eds. (1976) : Epidemiology as a Fundamental Science, its Uses in Health Services Planning, Administration, and Evaluation, Oxford University Press, New York.

3. South Africa (1929-1940) : Report on the Vital Statistics of the Union of South Africa. Annual 1926-1938, Government Printer, Pretoria.

4. South Africa (1961-1965) : Bureau of Census and Statistics, Report on Deaths, South Africa and South West Africa, Reports UG 26/1961, RP 17/1961, RP 45/1965, RP 63/1965, Government Printer, Pretoria.

5. South Africa (1971-1977) : Department of Statistics, Reports of Deaths, Reports 07 - 03 - 01 to 07 - 03 - 12, Government Printer, Pretoria.

6. South Africa (1948) : Official Year Book No. 23, 1946, Chapter XXIX, Government Printer, Pretoria.

7. Van Tonder, J.L. and Van Eeden, I.J. (1975) : Abridged Life Tables for all the population groups in the Republic of South Africa (1921-1970), Report S-34, Human Sciences Research Council, Pretoria.

8. Preston, S H., Keyfitz, N. and Schoen, R. (1977) : Causes of Death; Life Tables for National Populations, Seminar Press, New York

9. Sadie, J.H. (1970) : S. Afr. J. Economics, 38, 1.

10. Doll, R. (1976) : Monitoring of Government Statistics, in Seminars in Community Medicine, Volume 2. ibid.

PHARMACEUTICALS

No fast remedy

F.M. 21/12/79 (183)

Though most market sectors have given investors a reason to run with the bulls over the past year, pharmaceuticals and medicine has gone the way of most bears — into hibernation Whereas the *RDM* industrial index advanced 63% over the period the pharmaceutical sector fell 6% to 90 6 Not that the quoted companies are wholly representative of the industry — far from it Over 80% of ethical preparations dispensed in SA emanate from unquoted subsidiaries of multinationals

The reason for this large foreign investment on which the local industry relies rests in the main with the prohibitive research and development costs Many US companies spend well in excess of $100m on R & D When one compares this with, for example, SA Druggists' annualised R153m turnover last year, it is clear why the industry needs foreign expertise if it is to stay up to date

According to Adcock-Ingram MD Norman Nossel, the only way SA could introduce a new drug would be through pooling of resources He reckons it would cost some R65m to put an ethical product on the SA market Meantime, reaction to such incidents as those induced by thalidomide — which has resulted in a 10-year lead time before new drugs are permitted on the market — has produced a tremendous lag in the pharmaceutical industry's growth, with a direct spin-off in SA Another problem is that the multinationals have been pouring funds into R & D without producing many major breakthroughs

Nossel's view is supported by SA Druggists' MD Brian O'Donnel, who reiterates that there have been no major discoveries over the past few years This has resulted in an intensification of competition, which, coupled with price controls, has been a major factor behind the industry's poor growth

But, judging from the findings of last year's Steenkamp Commission, it looks as if local manufacture is set to advance O'Donnel feels that the local market is "now getting sorted out," and that with new innovations on the cards, SA Druggists will see a good recovery, probably starting next year His group is getting a larger share of local contracts, from, for example, hospitals, and should benefit from expired patents which allow the group to manufacture ethical preparations at competitive rates

Nossel, too, feels that the future looks better, and that with SA's relatively lower costs, local manufacturers will become more competitive He agrees that local companies can capitalise on expired patents, with subsequent pricing reductions

The problem is the lack of new developments, which, according to Nossel, will cause a world-wide lag in the industry growth over the next five years In SA, the problem is not too acute, as products have yet to penetrate the black market fully

Given the problems facing the industry, there are few reasons to suppose that the sector will perform any better in the medium-term The largest quoted company in terms of turnover, SA Druggists, seems to have potential, but this has not shown through in earnings in the past five years Since 1975, earnings have fluctuated Earnings of 27,3c achieved in 1976 have not been matched since, although this might be achieved this year

Results for the six months to end-September were disappointing, and the directors revised their year's forecast of 32c to 27c following first-half earnings of 13,3c (13,9c)

Although the group has been on the takeover trail for several years, hoped-for synergies have not materialised For example, the group's Bethlehem intravenous plant was closed for three months following technical difficulties Although management probably over-reacted to the problems, this does not make the R500 000 first-half loss from this division any easier to digest The group's retail franchise scheme, Link, performed well, and hospital component manufacturer Medispo should return a profit this year If the problems relating to acquisitions can be overcome, the share looks set for a long-term re-rating, although its prospective 7,8% yield discounts near-term growth

Blue chip of the sector is probably Adcock-Ingram, which has been reorganised by Nossel, and is one of the brighter prospects in the Tiger Oats group Earnings, which took a knock in 1977 as a result of involvement with Etkinds, have only level-pegged compound turnover growth of 4% since 1975

As with other sectoral performers, Adcock has felt the pinch of increased competition and tight margins But if Nossel can continue to improve efficiencies, the forecast 59c final following the 29c interim looks like being overhauled At 1 450c the prospective 6,1% yield is good for the sector, although with rumours that Tiger Oats is continually looking to beef up its investment, the shares could be hard to find Rumours like this could, if founded, lead to further speculation about a minority take-out, although Nossel claims no such intention

Runners up in both the size and growth stakes are Twins and its distribution arm, Alex Lipworth These two, and General Optical, do not reveal turnover figures, but the last named, judging from its turnover index, has the better record For the Twins group, a turnaround started in the latter part of last year and continued up to the interim stage this year, when attributable earnings were hiked by 31% to R612 000 (R468 000) At that stage, a 9c final to add to a 4c (3c) interim was expected, giving a prospective yield of 10,4%

This might look good, but the group's risk must, because of its past profit performance, be higher than average Twins and Alex Lipworth, which is sitting on a 10,6% prospective yield, are tightly held

General Optical has turned in good results over the past five years, with a compound 21% dividend growth exceeding the 10,8% compound earnings improvement The group is not too heavily invested in the pharmaceutical industry, as its cash generator is optical goods, and is a good long-term hold Its 7% yield offers little chance of near-term gains

Sound cost control has not been a recent feature of the industry and it is difficult to foresee any major near-term improvement Thus though turnovers will almost certainly advance, there may not be any major earnings improvement What the pharmaceuticals industry needs are R & D breakthroughs and a return to large-scale pill popping Since neither looks likely, the sector will probably continue to lag the market

Jonathan Bader

EARNINGS PER SHARE (c)

	1975	1976	1977	1978	1979	Compound growth (%)
Adcock-Ingram	185,7	237,7	210,4	211,3*	n/a	4,4
Alex Lipworth	11,8	12,7	10,8	14,8	n/a	7,8
SA Druggists	24,1	27,3	20,1	—	23,23*	—
Twins	26,4	21,6	14,8	24,1	n/a	—
General Optical	27,4	34,2	36,9	35,4	41,3	10,8

*Annualised

DIVIDENDS (c)

	1975	1976	1977	1978	1979	Compound growth (%)
Adcock-Ingram	60	70	75	80*	n/a	10,0
Alex Lipworth	5	5	4	6	n/a	6,3
SA Druggists	9,5	10,5	10,5	—	11,0*	3,7
Twins	13	8	5	10	n/a	—
General Optical	6,5	8,5	10,5	12	14	21

*Annualised

TURNOVER (Rm)

	1975	1976	1977	1978	1979	Compound growth (%)
Adcock-Ingram	55,1	66,9	54,5	62,0*	n/a	4,0
Alex Lipworth†	100	97	107	125	n/a	7,7
SA Druggists	94,6	108,5	117,4	—	152,8*	12,7
Twins†	100	106	110	123	n/a	7,1
General Optical†	100	106	115	119	137	8,2

*Annualised. † Index.

AFROX FM 22/12/78 183

Gas lifts profits

Activities: *Manufacturer and distributor of industrial and medical gas and gas equipment, welding equipment and electrodes. Subsidiary Dowson & Dobson is a major supplier and manufacturer of mining and heavy machinery. A 50% stake is held in Silicon Smelters Ultimate holding company is BOC International of UK (60%).*

Chairman: *J B Sutherland; managing director: P G Joubert.*

Capital structure: *29,4m ordinaries of 50c. Market capitalisation. R79,4m*

Financial: *Year to September 30 1978 Borrowings: long and medium term, R10,6m, net cash: R4,6m. Debt equity ratio: 12,8% Current ratio: 1,7. Net cash flow: R11,9m Capital commitments. R10,5m*

Share market: *Price 270c (1977-78 high, 270c; low, 130c; trading volume last quarter, 184 000 shares) Yields: 14,8% on earnings, 6,5% on dividend Cover 2,3. PE ratio 6,8*

	'75	'76	'77	'78
Return on cap %	19 1	21 1	22 1	20,3
Turnover (Rm)	121,4	142 7	132 3	134,6
Gross profit (Rm)	13,1	17,4	18 9	21,7
Gross margin %	10 8	12,2	13 7	16 1
Earnings (c)	21,7	*28,7	34,4	40 0
Dividends (c)	10,5	12 0	14,0	17,5
Net asset value (c)	176	218	241	306

**After deducting credit in respect of cylinder revaluations*

On a 2% increase in turnover, trading profit jumped a commendable 15% to R21,7m. The substantially lower growth in turnover was largely due to the sale of several subsidiaries

The results are an excellent example of "marginal profitability" in a capital intensive industry During the recession when demand for gas slowed, prices were adjusted to maintain respectable profits while sitting with surplus capacity. Now that industrial demand has picked up the extra throughput is cream. Afrox's sales accounted for R79,5m of the group's total turnover of R134,6m, and 78%, or R17,8m (R15,3m), of pre-tax profits, giving a substantial 22% pre-tax profit margin.

Dowson & Dobson's turnover slipped from R59,1m to R53,1m but pre-tax profits were little changed at R5,2m (R5,3m), pre-tax profit margins were pushed up from 9% to 9,8%.

A smaller loss from Silicon Smelters boosted overall profits During the year Afrox increased its stake from 33% to 50% for a nominal sum as US-based Foote Minerals pulled out. Afrox's share of the R2,6m loss amounted to R882 000 (R1,3m) Afrox is not allowed to offset this loss against tax Silicon Smelters appears to be turning the corner, as with increased world prices of silicon, an operating surplus was made in August and September Results in 1979 are expected to be substantially better, although this is not to say that Silicon will make profits

Afrox worked hard to improve liquidity. The interest bill is down 53% to R678 000 although net debt of R5,9m

Afrox's Sutherland . . . accounting for inflation

(representing 7% of equity funds), is slightly up on net debt of R3,6m (5% debt equity ratio) for the previous year.

Afrox, in line with its conservative accounting policy, has provided for the first time a supplementary current cost income statement This shows earnings of 36c per share instead of the 40c published The difference is very small as the group's depreciation policy has largely taken into account replacement costs But on the published profit and loss account, earnings would have been still lower if stocks had been valued on the lifo basis And this, presumably, will be the next move to give a realistic earnings figure.

Asset revaluations were based on latest replacement costs. During the year all plant and machinery and major properties were revalued, which increased depreciation by R790 000 and the net book value of assets by R12,6m To date all revaluations of fixed assets have increased the net book value by R35m and the annual depreciation charge by R1,9m

This year capital expenditure of R10,5m on the new gas producing facility and welding wire plant, should present no problem, with cash flow likely to exceed last year's R11,9m

The group incurred a R581 000 extraordinary loss on the sale of freehold properties which were valued on the depreciated replacement cost basis, although in effect a small profit was made on the sale.

On an earnings increase of 29% to 40,9c (31,8c) the total payout has been pushed up 25% from 14c to 17,5c. At 270c the share yields 6,5% which is slightly below the sector's average In view of the anticipated growth, particularly on the gas side, as well as from Dowson & Dobson, it is fairly valued and suited to long-term investors.

Gail Pemberton

s

als from
d Galant as
492 and 28

Afrox plans big expansion

183

B. Times 23/12/79

By STEPHEN ORPEN

HISTORY has been made by the R100-million African Oxygen group in its latest set of annual accounts, released exclusively to Business Times on Friday.

In an admirable departure from tradition, Afrox is the first company listed on the Johannesburg Stock Exchange to have presented its balance sheet and income statement on the basis of full historical and current costs as well as more conventionally.

Other companies — notably Stewarts & Lloyds — have tackled so-called inflation accounting from different angles.

In S & L's case, non-monetary items like stocks were valued in terms of money adjusted according to the Consumer Price Index (CPI) to give Current Purchasing Power (CCP). Also, S & L provided in its reserves for the erosion of its capital as a result of inflation.

But Afrox is first with a straight current and historical cost comparison. Its figures show that earnings a share on the historical basis were 50,99c for the year ended September 30, compared with the main published figure of 42,05c, and 37,54c on a full current cost analysis.

Capital expenditure of the group has been running at an all-time high of R15,9-million with a further R20-million planned for next year.

Chief executive Beau Sutherland says he can confidently forecast improved group results for the coming year.

On a current cost basis, Afrox is paying an effective 45,04% tax rate compared with 37,69% on the historical cost basis which underlines the extent to which the South African tax system penalises capital-intensive industries in an inflationary climate.

The group's major fixed assets are now shown at replacement cost and revaluation of gas cylinders and gas storage tanks has been updated to increase the depreciation charge by R2,4-million and the net value of fixed assets by R39,9-million.

Interestingly there is a difference of no less than 100% between the value of fixed assets at historical rather than current cost. The latter gives a value of R100-odd million compared with ~~only R60-million~~ on

● To Back Page

Afrox plans big growth

● From Page 1

the historical basis.

Also interesting is the fact that, according to the group, Afrox would have ranked 15th instead of 22nd in the Business Times Top 100 Companies list if the fact of its inflation accounting had been allowed for.

The quality of earnings is reflected in the fact that the 1979 figure would have been R2,4-million higher on an historical basis than the published R12,7-million.

The debt-equity ratio is at 18% whereas a ratio of 40% is seen as reasonable, allowing a further R23-million in borrowings — at today's rates presumably at pretty low cost.

Mr Sutherland says that although turnover and trading profit are up (by 14% and 5% respectively to R153,5-million and R22-million), they "also reflect the effects of tighter gross margins and inflationary trends in operating costs."

He stresses that the group has been streamlined into three main business areas gases, welding products and engineering.

The dividend for 1979 is 21,50c compared with 17,50c last year — a jump of 22,8% — and at least 25c may now be in reach for 1980.

	W M	W F	A M	A F	C M	C F	B M	B F
65+	0,18	0,13	0,00	0,15	0,47	0,18	0,44	0,15
ALL	0,06	0,04	0,07	0,06	0,25	0,14	0,17	0,12
NO.	128	85	26	23	289	164	366	187

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,33	1,10	0,21	1,80	1,59	0,13	0,10
1-4	0,05	0,06	0,02	0,10	0,15	0,17	0,02	0,04
5-24	0,07	0,06	0,09	0,10	0,14	0,17	0,11	0,13
25-44	1,09	0,44	1,31	0,70	1,54	1,27	0,73	0,78
45-64	9,75	4,44	14,76	10,70	10,33	8,25	4,61	5,01
65	42,19	32,93	55,30	47,72	43,12	40,90	13,55	14,21
ALL	4,70	3,81	3,22	2,25	2,74	2,69	1,14	1,20
NO.	9752	7926	1135	804	3114	3140	2390	1921

VIII DISEASES OF THE RESPIRATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	2,90	2,22	7,81	4,85	32,20	28,78	13,54	[illegible]
1-4	0,22	0,28	0,90	0,69	5,32	5,45	2,46	[illegible]
5-24	0,05	0,06	0,17	0,11	0,21	0,23	0,18	[illegible]
25-44	0,20	0,12	0,37	0,33	0,94	0,72	0,66	[illegible]
45-64	1,46	0,92	3,33	1,85	4,88	2,14	2,75	[illegible]
65+	11,52	7,89	16,51	13,42	20,07	10,49	9,32	6,19
ALL	1,12	0,97	1,22	0,79	2,87	2,22	1,37	1,24
NO.	2336	2019	430	282	3270	2588	2858	1951

DECEMBER 23 1979 38c Plus Sales Tax 2c Prices elsewhere on Back Page

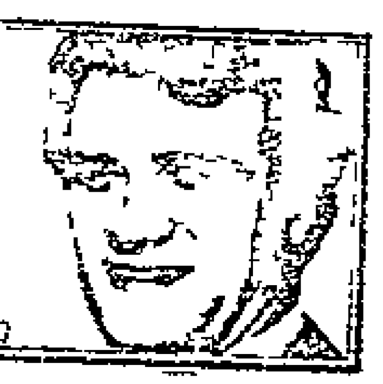
R100-m EXPORT SHOCK FOR SA

S. Express 23/12/79

183

Prices unrealistic, claim Brazilians as they back out of big deal with Luyt

By KITT KATZIN



NO. 653 430

X DISEASES OF THE GENITO-URINARY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06

BRAZIL has pulled out of a R123-million deal with Mr Louis Luyt's Triomf fertiliser company and Fedmis — and switched to suppliers in other countries.

The shattering decision means a massive loss of foreign exchange to South Africa next year. It came after weeks of protracted negotiations between the Brazilian Fertiliser Society and the two companies, major producers of phosphoric acid

Already, Triomf has had to cancel one planned small shipment to Brazil for January It is negotiating with the shipowners, Odjfell, of Bergen, Norway, to cancel two large shipments

In terms of the deal the Brazilians, by far the biggest buyers of South African phosphoric acid, would have imported 350 000 tons next year.

But this week Brazil accused South African producers of fixing an "unrealistic price" for the first quarter of 1980 — and it started placing orders elsewhere Some observers told the Sunday Express the battle had taken on political overtones

The Brazilian decision has come as a severe blow to the local industry, and it could have severe implications for the production and marketing operations of the two companies

Mr Luyt was contacted in Australia yesterday He told the Sunday Express that the BFS decision was surprising and unusual

But he said alternative markets would be established He had already "concluded a big deal in Australia", at prices higher than those quoted to the Brazilians

Other sources in the industry warned that South Africa would find it difficult to penetrate alternative markets, for

To Page 3

We'll find alternative markets, says Luyt

From Page 1

political and other reasons. Because of this, they said, the phosphoric acid industry could be faced with severe financial, marketing and export problems.

The 350 000 tons that Triomf and Fedmis were geared to export to Brazil next year makes up nearly three-quarters of the total exports of 490 000 tons of phosphoric acid.

However, in the wake of the Brazilian Fertiliser Society decision, the Brazilian Government has:

- "Removed all encouragement" for the use of phosphoric acid.
- Lifted all import restrictions (previously imposed to stimulate phosphoric acid supplies from South Africa) on substitutes such as triple super phosphate and di-ammonium phosphate.
- The Brazilian Fertiliser Society has increased imports of these commodities at "much cheaper equivalent prices" and has
- Concluded contracts with alternative suppliers of phosphoric acid — at $365 a ton — for 1980.

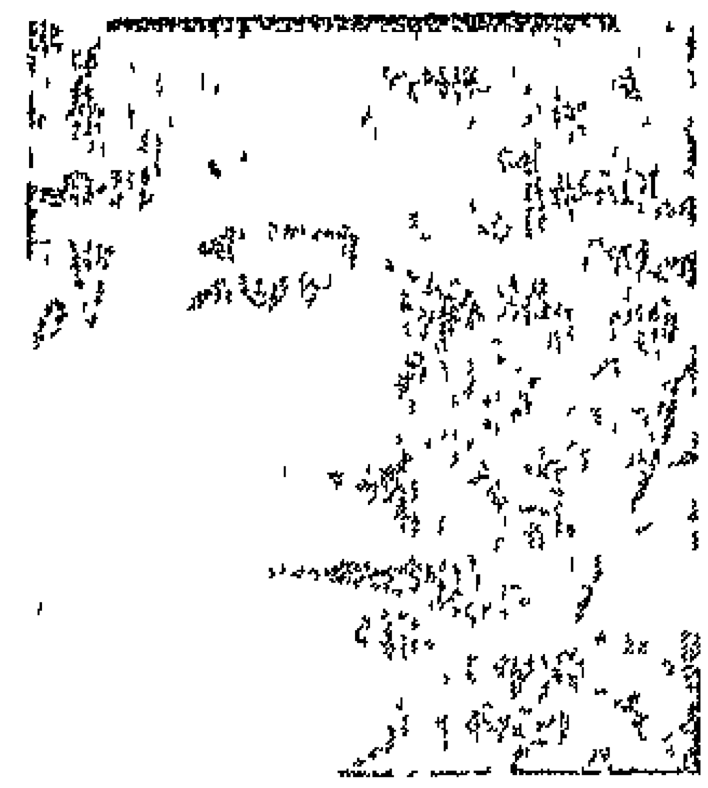
These supplies are expected to be provided by the United States, Morocco and Algeria.

Asked to comment on the cancelled shipments, a spokesman for Triomf said yesterday the supplies would "be going elsewhere".

According to a spokesman for the Brazilian Fertiliser Society, South African suppliers had intended to charter 28 shipped consignments of phosphoric acid to Brazil over the next two years — at a cost of R19-million.

This year 300 000 tons out of a total export of 440 000 tons went to Brazil.

The balance of phosphoric acid exports — only 127 000 tons — went to smaller markets, such as Japan (60 000 tons), Europe (... 000 tons), Israel (15 000 tons) and Australia (7 000 tons).



Mr Luyt not worried

Apart from the difficulty of developing these markets as a substitute for the ill-fated Brazilian deal fertiliser industry sources also point out that fast-growing additional markets, such as India and Indonesia, would be closed to South Africa on sheer political grounds.

Adding to the concern of the Brazilian decision to scrap its contract with South Africa are the heavy financial and capital investment projects to which the main suppliers of phosphoric acid in South Africa are committed.

Triomf for example has a R90-million plant at Richards Bay, with a production capacity of 400 000 tons a year. About 600 people are employed there.

Last month Mr Luyt repaid the Government over R12 million — which was "lent" to him by Dr Eschel Rhoodie the former Information Secretary to start The Citizen.

He is committed to a R12-million contract with South African Railways to move rock supplies from Phalaborwa to his phosphorous acid plant at Richards Bay.

It is also understood that he has negotiated for 330 1000 tons of sulphur from Vancouver at a cost of R30-million, in 1980.

Fedmis, too has heavy investments, and is also committed to contracts involving specially designed rail trucks ... supplies, and perhaps even staff.

But both Triomf and Fedmis are confident that they will establish alternative markets soon.

A Fedmis spokesman said yesterday he was surprised at the Brazilian decision "as our price quotations for the new quarters were submitted only this week".

He thought the Brazilian decision was ill timed and believed it was possible to renegotiate.

A spokesman for Triomf said his company could find several alternative markets.

But it seems the South African suppliers and the Brazilian are heading for a deadlock situation — with possible severe repercussions for the local industry.

While the main suppliers claim they are not dependent on Brazil observers are still seriously concerned about the industry's ability to develop substitute export markets.

Mr Philip Clarke former managing director of Triomf was asked to comment, and said it was sad that South Africa had apparently disrupted the previously good relations with Brazil.

The basis of previous sales to Brazil, he said, had always been Brazil's encouragement of the use of phosphoric acid.

"This seems now to have disappeared and the Brazilians are making use of the alternatives which they obviously developed as a result of a similar situation in 1973/74.

"In the end practicalities will resolve the situation. The practicalities are that the Brazilians do have alternatives and the South Africans don't," Mr Clarke said.

Mr Clarke predicted that unless a new agreement was negotiated, and unless South Africa was able to find vital alternative outlets, which he did not think was possible, the home industry could be faced within six weeks with a drastic cutback in production, export supplies, and perhaps even staff.

RDM 28/12/79 183

Fertiliser rise will affect food prices

Farmers have reacted angrily to the 17,3 percent average price increase announced for fertilisers and have warned that it will have a big effect on food prices right into 1981.

The fertiliser price increase — of which the withdrawal of the government subsidy forms only 1,3 percent — will affect maize, wheat, sunflower and vegetables.

A strong ripple effect will carry through into the prices consumers will pay for animal feed, meat and poultry, eggs and milk, margarine, cooking oil maize meal and bread.

Fertiliser forms a third of the production costs for wheat and maize. Eighty percent of poultry meal is made up of maize, and 65 percent of pig feed is maize.

Dr Pieter Gouws of the SA Maize Producers Institute in Bothaville said fertiliser would cost farmers R524-million in 1980, an increase of R116-million over 1979 costs.

"The most important aspect is that farmers are going to have to find this money before they plant their crops. A farmer ploughing 500 hectares of maize will have to find R5 000 overnight, just for fertiliser."

Dr Gouws said if farmers were allowed to import nitrogenous fertiliser, it would cost them 50 percent less than what they paid from the two main local suppliers Fedmis and Triomf. "The maize price is likely to increase 27 percent in 1980," he said.

Fedmis and Triomf control 90 percent of the market. They have a market-sharing agreement which a Board of Trade inquiry in 1975, found to be monopolistic.

Agricultural representatives alleged to the board that the agreement stifled competition, which in turn led to higher prices because of poor marketing.

Dr H Lottingh of the Fertiliser Society refused to comment on these allegations.

He said the fertiliser price increase was largely a result of increases in the cost of oil for nitrogenous fertiliser in particular and sulphur and potassium.

According to estimates by African Explosives, South Africa will be deriving 75 percent of it's nitrogenous fertiliser from coal within two to three years.

The Transvaal and South African Agricultural Unions said none of the fertiliser manufacturers have a fully-fledged standard costing system. They described the formula used by the Department of Industries to calculate manufacturing costs as "antiquated."

LP 183 CT 29/12/79

Fertilizer price rise hits food

Own Correspondent

OHANNESBURG. — The cost fertilizer to the farmer has een increased by 17,3 percent the biggest increase ever ade in this country and 1 percent higher than last ear — and means bad news r consumers

The increase will affect vir-ually all facets of farming, and esterday the Minister of Agri-lture, Mr Hendrik Schoeman, id this increase, plus in-eases in other commodities ch as diesel fuel, "will defi-tely affect the food price to e consumer in the new year".

"I'm afraid the increase in food prices next year will be between 12 and 17 percent."

The fertilizer price increase would obviously affect individual products differently, with cereal products such as corn and wheat suffering most

The increase, set by the Price Controller and published in yesterday's Government Gazette, is due mainly to the rocketing cost of imported raw materials, according to the Fertilizer Society of South Africa.

Consumer spokesmen said the increase would lead to a huge rise in the cost of living, although the industry maintains that while there will be price rises, these will not be anything out of the ordinary

A spokesman for the chairman of the Fertilizer Society of SA, Mr J C von Solms, attributed the increase to the cost of imported sulphur, a major ingredient of fertilizer, which had risen by 86 percent in the past year. Other factors include

● Other raw materials have experienced increases ranging from 40 to 75 percent

● An 81 percent increase in shipping charges.

Loss of a government subsidy also means farmers will have to bear extra costs in buying fertilizer.

According to the society, costs to the fertilizer industry amounting to R4 200 000 were disallowed by the Price Controller.

The price increase followed research by the Department of Commerce, followed by recommendations to a cabinet committee

The general manager of administration and finance of the Triomf group, Mr K Bekker, said his company "goes along with the Fertilizer Society's decision".

Major reason for the price rise was the "skyrocketing" price of sulphur, supplied mainly by Canada.

● Meanwhile, the director of the SA Agricultural Union, Mr Chris Cilliers, said in response to the government announcement that his union would insist that the fertilizer price increase was passed on to the consumer

"If the farmers are to stay in the industry, they must make reasonable profits," he said

He claimed that Foskor was making unreasonable profits on raw materials used for the production of fertilizers.

"We feel the price increase is steep and higher than the rate of inflation However, a rise was justified because of recent increases in the cost of raw materials"

The government's decision to remove the annual R5-million subsidy on fertilizers would make little difference

CIRCULATORY SYSTEM

	C			B	
F	M	F		M	F
,21	1,80	1,59		0,13	0,10
,10	0,15	0,17		0,02	0,04
,10	0,14	0,17		0,11	0,13
70	1,54	1,27		0,73	0,78
70	10,33	8,25		4,61	5,01
72	43,12	40,90		13,55	14,21
25	2,74	2,69		1,14	1,20
04	3114	3140		2390	1921

RESPIRATORY SYSTEM

	C		B	
	M	F	M	F
[illegible]	32,20	28,78	13,54	14,15
9	5,32	5,45	2,46	2,13
11	0,21	0,23	0,18	0,16
33	0,94	0,72	0,66	0,52
85	4,88	2,14	2,75	1,72
42	20,07	10,49	9,32	6,19
0,79	2,87	2,22	1,37	1,24
282	3270	2588	2858	1951

IV DISEASES OF BLOOD

	W		
	M	F	M
0-1	0,02	0,03	0,20
1-4	0,01	0,01	0,02
5-24	0,00	0,00	0,01
25-44	0,01	0,01	0,01
45-64	0,02	0,02	0,03
65+	0,11	0,11	0,13
ALL	0,01	0,02	0,02
NO.	30	34	7

VI DISEASES OF THE -

	W		
	M	F	M
0-1	0,52	0,18	0,50
1-4	0,05	0,05	0,02
5-24	0,03	0,01	0,05
25-44	0,03	0,01	0,04
45-64	0,07	0,07	0,21
65+	0,18	0,13	0,00
ALL	0,06	0,04	0,07
NO.	128	85	26

Chemical giant plans massive expansion

183

By VERA BELJAKOVA

AN EXTRA R150-million is to be invested in South Africa in the next five years by Hoechst SA — the country's third largest chemical group — kicking off with a generous R15-million for 1980.

Hoechst SA has increased its turnover from R145-million in 1977 to R250-million this year, and now anticipates group sales (excluding those of non-consolidated companies) of more than R300-million next year.

These impressive investment plans and sales figures were disclosed in an interview with Arno Baltzer, Hoechst's chief executive in South Africa.

He said 90% of production will continue to be locally consumed — with the remainder earmarked for export.

Mr Baltzer also revealed that Hoechst SA, the 22-year-old subsidiary of the giant multinational, uses 75% local materials in its manufacturing. And this percentage will increase to 85% by 1985.

At present it is neccessary to import 25% of raw material.

He explains that his parent company's optimism in SA is based on the assumption that:

- The South African market will grow by 4% each year.
- The black population will be integrated rapidly.
- With the advent of the Federation of SA States, Southern Africa is in for boom conditions.

At no stage in the past has there been pressure on Hoechst to reduce its investments in SA, presumably because it was one of the first German companies to practise "social conscience" in this country — before the compulsory EEC Code of Conduct became law.

"Of course it is expensive to practise 'social conscience'. It makes us less competitive," comments Mr Baltzer.

Despite the price of this "conscience", South African trade relations with Germany are improving and a further R14-million was invested by Germany in SA during the first six months of 1979 — an increase of almost 5% on the equivalent period last year. Total German investment since 1952 now stands at more than R300-million.

As a multinational, Hoechst is committed to its technological pacesetting policies and to the expansion of its plants.

Under its 1980 expansion plans, the company is committed to extending its fibre plant capacity to 18 000 tons a year for the local market's needs.

Hoechst SA, in a joint venture with its preferred trading partner, Sentrachem, supports the local chemical industry through granting licenses for technology.

Mr Baltzer believes that despite increased oil prices, man-made fibres are here to stay.

Hoechst's five-year plan is to step up manufacture of "near-products" — which suggests that the pharmaceutical giant is waking up to the gigantic SA cosmetics market, worth some R150-million a year.

Hoechst is already active in this area through its subsidiary, Schwarzkopf, (whose hair-care products rank third in the SA hairsalon market), and through its sister company, Roussel Laboratories, for which it manufactures a range of skin-care preparations.

It is likely that Hoechst will divert into toiletries, perfumes and other related products, with the backing of its parent company which in Germany controls a string of cosmetic and perfume subsidiaries which are household names in Europe — such as Marbert and Balenciage.

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45-64	0,44	0,18	1,73	1,04	1,73	1,02	3,80	3,64

ALL CAUSES

	W M	W F	A M	A F	C M	C F	B M	B F
ALL	9,44	7,40	8,03	5,51	14,62	11,00	8,77	8,13
NO.	19600	15374	2828	1967	16632	12847	18348	13062

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

MANUFACTURING – CHEMICALS + PRODUCTS

6 JAN. 1980 — 28 Sept. 1980

Rapport 6/1/80

183

980

Forforsuur kan vanjaar $500 haal

Deur GERT MARAIS

NADAT die prys van fosforsuur twee jaar gelede 'n laagtepunt van skaars meer as 200 dollar per ton bereik het, het dit teen die begin van verlede jaar tot 300 dollar gestyg. Dit staan nou op sowat 385 dollar en die kanse lyk goed dat 'n verbetering tot 500 dollar teen die einde van vanjaar moontlik is.

Dit is 'n optimistiese siening, maar een wat nie ongegrond is nie.

Indien die prys styg soos verwag word, sal dit nie net 'n aansienlik groter buitelandse verdienste vir Suid-Afrika beteken nie, maar ook buitengewone vinnige groei in Fedmis en Triomf se winste.

Dié twee maatskappye voer saam sowat 500 000 ton P_2O_5 as forforsuur per jaar uit, wat 25 persent van die wêreld se totale uitvoer van die produk verteenwoordig. Dit maak Suid-Afrika die wêreld se grootste enkele verskaffer van forforsuur.

Die prysstyging van byna 80 persent wat die afgelope twee jaar voorgekom het, was buitengewoon vinnig. Só ook was die daling van sowat 58 persent in die voorafgaande vier jaar toe die prys vanaf 500 dollar tot 212 dollar geval het.

In daardie stadium het groot onsekerheid bestaan oor die presiese hoeveelhede wat aangebied en aangevra was. Kopers het van die verwarring tussen produsente gebruik gemaak en daarin geslaag om die prys tot onrealistiese lae vlakke af te dwing.

Die indruk is gewek dat die internasionale aanbod baie groter as die vraag was en pryse daarom noodwendig moes daal. Sedertdien het die toestand aansienlik verander. Die sowat 2 000 000 ton wat nou wêreldwyd vir uitvoer beskikbaar is, is volgens markkenners nie genoeg om in die vraag te voorsien nie. Die vraag word op meer as 2 500 000 ton gestel, wat 'n jaarlikse tekort van meer as 500 000 ton laat.

Suid-Afrika het sowát 500 000 ton per jaar vir uitvoer beskikbaar, Amerika 400 000 ton, Marokko en Spanje saam 500 000 ton, Mexiko 300 000, Tunisië 160 000 ton en ander klein produsente in Noord-Afrika saam sowat 140 000.

Aan die vraagkant neem Brazilië, Europa en Asië elk sowat 850 000 ton op vir 'n totale vraag van meer as 2 500 000 ton. Brazilië is 'n buitengewone sterk mark omdat die land swaar op landbou steun. Die Braziliaanse vraag na fosforsuur toon 'n saamgestelde groei van 26 persent per jaar.

Fosforsuur se prysverloop het tot dusver aansienlike skommelinge getoon. Die produk het in die laaste deel van die jare sestig op die mark gekom. Die aanvanklike groot prysstyging tot by sowat 500 dollar wat in 1973 bereik is, is deur 'n lang daling gevolg, totdat die prys 'n laagtepunt van 212 dollar in 1977 bereik het

Hierdie daling in prys het produsente ongetwyfeld 'n les geleer Dit is onwaarskynlik dat hulle weer maklik in dieselfde situasie sal beland, omdat hulle die mark nou heelwat beter ken en kan verhoed dat die prys se afwaartse potensiaal so groot soos voorheen is

Verder is die afset nou op 'n beter grondslag. Kontrakte met 'n looptyd van tussen drie en vyf jaar bestaan byvoorbeeld tussen die twee Suid-Afrikaanse verskaffers en die lande aan wie hulle lewer. Hierdie kontrakte beskerm beide koper en verkoper, sodat die koper nie eenvoudig fosforsuur teen 'n laer prys elders kan koop nie en die verkoper ook nie elders teen 'n hoër prys kan verkoop nie.

As die koper wel 'n laer prys elders kan betaal, het die verkoper met wie die kontrak aangegaan is die reg om ten minste teen daardie prys te lewer. In die huidige mark is die kanse op só 'n situasie egter baie skraal.

Gerugte dat Triomf en Fedmis die Braziliaanse kontrak verloor het, is dus onwaar. Die twee maatskappye en die Braziliane onderhandel nog oor die prys vir die nuwe kwartaal en die onderhandeling behoort binne twee weke suksesvol afgehandel te wees

Net soos enige ander bedryf, het die produsente van fosforsuur die laaste tyd aansienlike kostestygings gehad. Vervoerkoste het die laaste jaar met sowat 40 persent gestyg, rots met 20 persent, swael het in prys verdubbel en energiekoste is nou minstens 23 persent hoër

As die koste van swael, rots, waardevermindering en normale produksiekoste in ag geneem word, kan die koste per geproduseerde ton seker nou meer as 300 dollar wees. Hierby moet verskepingskoste nog getel word, wat in Suid-Afrika tussen 60 en 65 dollar per ton kan beloop.

Teen die huidige pryse laat dit nie 'n besonder groot winsgrens nie. Die komende jaar se prentjie kan heelwat anders wees. Indien die gemiddelde prys vir die jaar 400 dollar vry aan boord is, behoort Triomf R115 en Fedmis minstens R80 per ton wins te maak

As Triomf net 340 000 ton van sy vermoë van 400 000 ton uitvoer, sal dit 'n wins van R40 miljoen uit fosforsuur alleen beteken. Fedmis behoort byna R13 miljoen te maak op 160 000 ton wat hy uitvoer.

In die geheel gesien, lyk die mark vir fosforsuur oor minstens die volgende twee jaar besonder goed. Indien die produsente nie op té vinnige prysstygings aandring nie, kan baie goeie winste vir die volgende paar jaar uit hierdie oord verwag word.

Vir beide Fedmis en Triomf se aandeelhouers kan dit net goed beteken. Veral as die aansienlike winste wat uit die maatskappye se ander bedrywighede verkry word, hierby getel word.

FERTILISERS

(183) FM 11/1/80

Hitting the fan

With both prices and volumes up, farmers are expected to spend nearly R100m more on fertiliser in 1980 than in 1979. The January 1 price hike of 16% awarded to fertiliser producers by Price Control and the 1,3% farmers have to fork out following the abrogation of the governmental subsidy on fertiliser means farmers have to cough up 17,3% extra.

However, the director of the Fertiliser Society of SA, Dr Harry Luitingh, points out that following the expected 20-25% increase in the maize price, "the increase in the fertiliser price is less now relative to the maize price than it was in the past."

Consensus is that fertiliser sales are unlikely to suffer in 1980 following the price hike. A spokesman for the Fertiliser Society forecasts a substantial value increase for 1980. In 1978 the net amount paid by farmers totalled R330,2m. The estimate for 1979 is R398,9m. Based on historic trends the forecast for 1980, taking into account the abrogation of the subsidy and the higher prices, is net sales of R494,9m.

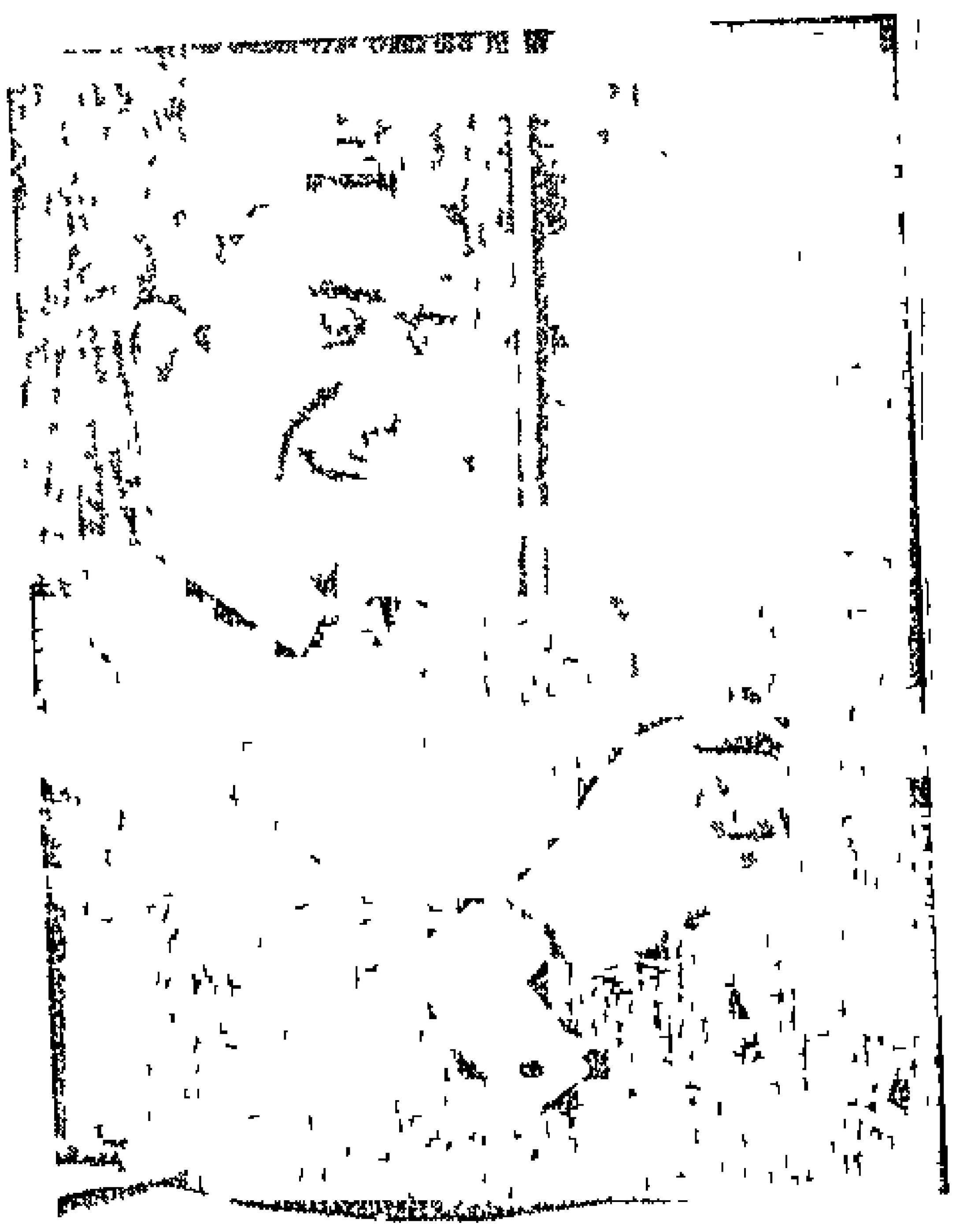
Fedmis marketing director Kowie Adriaanse says the 17,3% price increase is in fact lower than expected by farmers. "Farmers have come to expect high price rises in the cost of inputs like fuel and tractors. With the price adjustments to maize and wheat, the recent fertiliser price increases should show no effect on 1980 sales. This opinion is confirmed by the state of our order books. Because of the steep increase in the price of potassium it is likely there will be more emphasis on the use of nitrogen and phosphate." He points out that weather and rainfall conditions affect fertiliser sales to a far greater degree than price hikes.

Omnia MD Andre du Toit says provided product prices move with fertiliser prices he budgets for 10% growth in nitrogen sales, 2-4% growth in phosphate and zero growth in potassium demand. This reflects average annual growth patterns. "The fertiliser price/product ratio has in fact improved considerably in favour of the farmer."

Triomf tells the FM that farmers accept that price increases are inevitable. "It's the old inflationary spiral. But we are providing for normal growth."

The fertiliser industry is not ecstatic about Price Control's allowed increase. The announced prices do not include all the cost increases, allowing mainly for the steep increase in the cost of imported raw materials (sulphur price rocketed 86% during the past 12 months, potassium products about 45%, imported raw materials for the manufacture of nitrogenous fertilisers 76%). Shipping freight increases of 81% largely contributed to increased costs of raw materials. Costs to the industry of R4,2m were disallowed since only two-thirds of the inflation was allowed. This will be absorbed by the industry.

Chairman of the Fertiliser Society, Chris von Solms, says: "Price Control allows the industry a 15% return on depreciated capital. It used to be 16% but trying to keep costs down this figure was reduced. This figure is not adequate. We would like to have it somewhat higher." He refuses to discuss what the industry would like. Some industry sources say a return of 20% would be far more acceptable.



Von Solms ... we would like a better return on capital

183

FM 22/2/80

AECI/SENTRACHEM

Coal-fired advance

SA's major chemical groups AECI and Sentrachem this week announced substantially improved results and both promise to move strongly into the manufacture of coal-based fuels and chemicals.

Sentrachem has already teamed up with General Mining for [illegible] coal [illegible] pro[illegible] [illegible] planned eventually to cost more than R1 billion. But AECI has yet to decide to go ahead with its 2 500t a day methanol plant. The big question is whether it will team up with Anglo American for the project. In this event the plant will definitely be [illegible] on a [illegible]

Sentrachem [illegible] pre-tax profit by [illegible] to R[illegible]m (R1[illegible]m) in the [illegible] months to end December [illegible] second half growth is expected to be even higher as the contribution from Fedmis will be included. The directors forecast year-end profit at the pre-tax level to be at least 80% higher.

The interim dividend has been doubled to 11c from 8,64c improved earnings of 3[illegible] (17,[illegible]). On the capital [illegible] increased by the Fedmis takeover year-end earnings are forecast to be at least 50% higher and the company has committed itself to a [illegible] final making [illegible] for the year. [illegible] Sentrachem has yet to benefit from its 40% stake in Coalplex which is expected to show a profit this year. At 510c Sentrachem [illegible] on [illegible] prospective yield

Beating expectations

AECI's [illegible] results [illegible] not as [illegible] and they are better than anticipated. Sales [illegible] to [illegible] (R[illegible]m) in which the group [illegible] pre-tax profit of [illegible] rose to [illegible] (R95,3m) [illegible] that the group [illegible] objectives [illegible] achieved [illegible]

The tax [illegible] was almost unchanged at [illegible] thanks to offset rising to R6,0m (R4[illegible]m) which is roughly in the [illegible] This [illegible] resulted from [illegible] R[illegible]m (R7[illegible]m) [illegible] R76,4m [illegible] dividend [illegible] for the [illegible] declared [illegible] 33c [illegible] dividend

[illegible] showed the strongest growth with 70 [illegible] 61%-owned [illegible] improvement [illegible] better than expected [illegible] Coalplex [illegible] unlikely exports of [illegible] However [illegible] last year. It to have contributed to [illegible] last year. Coalplex should [illegible] this year [illegible] particularly with contribute to earnings [illegible] already some further [illegible] uses [illegible] 40 000t of PVC are expected to compete with oil-based plastics in the export market. The [illegible] 40 000t [illegible] could be sold on the local market.

Prospects for AECI look promising as it enters the coal era. Already [illegible] of AECI's chemicals are coal based and with a R[illegible]m methanol plant which could annually produce 800 000t possibly in three or four years the group could expand this proportion considerably. MD Denys Marvin says it is even possible that AECI could export coal-based, primary chemicals some time in the future.

Meantime, AECI is still experimenting with methanol as an alternative to diesel engines at its Modderfontein Ammonia plant in order to create a broader methanol market.

Capex is expected to exceed R100m [illegible] year and could be financed from earnings and last year's R30m debt issue. Projects in the pipeline include a R94m expansion at SANS, two R75m polythene plants, a R35m monoethylene glycol facility and R15m polyol plant.

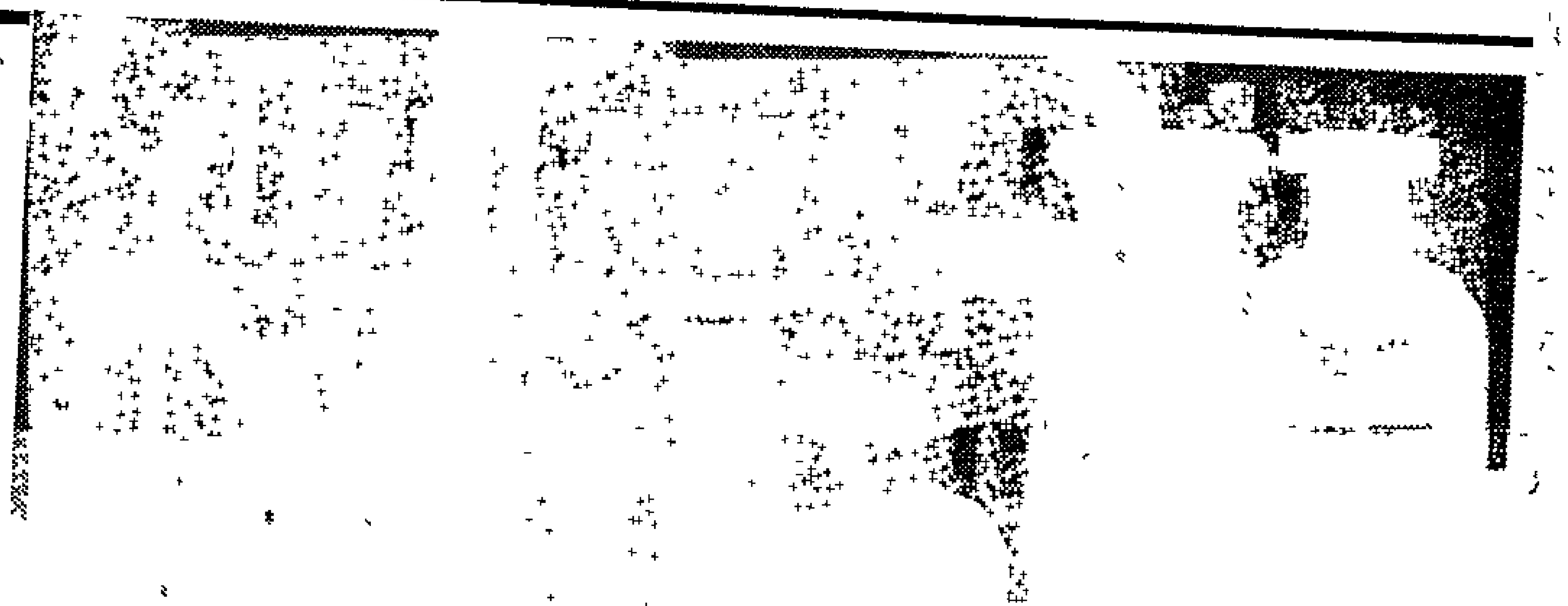
At 670c, AECI is on a 4,5% historic yield. This year's profit growth is likely to be substantially higher due to expected growth in all divisions and the receipt of Triomf's dividend, which did not accrue last year. Consequently, the group already has some R8m in this year's kitty.

Peter P[illegible]

S Times 6/1/80

(183)

Drug men facing a difficult 10 years



Multinational pill-makers predict a battle for survival and a new emphasis on old medicines through intensified research

By VERA BELJAKOVA

PHARMACEUTICAL giants might well be excused an attack of shivers when they view their less-than-rosey prospects for the next decade.

Secret survival plans are being drawn up by the industry which call for some deft political footwork and fundamental structural changes.

For many the future lies in the Third World and South Africa, admits Hoechst SA

Multinationals of the industrialised West will need to rely on innovations, research and development programmes for new medicines, predicts one report revealed to me

Some companies are expected to fall by the wayside, leaving the path wide open only for the healthy and wealthy giants, who will survive through sheer capital and judicious investments

Their threats are many

- Third World's national companies will exploit non-patent, cheap (substitution) medicines — when 16-year-old patent limits fall aside
- Japan is looming on the horizon as an agressive competitor, led by such companies as Takeda — no longer content with just a licence

They will start muscling in on the Western giants' traditional markets

- Communist countries — Poland, Hungary and Bulgaria — will continue to develop their industries by increased sales of large-volume raw materials to developing countries

First they will appear as suppliers, later offering licences, technology and partnerships

- Exaggerated ecology consciousness, giving rise to Concerted Campaigns and Self-Restraint preached from the political pulpits of the Left
- These problems might exert pressure on the industry to move away from free enterprise

The industry, however, has other thoughts on this matter, and plans to salvage itself by many means of

- Developing the Third World markets
- Increased research funds
- Concentrating on innovative medicines to give it good percentage returns
- Operating the generic sector at a low-profit margin
- Developing a benign political mood towards its industry
- Preventing nationalisation through co-operation with governments
- Countering the widely-held view that the industry is overtly rich, by increased co-operation with health authorities responsible for costs, and thereby demolishing anti-pharmaceutical political demagogy

A large slice of the future market lies in the Third World — even though it will become poorer with ever-increasing social problems

Yet its 2% population explosion, coupled with the industrial illnesses suffered by its urban population, makes this area an attractive sales target

But, says Hoechst SA's MD, Arno Baltzer

Seen in terms of economic efficiency, these will remain unsuccessful Closed market situations will arise where state-controlled trading bodies will permit only the basic materials to be imported — due to lack of currency — making them technologically inferior

"The Third World, being excessively price-conscious, will further hamper the industry by its non-professional negotiators (state bureaucrats), who will be not trained in evaluating options

Yet the Third World, hungry for cheap, mass-produced medicines will seek partnerships — which the Eastern block will obligingly supply

More than 20% of the world's population lives in industrialised countries increasing annually by 1%

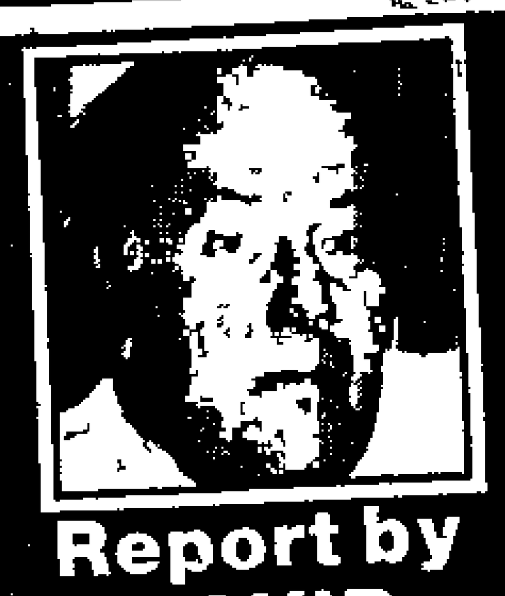
Another 30% lives in China and the Eastern block, leaving the other half of the world's population to occupy the developing nations

(183)
22/1/80
Industrial Week

ANOTHER R30m FOR NEWCASTLE

Sentrachem to build acetylene plant

EXCLUSIVE



Report by DAVID PINCUS

SENTRACHEM, the South African chemical giant, is to build a R30 million facility at Newcastle, Natal, to feed its rubber-making plant there with acetylene

Construction of both plants will start about the middle of the year, and both should be commissioned in 1982, David Marlow, Sentrachem's managing director, told me in an exclusive interview

He said the decision to build the acetylene plant ended months of speculation on whether it should buy acetylene from another source, or produce its own.

"Our plant will process South African coal-type materials — coal itself, coke or anthracite," he said. "It will convert them into calcium carbide, that will be converted into acetylene which is essential for the new type of synthetic rubber, which is a substitute for natural rubber, we will be making in Newcastle."

Although the intention, at this stage, is to initially produce acetylene only for its own needs, and to make it more self-sufficient, there can be little doubt that Sentrachem has more grandiose ideas for its acetylene plant

Mr Marlow explained, "before the start of the petrochemical industry, coal was the basic material and acetylene from coal was a basic building block for the chemical industry, being a hydrocarbon.

"You can build innumerable products once you have a hydrocarbon.

"At the moment we are not looking at sales of acetylene We are making ourselves more self-sufficient and creating a base for further growth in the acetylene industry"

Sentrachem's rubber plant, which is to be built on the same site by its wholly-owned subsidiary, Karbochem, will be unique in the range of products it produces from coal

Total cost for the rubber plant was estimated last year at being R123,6 million and, according to estimates, it will, apart from what it earns for its exports, make South Africa virtually self-sufficient as far as rubber is concerned, and save about R100 million a year in foreign exchange

Initially this plant will produce 73 000 tons a year

sease. Clearly, this is an entirely
ese competing risks life tables not
ative importance of various disease
ity experience and also to expecta-
, but also, since there is an appro-
the reduction of mortality and the
y, any improvement will give rise to
ectation of life. Thus, if the
diseases included in Fig. 6 are re-
e expectation of life will be 50%

ases and Diseases of the Circulatory
ty stand to gain most from measures
, selected diseases included in Fig.6.
ctious and Parasitic Diseases,
e to the implementation of relatively

REFERENCES

1. Department of Statistics (1977). Census of Hospitals and Establishments for In-Patients. Report 20-06-01. Government Printer, Pretori
2. Department of Statistics (1977). Report on Deaths 1974. Report 07-03-10. Government Printer, Pretoria.
3. Department of Statistics (1976). Report on Bantu Deaths in Selected Magisterial Districts 1974. Report 07-03-08. Government Printer, Pretoria
4. Department of Statistics (1976). South African Statistics 1976. Government Printer, Pretoria.
5. Department of Statistics (1974). Report on Bantu Deaths in Selected Magisterial Districts 1968 to 1971. Report 07-03-04. Government Printer, Pretoria.
6. South Africa Act 58 of 1970.
7. Department of Bantu Administration and Development (1975). Report of the Department 1974/5. Report RP 114/1975. Government Printer, Pretoria.
8. Chiang, C.L. (1968). Introduction to Stochastic Processes in Biostatistics. Wiley, New York.
9. City of Cape Town (1977). Annual Report of the Medical Officer of Health 1975. p.110. Cape Town.
10. Department of Statistics (1976). Population Census 1970; Age, Marital Status and Type of Dwelling by District and Economic Region. Report 02-05-08. Government Printer Pretoria.
strates for 1974.
Research. Research
roductive Efficiency of
l Classification of
nual 07-03-00. p.V.
Health Act, No 63e of
ty Rates in South Africa.

FERTILIZER (183) FM 25/1/80

Passing the test

Phosphoric acid sales, said to be in excess of 250 000 metric tons (Triomf will not quantify, confirm or deny the tonnage) have now been satisfactorily concluded on a contractual basis with Brazil.

Says Triomf: "The first vessels are presently being loaded at Richards Bay and will be departing immediately for various Brazilian ports."

A jubilant Triomf says Louis Luyt signed and sealed the agreements this week. *FM* sources indicate the price for the first six months is $450 cif. Cost escalations are built into the contract for the next six month. But the *FM* understands a ceiling price of just below $500 has been agreed on.

Triomf plays its cards close to the chest. Prices and tonnages are sacrosanct. The Triomf communique merely says: "Brazilian buyers state categorically that they have not authorised any person to make public statements on their behalf."

Adds Triomf: "The Brazilian buyers indicated their extreme pleasure at the manner in which negotiations were concluded in Sao Paulo."

Triomf has indicated that despite what ex-Triomf director Philip Clarke says (*FM* January 18), Triomf is not scratching for markets. In fact, with an estimated 250 000 ton annual phosphoric acid shortage, there is a possibility that Triomf could not supply total Brazilian demand.

What's more, says Triomf, policy is not to put all its acid eggs in one basket. Triomf is actively developing new markets and several new contracts world wide are being negotiated.

"Even though the contracts are not signed and sealed at the moment, indications are that these will be concluded most satisfactorily in the near future. The problem," says Triomf, "could be that demand will exceed supply in 1980."

Finally, she concludes, although data on incidence of silicosis on the gold mines is inadequate, 'the problem of silicosis in gold mining has to a very large extent been solved' (The Chamber of Mines now spends R70 million a year on ventilation) But a different disease - chronic obstructive lung disease - is now 'of growing concern' to the authorities and to doctors.

The provisions of the Workmen's Compensation Act and other factory legislation are analysed by Adler (Vol.2). The prevention of industrial disease and industrial accidents has a low priority in South Africa, he argues, because.

(1) industrial accidents and disease (outside mining, perhaps) do not
›st to management, and

protective measures is left to statutory bodies,
e Workmen's Compensation Commissioner and the
rate of the Department of Labour.

the state of industrial health is the result
over time between employers and workers, he
ve South Africa's 'very sorry industrial health

of free collective bargaining rights for all

the right of unions to include working condi-
·cement thereof in the arena of collective
industrial agreements;
workers and unions to standards and research of
lies such as the CSIR (Council for Scientific
·arch) and NRIOD (National Research Institute
seases);

Triomf 30c as earnings rocket

183 ROM 1/2/80

Financial Editor

THE big upturn in world phosphoric acid prices has had a much greater gearing effect on Mr Louis Luyt's Triomf Fertilizer Investments with taxed profit for the 1979 year up from R1 448 000 to R12 640 000.

A dividend of 30c (nil) has been declared

Earnings a share soared from 10,3c to 90,3c. Turnover rose 30% from R256-million to R334-million The gross pre-tax profit rise was from R3 373 000 to over R25-million

But minorities — crucially AECI which has 49% of the operating Triomf Fertilizer (Pty) — swallowed almost half

Tax was a derisory R349 000 (R48 000)

Triomf says the return on South African fertiliser sales is still not enough to cover true depreciation costs and that the profit performance is due to exports through Richards Bay

It says that with Richards Bay in full production and the factory's full output already contractually sold, 1980 will be "a very rewarding year"

Triomf's share price has bounded up by over 400% since the beginning of 1979 On yesterday's price of 780c the historic dividend yield is 3,8% covered three times by earnings

However, if the company's optimism is justified — and Mr Luyt last month announced a big export deal with Brazil that is thought to involve at least 250 000 tons of phosphoric acid at $450 a ton or more — the prospective position is much better

The heavy gearing effect of rising phosphoric acid sales and prices on Triomf profits could make the shares worth buying now even after their huge rise

The difficulty, however, is that the group is niggardly with information and this always makes investment something of a speculation — albeit a richly rewarding one over the past year

A different perspective on industrial accidents is provided by Matthysen (*33), who argues that management cannot afford the waste of productive time, depletion of the labour force and damaged material and equipment which result from industrial accidents.

Every year, he writes, more than 250 000 South Africans are victims of accidents serious enough to keep them from work for at least a day. '110 000 hands, 50 000 feet and 40 000 eyes will be badly injured. 30 000 men and women will be permanently maimed; several hundred will be hurt so badly that they will never return to their jobs. More than 2 000 will be killed'. The costs of these accidents are high. Costs of compensation and rehabilitation - the Workmen's Compensation Commissioner and the Accident Funds approved by him pay out about R43 million a year in compensation, rehabilitation and medical expenses - are only a fraction of total costs. There are further costs related to disruption of production and salary of injured employees not paid by the Accident Fund.

Matthysen points to several factors which, in his opinion, lead to accidents lack of management control, personal factors (lack of knowledge or skill, 'improper motivation' and 'physical or mental problems'), job factors (such as inadequate work standards, design or purchasing standards, normal wear and tear, abnormal usage). These factors provide the opportunity for unsafe acts (operating without authority, operating at 'improper speed') or unsafe conditions, (such as inadequate guards, defective equipment and congestion) which are the immediate causes of accidents. (On the causes of accidents on the mines, see the notes by Kooy, Vol.2).

Matthysen also describes the work of the National Occupational Safety Association, established in 1951 after an investigation by the Minister of Labour into ways of reducing 'manpower waste'. He concludes that progress
de in accident prevention; evidence of this is the lowering of
remiums which employers have to pay to the Workmen's Compensa-
ssioner.

by Levy (*57) and Cooper (*41) examine methods of health care

f Levy's paper is the use of a 'medical team approach' to the
orkers. He suggests, like Matthysen, that it is in the interests
nt to maintain and improve worker health because this leads to
roductivity and efficiency, the reduction of time lost due to ill-health and treatment and the prevention of 'premature wastage of trained manpower'.

Farmers hit at Luyt's 700 pc profits

183

NATAL MERCURY 2/2/80

Agricultural Correspondent

FARMERS are indignant and horrified by the announcement that Triomf's profits increased by 700 percent while they had to pay up to 21 percent more for fertiliser

Asked to comment on the news that Triomf's fertiliser profits for 1979 had increased from R3 000 000 to R24 million, Mr Donald Sinclair, president of the Natal Agricultural Union, said: 'They are unprintable'

He said the announcement by Mr Louis Luyt, who heads the giant company, earlier this week confirmed the suspicions of the farming community that something was wrong with the fertiliser industry.

Mr Sinclair said the NAU council had recently passed a resolution calling for an inquiry into the price of fertiliser in South Africa.

Farmers warned that the recent increase in fertiliser prices would push up the cost of food Many said they were on the verge of bankruptcy because of continually rising production costs.

Mr Luyt defended the price increase and said his company's profits were derived from the export market.

'We are virtually subsidising the sale of fertiliser locally,' he said.

No one had shown any sympathy when his company had suffered massive losses before.

Mr Luyt said Triomf had invested R231 million in factories and was only now getting a return on its investment.

Meanwhile, the Consumer Council in Pretoria has called for a subsidy on basic foodstuffs such as maize and wheat products.

The urgent appeal was made yesterday by council director, Johann Verheem who said that the price of food had increased by almost 15 percent in 1979 and there was every indication that it could rise by even more this year.

He said the crisis faced by consumers warranted exceptional action in the light of prevailing circumstances.

RDM 5/12/80

Blast at dynamite factory

183

Staff Reporter

AN EXPLOSION at the giant Modderfontein dynamite factory rocked Edenvale and surrounding areas at about 8 35pm last night.

A spokesman for the Modderfontein Hospital said last night that no injuries had been reported yet.

No other other details were available and security officials at the factory were tight-lipped, but it is believed that the explosion occured at the No. 3 factory at the complex between Kempton Park and Edenvale.

A Modderfontein resident said the houses in the area had been shaken by the blast shortly after 8pm.

As far as can be established the company's internal emergency units were called out and a spokesman for the Edenvale Hospital said only after injuries had been assessed on site would patients be transferred.

Blast at factory

Factory managers are inspecting the site of a black-powder blast which ripped through a building at Modderfontein dynamite factory last night.

An inquiry headed by the chief inspector of explosives is to investigate the incident.

A Modderfontein spokesman said today that an estimate of damage will be available later today.

Two men were treated for shock after the explosion.

The blast — just after 8.30 last night — appears to have occurred during the remote-controlled milling process of black powder ingredients.

[illegible] Monis Strike

For al[illegible] at the Fattis & Monis factory in Bellville South have be[illegible]uck because five of their fellow workers were dismis[illegible]e dismissals were because all five were members of a trad[illegible] trying to negotiate for better pay and hours of work - [illegible]ur working day. A director of the factory says these [illegible] proportion", and unreasonable and would lead to "disru[illegible]

Offici[illegible]r union (the Food & Canning Workers Union), say the di[illegible] a document giving the union rights to negotiate for be[illegible]actory refused to negotiate with the union It says t[illegible] machines and that it was part of a cut-back of staff[illegible]

Altho[illegible] 'Coloured', more than half of the men who were on strik[illegible]workers. In spite of the threat of being endorsed back [illegible]rican workers are standing firm with their 'Coloured' broth[illegible] first day of the strike, men from the Department of [illegible] 'Coloured' and African workers who had gathered outs[illegible]kers refused to be separated. One said, "We were all the[illegible]

Moves of solidarity with the striking workers are increasing. At a solidarity last week more than 500 university and college students from U.W.C., Hewat, Peninsula Training College and Bellville Technical College called for workers to be re-employed and for a boycott of Fattis & Monis products.

The Western Province Traders Association says it will instruct its members not to sell the factory's products unless there is negotiation.

The South African Council of Sport (SACOS) has called on all sports bodies and schools affiliated to SACOS to support a call for re-employment of the workers and a boycott of the factory's products.

More than 400 students from the University of Cape Town held a meeting and called for a boycott of all Fattis and Monis products.

The Women for Peace movement has called on the factory to negotiate with the workers.

The Cape branch of Nafcoc - the National African Federated Chamber of Commerce - has issued a statement in support of the dismissed workers.

Fattis and Monis insist that there is "no dispute". However a director of the firm says he is worried about calls for a boycott of the factory's products by blacks because much of the factory's trade is with blacks. The management have kept production going by employing scab workers in the place of the striking workers. However production has slowed down.

Who are Fattis and Monis? Fattis and Monis is the factory which produces the following products: The following Record flours; Self-raising flour, Cake flour, Bread flour, Sifted flour, Unsiftes flour, Wheatie Treat flour, Philadelphia flour, Koeberg Mille pack - mealie meal; all products with the Fattis & Monis brand name. These include icecream cones, cake cups, wafers, macaroni, spagetti, large and small shells, pasta ribbons - broa d, narrow, plain and green, pain rings, dilatines. Fattis and Monis also pack their pasta products under the following brand names; Princess, Pot o' Gold, Pick 'n Pay no name brand, Ckeckers and Roma. Fattis & Monis also control a number of bakeries in the Cape Town area. These include the Good Hope Bakery in Elsies River, Wrench Town Bakery in Observatory and the Ultra Bakery in Somerset West.

Fuel boost may mean R1 000-m a year industry

STAR 8/2/80 (183)

By Jaap Boekkool

The Government's green light for the production of alcohol fuels for road transport, announced in Parliament yesterday, could mean the start of a R1 000-million-a-year industry

But the announcement, by Mr F W de Klerk, Minister of Energy, was also a thumbs down to the large-scale production of petrol from maize and sugar cane or diesel oil from sunflowers

In his carefully worded statement, in which the Government promised 4c-a-litre incentives to transport alcohol producers, Mr de Klerk showed he favoured methanol, made from coal, over ethanol, which is made from farming and waste products

He also discouraged ethanol production on farms by saying its process might itself consume too much energy

Mr de Klerk's announcement, which comes after years of speculation on the State's transport energy policy, highlights South Africa's own fuel problem — a surplus of petrol and shortage of diesel

The Government is desperate to curb the growing consumption of diesel oil — mostly in new diesel cars and the increased number of tractors — and can only stretch diesel reserves by the admixture of plant alcohols, like ethanol

Methanol, which could be produced easily from coal, does not mix with diesel oil

But, said Mr de Klerk he was worried that ethanol could become an expensive product because it would be affected by rising prices of fertilisers, weedkillers, farm machinery and others

Based on projected global oil prices, and an admixture rate of up to 20 percent in road fuels, production of methanol and ethanol could be worth up to R1 000-million a year during the 1980s

TRIOMF

Out of the woods

Despite soaring costs of raw materials, Triomf increased its earnings for the year to end-December to 90,3c (10,3c) — 50% higher than chairman Louis Luyt's forecast almost a year ago, and almost nine times higher than in the previous year.

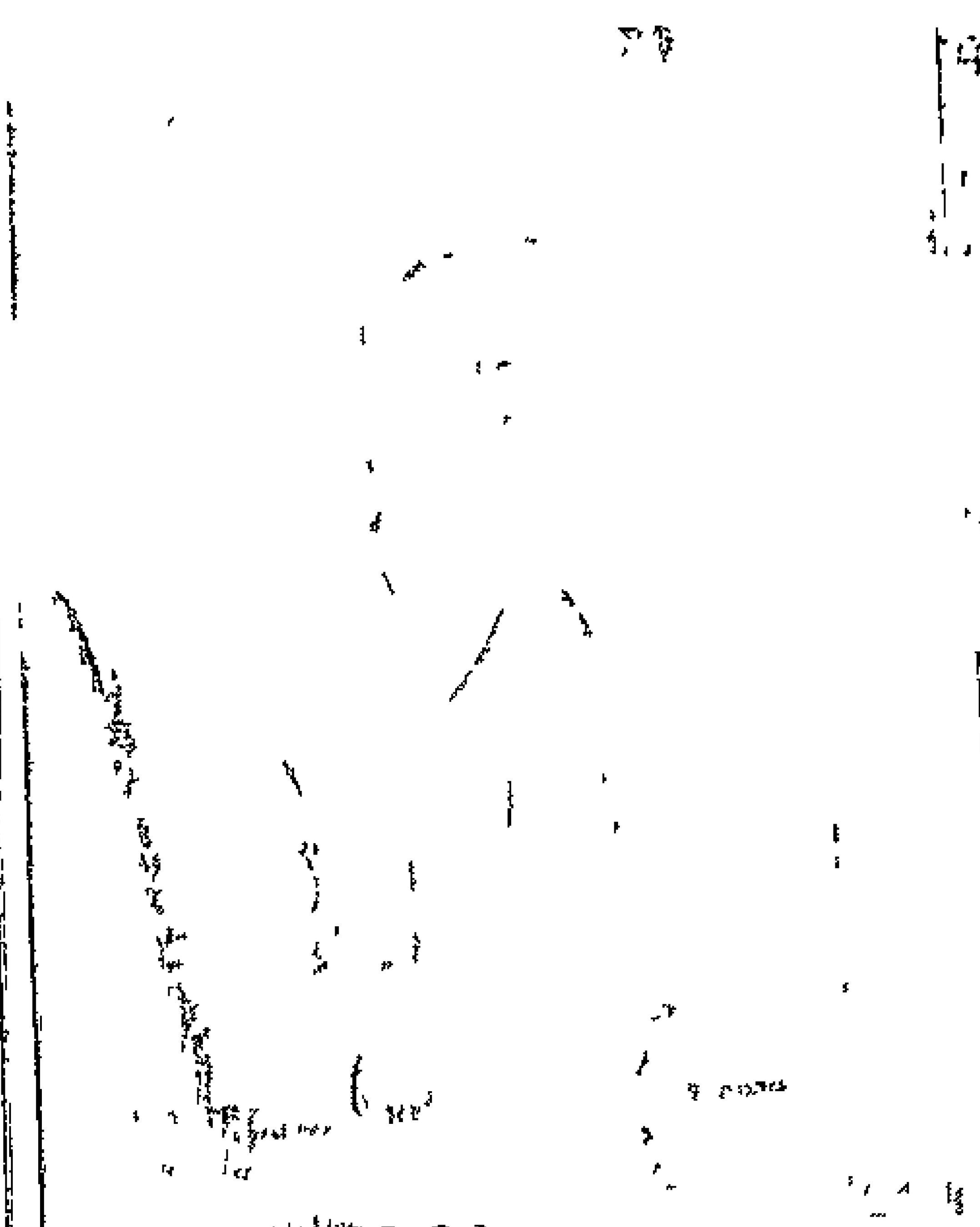
The unexpectedly large improvement and welcome resumption of dividends was achieved almost entirely as a result of the sharp rise in price for phosphoric acid, up

Financial Mail February 8 1980

from $260/t to some $400/t cif. This, together with raw material supply contracts keeping prices relatively constant, enabled Triomf to widen margins dramatically.

The gearing effect is such that for every additional dollar per ton phosacid rises, about 2,3c is added to annual earnings. But only as long as the current tax off-set lasts. Due to assessed losses, last year's tax rate amounted to a marginal 1,6% (1,4%).

The group has locked suppliers, particularly Canadian producers who provide almost all of its sulphur requirements, into contracts. This information emerged when it appeared that Canada might declare *force majeure* after a loading terminal in Vancouver harbour was damaged. MD Kobus Becker then announced that the soaring spot price of sulphur would not affect Triomf.



Louis Luyt ... a brighter outlook

Other major factors are the group's coal-fired furnaces at Richards Bay. Rising oil costs are actually an advantage to Triomf as for many overseas users it has become less expensive to import phosacid than phosphate rock on transport and treatment considerations.

The increased impact of phosacid is reflected in Triomf's R333,7m (R256,5m) turnover. Given that the entire production was sold and that the plant ran at its full 400 000 t capacity, phosacid's contribution to total sales could have been around R110m, assuming an average price of $340 cif. This compares with some R60m previously, when plant ran at 75% of capacity.

On this basis local sales could have increased some 11% to R224m (R197m), bearing out Luyt's prediction last year that "the local scene does not augur well for 1979." The local contribution to pre-tax profit of R25,1m (R3,4m) was probably around R15m (about R14m), which means that the profit improvement was almost entirely due to a massive profit turnaround at Richards Bay.

With talk of a $90 increase in phosacid prices by the year end, Triomf's margins should increase substantially and enable the group to accelerate loan repayments.

According to the preliminary report, this year's entire production has already been sold forward and the directors are confident that an interim dividend will be declared before end June. At 730c to yield 3,8% the share must still be regarded as attractive on phosacid considerations.

Inyanga ngoku sele izakuphela abasebenzi abangama - 88 bakwa Fattis & Monis efektri eBellville South benogwayimbo. Into ebangele ukuba bagwayimbe kukugxothwa kwabasebenzi abahlanu ebebesebenza nabo. Bathi unobangela wokugxothwa kwaba basebenzi bahlanu, kukuba bebengamalungu eTrade Unions Le union ibe izama ukwenza uphando nothethwa thethwano lokuba kunyuswe imali ibeyi - R40 ngeveki yaye kusetyenzwe iyure ezisi - 8 ngemini. Umphathi wefektri leyo uthe ezizinto bazifunayo zingaphezu kwamandla yaye ziya kwenza uqushululu efemini.

Abasemagunyeni kumbutho weUnion onamalungu ayi 10 000 (amawaka alishumi) obizwa ngokuba yi (Food and Canning Workers Union) bathi abo bagxothiweyo bebesayinile amaphepha anika iUnion igunya lokuba benze uthethathethwano ngemeko ezibetele ekunokuthi kusetyenzwe phantsi kwazo. Ifektri leyo ilalile oluthethathethwano neUnion. Ifektri ibalula into yokuba omatshini ekusetyenzwa ngabo bathathe indawo yabantu yiyo lento kunyanzeleke ukuba kuphungulwe abasebenzi.

Nangona aba bagxothiweyo ingabantu beBala uninzi lwabo bagwayimbileyo ngamagoduka abantu abamnyama. Nangona bathe bagrogriswa ngokugxothwa babuyele emphandleni aba basebenzi bamnyama bame bemi kwicala lebeBala ababathatha ngokuba bangabantu kwabo. Ngosuku lokugala logwayimbo indoda imele icala losebenzi ezame ukubohlula abeBala kubantu abamnyama xa bebemengaphandle kweFektri. Abasebenzi balile ukwahlulwa, omnye wabo uthe "Silaphà sonke yaye iinjongo zethu zinye."

Ayanda amanani abantu abazibandakanyileyo nabasebenzi kwiveki ephilileyo kubekho abafundi base University nakwano Kolegi abangaphezu kwe - 500. Abafundi bavelu kwezi zikolo U.W C., Hewat, Peninsula Training College ne Bellville Technical College. Abafundi bathe abasebenzi mabaphinde baqeshwe kungenjalo yonke imveliso yakwa Fattis & Monis ingathengwa.

Umbutho oyi Western Province Traders Association uthe uza kuxelela onke amalungu awo ukuba angayithengi imveliso yaleFektri de bavume uthethwathethwano.

Umbutho oyi South African Council of Sports SACOS ucele onke amalungu awo nazo zonke izikolo ezinonxibelelwane kunye nabo ukuba zixhase abo bagxothiwyo de baphinde bageshwe. Yaye akufuneki bayithenge imveliso yale fektri.

Abafundi base U.C.T. bayenzile eyabo intlanganiso bebona kalisa ubunye nabasebenzi. Bacele ukuba imveliso zakwa Fattis & Monis zingathengwa okanye zingasetyenziswa.

[illegible] uphando nothethwathethwano

Umbutho oyi Women for F[illegible]
kunye nabasebenzi.

Umbutho walapha eKapa [illegible]
wakhupha istatement ux[illegible]

UFattis & Monis uphike[illegible]
ungumphati wefem le ut[illegible]
ngabamNyama njengoko i[illegible]
abasebenzi abangabanye
imveliso, kodwa imvelis[illegible]

Ngubani uFattis & Monis
Record Self Raising Fl[illegible]
Record Unsifted Flour,
Mille pack Mealie Meal;
Fattis and Monis Macar[illegible]
Princess macaroni, spag[illegible]
Checkers, Poto' Gold, P[illegible]
Wrench Town Bakery, Obs
Somerset West.

Fedmis in major phosacid boost

(143)

By [illegible]

WITH the world price of phosphoric acid still highly attractive R17-million is to be spent by Fedmis shortly to become a [illegible] subsidiary of Sentrachem [illegible] expanding phosacid capacity at its plants at Phalaborwa.

Announcing this today new managing director of Fedmis, Mr J H van der Walt said the expansion is due to be commissioned before the end of the year.

It will increase the company's current production of [illegible]000 tons a year by 100 000 tons annually.

The increased production will add some R[illegible] million to Fedmis's earnings in foreign exchange through imports. The company's present phosacid exports earn some R50 million annually for the country.

Fedmis exports mainly to Brazil, Europe and Japan and has also filled US and Mideast orders.

The expansion will also cater for increased South African production of detergents, fertilisers and animal feeds.

Mr Van der Walt says Fedmis should complete a fourth phosacid storage tank at Richards Bay in April raising storage capacity for export to 50 000 tons of phosacid solution.

Simon Carves Africa has been awarded the main turnkey contract for a 60% tons a day sulphuric acid plant to supply the new phosacid plant.

Other contractors in the overall expansion include E L Bateman (Chemicals), Process Plant Pty and Delkor Technik Pty.

Published by Comm Comm.
Printed by S.R.C. Press, U.C.T.

Inyanga ngoku sele izakuphela abasebenzi abangama - 88 bakwa Fattis & Monis efektri eBellville South benogwayimbo. Into ebangele ukuba bagwayimbe kukugxothwa kwabasebenzi abahlanu ebebesebenza nabo. Bathi unobangela wokugxothwa kwaba basebenzi bahlanu, kukuba bebengamalungu eTrade Unions Le union ibe izama ukwenza uphando nothethwa thethwano lokuba kunyuswe imali ibeyi - R40 ngeveki yaye kusetyenzwe iyure ezisi - 8 ngemini. Umphathi wefektri leyo uthe ezizinto bazifunayo zingaphezu kwamandla yaye ziya kwenza uqushululu efemini.

Abasemagunyeni kumbutho weUnion onamalungu ayi 10 000 (amawaka alishumi) obizwa ngokuba yi (Food and Canning Workers Union) bathi abo bagxothiweyo bebesayinile amaphepha anika iUnion igunya lokuba benze uthethathethwano ngemeko ezibetele ekunokuthi kusetyenzwe phantsi kwazo. Ifektri leyo ilalile oluthethathethwano neUnion. Ifektri ibalula into yokuba omatshini ekusetyenzwa ngabo bathathe indawo yabantu yiyo lento kunyanzeleke ukuba kuphunguIwe abasebenzi.

Nangona aba bagxothiweyo ingabantu beBala uninzi lwabo bagwayimbileyo ngamagoduka abantu abamnyama. Nangona bathe bagrogriswa ngokugxothwa babuyele emphandleni aba basebenzi bamnyama bame bemi kwicala lebeBala ababathatha ngokuba bangabantu kwabo. Ngosuku lokugala logwayimbo indoda imele icala losebenzi ezame ukubohlula abeBala kubantu abamnyama xa bebemengaphandle kweFektri. Abasebenzi balile ukwahlulwa, omnye wabo uthe "Silaphà sonke yaye iinjongo zethu zinye."

Ayanda amanani abantu abazibandakanyileyo nabasebenzi kwiveki ephilileyo kubekho abafundi base University nakwano Kolegi aba

zikolo U.W.C , Hewat, Peninsula Training Co

Abafundi bathe abasebenzi mabaphinde baqesh

Fattis & Monis ingathengwa.

Umbutho oyi Western Province Traders Assoc

ukuba angayithengi imveliso yaleFektri de

Umbutho oyi South African Council of Sport

izikolo ezinonxibelelwane kunye nabo ukuba

bageshwe. Yaye akufuneki bayithenge imveli

Abafundi base U.C T. bayenzile eyabo intla

Bacele ukuba imveliso zakwa Fattis & Monis

Umbutho oyi Women for Peace Movement ucele

kunye nabasebenzi.

Umbutho walapha eKapa oyi National African

wakhupha istatement uxhasa abasebenzi abagx

UFattis & Monis uphikele ukuthi akukho ngxa

ungumphati wefem le uthi, ukhathazekile xa k

ngabamNyama njengoko inkxaso enkulu ivelo kw

abasebenzi abangabanye ukuba basebenze endaw

imveliso, kodwa imveliso yehlile

Ngubani uFattis & Monis? UFattis & Monis yi

Record Self Raising Flour, Record Cake Flour

Record Unsifted Flour, Record Wheatie Treat

Mille pack Mealie Meal; Fattis & Monis icecr

Fattis and Monis Macaroni, spagetti, shells,

Princess macaroni, spagetti, shells, rings,

Checkers, Poto' Gold, Pick 'n Pay macaroni,

Wrench Town Bakery, Observatory ; Good Hope

Somerset West.

Published by Comm Comm
Printed by S.R.C. Press, U.C.T.

SENTRACHEM WORD REUS

SENTRACHEM is vinnig besig om hom al hoe minder afhanklik van ingevoerde grondstowwe te maak en terselftertyd ook in 'n groot chemiese reus te ontwikkel. RAPPORT 10/2/80 (183)

Die besturende direkteur van die maatskappy, mnr D J. Marlow, het aan Sake-Rapport gesê sy maatskappy gaan binnekort nog R52 miljoen op uitbreiding bestee Dit volg kort op die aankondiging dat R40 miljoen op uitbreidings by National Chemical Products bestee gaan word.

Mnr. Marlow het gesê daar is besluit om R40 miljoen te bestee op die bou van 'n karbied-aanleg by New Castle terwyl R12 miljoen bestee gaan word aan 'n uitbreidingsprogram vir die vervaardiging van polistireen by Germiston.

Die karbiedaanleg wat gebruik gaan word vir die vervaardiging van asetileen, 'n baie belangrike grondstof vir die vervaardiging van rubber, sal gesamentlik met die kunsrubberfabriek by Newcastle opgerig word. Hierdie fabriek, wat teen die einde van verlede jaar aangekondig is, sal sowat R123 miljoen kos. Die nuwe karbiedaanleg bring gevolglik die totale koste van hierdie projek op R163 miljoen te staan

Mnr Marlow sê wanneer hierdie aanleg in produksie kom, sal dit Suid-Afrika feitlik heeltemal onafhanklik van ingevoerde rubbers maak. Hierdie aanleg sal ook 'n baie belangrike rol speel in die groep se toekomstige ontwikkelingsplanne

Die karbiedfabriek sal ook 'n baie belangrike rol speel in die afset van antrasiet in die New Castle-gebied. Daar sal sowat 60 000 ton antrasiet en dieselfde hoeveelheid kalksteen jaarliks in die fabriek gebruik word.

Die uitbreiding by Stryochem, waarin Sentrachem die beherende belang het, sal hierdie maatskappy in staat stel om sy produksie van polistireen te verdubbel Polistireen word op grootskaal in Suid-Afrika gebruik vir die vervaardiging van vrugtekissies, houers vir skoonheidsmiddele, en dies meer.

10/2/80 183

Fedmis se uitbreiding by Phalaborwa kos R17 m

FEDMIS, wat binnekort 'n volfiliaal van Sentrachem gaan word, het aangekondig dat hy sy fosforsuuraanleg by Phalaborwa teen 'n koste van R17 miljoen gaan uitbrei. Dit sal hom in staat stel om die produksie van fosforsuur met sowat 100 000 ton per jaar op te stoot en ook sy uitvoer van fosforsuur aansienlik te verhoog.

Die nuwe besturende direkteur van Fedmis, mnr J H van der Walt, sê sy maatskappy verdien op die oomblik sowat R50 miljoen aan buitelandse valuta met die uitvoer van fosforsuur en wanneer die uitbreidinge voltooi is, sal 'n ekstra R25 miljoen per jaar verdien kan word, wat die totale buitelandse verdienste tot R75 miljoen sal opstoot.

Fedmis voer op die oomblik fosforsuur hoofsaaklik uit na Brasilië, Europa, en Japan, maar het ook kontrakte in Amerika en die Midde-Ooste. Die maatskappy het onlangs 'n langtermynkontrak met Brasilië gesluit vir die uitvoer van fosforsuur wat hom in staat sal stel om in die toekoms maksimale gebruik van sy aanlegte te maak.

Mnr Malan sê op die oomblik word verskeie ander oorsese markte vir die uitvoer van fosforsuur ook ondersoek.

Die uitbreidinge aan die aanleg by Phalaborwa sal nie net die maatskappy in staat stel om meer buitelandse valuta te verdien nie, maar sal ook die infrastruktuur van die plaaslike kunsmisnywerheid aansienlik verbreed.

Mnr Malan sê die uitbreidinge aan die aanleg sal ook verseker dat daar genoeg van hierdie strategiese grondstof vir die vervaardiging van kunsmis in die toekoms beskikbaar sal wees en daarby sal dit ook bydra dat koste van die grondstof oor die langtermyn gestabiliseer sal word. Dit behoort iets te wees wat veral deur die boerderygemeenskap in Suid-Afrika verwelkom sal word.

Mnr Malan sê weens kundigheid wat in Fedmis opgebou is, sal die uitbreidinge aan die aanleg, ondanks die hoë inflasiekoers, aansienlik goedkoper wees as die huidige aanleg wat sowat drie jaar gelede in gebruik geneem is.

Hy sê die lewensvatbaarheid van die uitbreidinge is ook aansienlik beter as die oorspronklike uitvoeraanleg, nie net alleen vanweë die laer kapitaalkoste per ton nie, maar ook vanweë die sterk groei in die plaaslike vraag na fosforsuur.

Mnr Malan sê ongeveer 25 000 ton van die vergrote produksievermoë sal deur die nuwe aanleg vir die vervaardiging van reinigings middele opgeneem word, terwyl die res uitgevoer gaan word.

Fedmis beoog ook om sy opbergingsgeriewe van fosforsuur by Richardsbaai te verhoog. Mnr Malan sê 'n vierde opgaartenk sal waarskynlik voor April vanjaar opgerig word. Dit sal die opgaarvermoë vir uitvoerdoeleindes tot 50 000 ton verhoog.

Hy sê ook verder dat die nuwe bykomstige filtreertoerusting wat onlangs geïnstalleer is die kwaliteit van Fedmis se fosforsuur aansienlik verhoog het sodat dit op die oomblik van die suur is wat die minste gips in die vorm van soliede materiaal.

Fedmis verkry al sy grondstowwe vir die vervaardiging van fosforsuur plaaslik. Die fosfaatkonsentraat word voorsien deur Foskor terwyl swawelsuur hoofsaaklik deur Sasol II en Sasol III voorsien sal word.

183

De Klerk fires ethanol enthusiasm

By PETER BAYER and JEREMY BROOKS

A GOVERNMENT decision to openly encourage the production of alternative fuels has aroused widespread interest in the private sector, which is awaiting details of the concessions announced by the Minister of Energy, Mr F W de Klerk

Sentrachem, the giant chemical manufacturer which 18 months ago announced a R135-million plan for the manufacture of ethanol fuel, has indicated it is set to go ahead immediately with production

The group's managing director, Mr D J Marlow, said his company anticipated that 15% of the country's current fuel requirements could be replaced with ethanol

In 1978 Sentrachem formed a subsidiary, National Alcohol Corporation, with the co-operation of the sugar-cane producers in the Transvaal Lowveld

Mr Marlow said the blending of ethanol with petrol and diesel did not present technical problems, and was already being done in the United States and Brazil

He pointed out that South Africa's fuel problem centred around a shortage of diesel — and one of the big advantages of ethanol was that it could be blended directly with diesel, unlike methanol

The Government's concession came at a good time for local agriculture Maize surpluses were being exported at a loss, and the situation on the international market could deteriorate even further, making it even more difficult to to sell South African maize at good prices

"Ethanol production from agricultural products will stimulate the local agricultural industry considerably It will also create the possibility of establishing agriculture in the border areas and will render an important contribution towards additional job opportunities — a priority of the country," Mr Marlow said

He said that with the Government's new approach to the production of alternative fuels from agricultural crops, the production of ethanol would hopefully become economically viable

Alfa-Laval (Pty) Ltd, which has also taken a keen interest in ethanol production, has taken a major step in fuel economy research by agreeing to supply a pilot fermentation plant to the University of the Orange Free State

According to Professor P M Lategan, head of the university's department of microbiology, the planned plant would be unique It would be designed specially for the university, backed by a great deal of prior research

"Alfa-Laval has invested in South Africa's research into the future by supplying, for the first time in South Africa, a plant of this nature," he said

"Countries like Brazil and New Zealand are already producing ethanol commercially, and we will be in touch with industry and companies such as Saol (for protein); and Sentrachem (for fuel) so that South Africa may take its place among these countries," Prof Lategan said

One of the advantages of the scheme was that it could ultimately create job opportunities for over 400 000 people, Prof Lategan added

He said it ~~was vital for~~ his department to work with ~~Alfa-Laval to this end~~

"What is unique about the Alfa-Laval plant is that it optimises the output of ethanol or other enzymes from a raw material, resulting in a better yield from the fermentation process," Prof Lategan said

In welcoming the Government's concessions, the Automobile Association said they could result in a drop in the fuel price by as much as 4c

In a statement, Mr Hennie Kleynhans, PRO for the AA, said, "Coupled with the stepped-up production by Sasol of oil from coal, the country will be able to become far less dependent on crude oil once the production of supplementary and substitute fuels becomes a reality"

"Private industry could also be boosted by bringing exise and other duties into line with those which apply to Sasol, the AA said

FATTIS & MONIS STRIKE

For almost a month 88 workers at the Fattis & Monis
been on strike. They struck because five of the fell
workers say the dismissals were because all five wer
The union was trying to negotiate for better pay and
and an 8 hour workeng day. A director of the factory
of all proportion" and unreasonable and would lead t

Officials of the 10 000 member union (the Food & Can
dismissed men had signed a document giving the union
conditions. The factory has refused to negotiate wit
were replaced by machinery and that it was part of a

Although those dismissed are 'Coloured', more than h
African contract workers. In spite of the threat of
Homelands, the African workers have stood firm with
sisters. On the first day of the strike men from the
separate 'Coloured' & African workers who had gathe
workers refused to be separated. One said, "We were

Moves of solidarity with the striking workers are i
meeting last week more than 500 university and coll
Peninsula Training College and Bellville Technical
be reinstated and for a boycott of Fattis & Monis p

The Western Province Traders Association says it v
to sell the factory's products unless there is neg

The South African Council of Sport (SACOS) has cal-
schools affiliated to SACOS to support the call fo
and a boycott of the factory's products.

At a meeting at U.C.T. over 500 students supported
Fattis & Monis products.

Fattis & Monis insist that there is no 'dispute'.
says he is worried about the calls for a boycott o
blacks as much of the factory's trade is with blac
production going by employing scab workers in the
However production has been slowed down.

Who are Fattis & Monis? Fattis and Monis is the f
following products: All Record flour products incl
flour, Bread flour, Sifted flour, Unsifted flour,
products with the Fattis & Monnis brand name inclu
cake cups, macaroni, spagetti, large & small shel
narrow, plain and green, rings and dilatines; All
under the following brand names: Pick 'n Pay, Pot
Roma; Philadelphia flour and Koeberg Mille pack me
control a number of Bakeries including Wrench Town
Good Hpe Bakery in Elsie River and Bltra Bakery in

Published by Comm Comm.
Printed by S.R.C. press, U.C.T.

second is more thorough and enables surveillance for TB and other diseases to be done. The first entails people gathering at stopping places and waiting, sometimes for hours, until the clinic van appears. Neither provides help in emergencies, and in either case rapid repeat visits (e.g. the reading of Heaf Tests, managing pneumonia, etc.) are difficult. The mobile clinic system is probably better for surveillance and dealing with chronic ailments, family planning and immunisation than for ongoing preventive or urgent curative work; for this, easy access to some kind of permanent worker, however simply trained, is a necessity.

3.8 EFFECTIVENESS OF CLINICS

Clinics have clearly eased the load on doctors and centralised l facilities and reduced costs, both to the patient and to the pr authority (Westcott, Ch.12, and *55), but in some areas they ar regarded as equally effective, and GP's and hospitals are still preferred. Westcott argues (Ch.11) that in areas where nurses specially trained as clinicians, acceptance could be speeded by enabling nurses to take a fuller role, examining, diagnosing and prescribing for a wider range of ailments; in many circumstances the present range of restrictions (e.g. on tentative diagnoses) seems unnatural.

A great reduction in the incidence of TB has been achieved in the Sundays River Valley by the clinic nurses. In the Graaff-Reinet area, clinics have continued work which keeps the rate of VD in that area well below the national average (Scott *58). More broadly, their effect on health status has not been assessed, but a few clues are available, e.g. Frankish's finding that around a remote hospital with only mobile clinics the child death rate increased with distance from the hospital whereas in an area with permanent clinics, it did not. (This picture is, however, complicated by the higher income and better communications in the latter area, both of which would enable people to be more mobile).

However, Kok (*25) notes that no difference was observed in the number of children immunised in villages where there is a clinic and where there is none. Clearly the amount of outreach and education done by clinics is very variable.

Westcott quotes figures from
to show that the proportion o
village with an active dedicat
has none.

Usually health education is do
which have no clinic nurses or

It appears that knowledge and

desirable people to fulfil this role because of communication difficulties with their workers and in many cases hesitation among workers and their families to approach them. Indigenous healing may often have been preferred for this reason. Little was learnt about the role and prevalence of indigenous healing in rural areas, though it was clearly of great importance, even as a second-preference source of primary health care.

4. HEALTH PERSONNEL

From the accounts of health services, it is clear how the appropriate choice of health worker for various roles is linked to the choice of health service structure. This section deals with the present scope and future potential for the role and training of various health workers. It is taken for granted that each task should be allocated to the least trained worker who can effectively perform it. Two themes ran through the discussion: how, with limited numbers of health professionals, all sections of the population could be reached; and how to remedy poor communication between patients and health workers in health service settings, which often reduces compliance and the effect of health education. Means were sought to deal with all patients in their cultural and social context.

R56,8-m FOR BIG PROJECTS

Argus 12/2/80

183

TWO chemical plants and a giant timber factory costing a total of R56,8-million brings to almost R442-million the amount of major industrial developments announced in the past three weeks.

Sentrachem is to build a R40-million carbide plant at Newcastle, raising its investment in synthetic rubber production at Newcastle to R163-million.

The plant is due to begin by mid-year and be working by 1982.

A R12-million expansion programme to double polystyrene output is to be begun at Germiston by Stryochem, partly owned by Sentrachem.

A factory in Kwa-Zulu is to be set up by National Veneer Holdings, which is borrowing R4,8-million to develop it from the Corporation for Economic Development.

Other major developments are planned by Fedmis R17-million, National Chemical Products (R40-million), Toyota (R40-million), Blue Circle (R30-million), De Beers R130-million and Middleburg Steel R127-million.

● Hesperus Holdings forecasts total dividends will exceed last year's 13,5c. Taxed profit rose 7 percent to R419 000 for the half-year and a 6c interim will be paid.

Tom Hood

SA to get fourth oil-from-coal plant

Argus 13/2/80

Argus Correspondent

PRETORIA. — South Africa is to get a fourth oil-from-coal plant in a R1 000-m complex in the Springbok Flats coalfield north of Pretoria.

The scheme will be a joint venture between the giant mining group, General Mining and Sentrachem, a large chemical company.

The marketing of the diesel and petrol produced will be handled by either Trek or Total.

DETAILS

While the capacity of the plant and details of the construction are not yet available, early reports said the plant would produce diesel and petrol in a 70 percent-30 percent ratio.

The coalfield which stretches from Bophuthatswana in the west, through Warmbaths to Settlers and Zebediela in the north.

The exact siting of the complex will probably be announced today but it is known that General Mining has been taking up options of farmland in the area around Settlers and Lehau.

PROSPECTING

General Mining has been involved in intensive prospecting in the area for the last three years which led local residents to believe important developments were to take place in the region.

'Rumours that something big was about to take place near Warmbaths have been doing the rounds for a long time now,' a prominent local resident said today.

'General Mining has taken options on farmland in practically the whole of the Springbok Flats and we have been anticipating an announcement on their research.

'If such a fuel-from-coal plant is built near Warmbaths it will mean a mini-boom for the region,' the resident said.

& Monis factory in Bellville South
ve of their fellow workers were
ere because all five were members of
tiate for better pay and hours of
. A director of the factory says
and unreasonable and would lead to

ood & Canning Workers Union), say
ng the union rights to negotiate
o negotiate with the union. It
hat it was part of a cut-back of

ore than half of the men who were on
e of the threat of being endorsed
are standing firm with their 'Coloured'
he strike, men from the Department
African workers who had gathered
be separated. One said, "We were all

with the striking workers are increasing. At a solidarity
500 university and college students from U.W.C., Hewat,
College and Bellville Technical College called for workers to
for a boycott of Fattis & Monis products.

The Western Province Traders Association says it will instruct its members not to sell the factory's products unless there is negotiation

The South African Council of Sport (SACOS) has called on all sports bodies and schools affiliated to SACOS to support a call for re-employment of the workers and a boycott of the factory's products.

More than 400 students from the University of Cape Town held a meeting and called for a boycott of all Fattis and Monis products.

The Women for Peace movement has called on the factory to negotiate with the workers.

The Cape branch of Nafcoc - the National African Federated Chamber of Commerce - has issued a statement in support of the dismissed workers.

Fattis and Monis insist that there is "no dispute". However a director of the firm says he is worried about calls for a boycott of the factory's products by blacks because much of the factory's trade is with blacks. The management have kept production going by employing scab workers in the place of the striking workers. However production has slowed down.

Who are Fattis and Monis? Fattis and Monis is the factory which produces the following products: The following Record flours, Self-raising flour, Cake flour, Bread flour, Sifted flour, Unsiftes flour, Wheatie Treat flour; Philadelphia flour; Koeberg Mille pack - mealie meal; all products with the Fattis & Monis brand name. These include icecream cones, cake cups, wafers, macaroni, spagetti, large and small shells, pasta ribbons - broa d, narrow, plain and green, pain rings, dilatines. Fattis and Monis also pack their pasta products under the following brand names; Princess, Pot o' Gold, Pick 'n Pay no name brand, Ckeckers and Roma. Fattis & Monis also control a number of bakeries in the Cape Town area. These include the Good Hope Bakery in Elsies River, Wrench Town Bakery in Observatory and the Ultra Bakery in Somerset West.

R1 000-m plan for fourth fuel-from-coal plant

13/2/50 STAR

218 183 56

Own Correspondent

South Africa is to get a fourth fuel-from coal plant in a R1 000 million complex in the Springbok Flats coalfield north of Pretoria.

Plans for the complex, which will further reduce the country's dependence on imported fuels, were to be revealed at a Press conference in Johannesburg today

The scheme will be a joint venture between the giant mining group, General Mining and Sentrachem, a large chemical company.

The marketing of diesel and petrol produced will be handled by Trek or Total

The capacity of the plant and details of construction are not yet available, but early reports in Pretoria said the plant would produce diesel and petrol in a 70 percent/30 percent ratio

The coalfield stretches from Bophuthatswana in the west, through Warmbaths to Settlers and Zebediel in the north.

The exact siting of the complex will probably be announced today but it is known that, General Mining has been taking up options of farmland in the area around Settlers and Lehau

General Mining has been involved in intensive prospecting in the area for the last three years, which led local residents to believe developments were to take place

Oil-from-coal plant plan for N Tvl

14-2-80

By DON ROBERTSON
Mining Editor

GENERAL Mining and Sentrachem are investigating the possibility of establishing a large-scale oil-from-coal plant in the Northern Transvaal It would use as feedstock coal from an extensive field on the Springbok Flats, north of Pretoria

The coalfield, proved by 965 boreholes at a cost of R13 200 000, covers an area of 950 sq km This expenditure excludes the purchase of options and mineral rights

However, it will be a long time before any decision is taken on the synthetic fuel plant South African and overseas technical feasibility studies are continuing to establish a method of turning the coal to fuel

But even if the synthetic fuel plant is not established several coal and uranium mines will be established in the area

The emphasis for the extraction of oil from coal is being placed on a direct liquefaction process, which eliminates certain processes used at Sasol This will cut down on lead times and the enventual cost of such a plant

Pilot plant tests of the process have been successfully conducted overseas and various research projects are approaching the larger demonstration plant stage

Dr Wim de Villiers, chairman of General Mining, said at a Press conference in Johannesburg yesterday "The performance of the demonstration plant will determine the feasibility of the process, the overall economics and whether to proceed with large-scale commercial plants

"It must be appreciated that no commercial plant using the so-called direct liquefaction technology is at present in operation anywhere in the world

"In the case of the coal being tested, the initial laboratory tests have indicated high reactivity and it has been arranged for a few hundred tons of material to be tested in the overseas pilot plants within the next few months "

It is expected that in the current year the group will obtain knowledge of the performance of coal, with similar characteristics, in large plants overseas

"Should these indications be positive, the next step will probably be the production of sufficient coal to support a large-scale production test in overseas facilities This would involve the sinking of a shaft and the expenditure of fairly substantial funds "

However, Dr De Villiers said that no decision to go ahead with the synthetic fuel project was likely to be taken for the next 18 months and that it would then take about another five years before the plant reached the production stage

Important, though, was the fact that research has indicated that the process would yield more diesel than petrol, which would make it a valuable supplement to Sasol

He would not give any indication as to the possible production from the plant or what the capital cost might be, although expenditure on the feasibility study was expected to be about R13-million, which would be financed by General Mining and Sentrachem

Although the oil-from-coal plant is an uncertainty at this stage, General Mining and its associate Trans-Natal Coal intend to go ahead with the development of the coal field to extract various qualities of coal and uranium as well, possibly, as alumina, which is used in the manufacture of aluminium, potassium and molybdenum

The potential reserves of the coalfield are

- An area containing blend coking coal
- Areas containing medium quality steam coal with indications of significant concentrations of uranium
- Limited areas where coal is poorly developed, but where uranium is present
- Reasonably large areas containing medium or low quality steam coal where uranium is insignificant

Reluctant to divulge further details concerning uranium reserves because of the restrictions of the Atomic Energy Act, Dr De Villiers said, however, that they were large enough to be a significant addition to national reserves

In terms of an agreement between the three companies, Sentrachem, which recently swallowed Fedmis, has been given a 49% interest in the oil-from-coal project It will receive coal from the mine, process it, and pass it on to another plant for the extraction of uranium and other metals It will share in the cost of research in the programme

In consideration for this right, it has given General Mining and Trans-Natal the right to subscribe for 10% of the enlarged Sentrachem group at 470c a share

Trans-Natal has, however, waived its 5% particpation in Sentrachem to General Mining in exchange for a larger share of the mining operation Trans-Natal will, therefore, have 55% of the mining operation and General Mining 45% Trans-Natal will supply the coal to Sentrachem on a cost-plus basis

General Mining has hived off part of its 10% stake in Sentrachem to Federale Mynbou and Sentrust in the ratio of 1,25% and 0,375% respectively General Mining will hold the additional 8,375%

Should additional partners be allowed to participate, as seems likely, General Mining and Sentrachem will make shares available to them

Oil from coal plant to cost R400m

183

Star 14/2/80

The chemical giant AECI plans to spend R400-million over the next three years on a new methanol from coal plant.

Once commissioned the plant should produce methanol — an alternative fuel — at the rate of 800 000 tons a year.

AECI has been producing methanol from coal for the past 20 years. Its Modderfontein plant is at the moment producing 60 000 litres a day. This is the only methanol from coal plant in the world.

Methanol's most important uses at the moment are in the production of formaldehyde, which is used in the manufacturing of synthetic resins for the furniture industry and as an additive to the fuel in racing cars and sometimes aeroplanes.

FUEL NEEDS

Mr Denys Marvin, AECI's managing director, says the coal route is the logical one to follow on the country's way to self-sufficiency in its fuel needs.

The way the world oil prices are galloping, and the political hostility which South Africa faces in some international markets, gives an urgency to multimillion-rand plans by South Africa to find alternative energy sources.

Besides the R400 million AECI plan, the mining house Anglovaal today confirmed that it was experimenting with methanol-driven trucks.

VIABLE

No figure has been put on Anglovaal's plan, but it is understood to run easily into six figures. The mining house has a large coal field which has not been fully exploited, and it must be assumed if its experiments prove viable and successful, that it will go ahead with the development of new energy sources in a big way.

General Mining-Sentrachem is also doing research into a multi-million rand programme to manufacture synthetic fuel, and Sasol — the country's original oil-from-coal plant — is rapidly increasing capacity.

& Monis factory in Bellville Sout have
the fellow workers were dismissed. The
five were members of a trade union.
r pay and hours of work R40 a week
e factory says these demands are "out
ld lead to "disruption" in his firm.

ood & Canning Workers Union) say the
the union rights to negotiate for better
tiate with the union. It says the men
part of a cut-back of staff.

re than half the men on strike are
hreat of being endorsed back to the
irm with their 'Coloured' brothers and
from the Department of Labour tried to
ad gathered outside the factory. The
"We were all there for the same purpose."

...solidarity / ers are increasing. At a solidarity
meeting last week mor / and college students from U.W.C., Hewat,
Peninsula Training Co / echnical College called for workers to
be reinstated and for / & Monis products.

The Western Province / says it will instruct its members not
to sell the factory's / e is negotiation.

The South African Cou / has called on all sports bodies and
schools affiliated to / call for re-employment of the workers
and a boycott of the

At a meeting at U.C.T / upported a call for a boycott of all
Fattis & Monis produc

Fattis & Monis insist / spute'. However a director of the firm
says he is worried at / oycott of the factory's products by
blacks as much of the / ith blacks. The management have kept
production going by a / in the place of the stiking workers.
However production ha

Who are Fattis & Moni / is the factory which produces the
following products: / cts including self-raising flour, Cake
flour, Bread flour, / flour, Wjeatie Treat flour; All
products with the Fa / me including icecream cones, wafers,
cake cups, macaroni, / all shells, ribbon noodles - broard,
narrow, plain and gr / es; All the above noodles and spagettis
under the following / ay, Pot o' Gold, Princess, Checkers and
Roma; Philadelphia f / pack mealie meal: Fattis and Monis also
control a number of / nch Town Bakery in Observatory,
Good Hpe Bakery in B / akery in Somerset West.

Published by Comm Co
Printed by S.R.C. pr

Sasol welcomes Genmin's new oil plant

18/2/80 Star

(183)

Own Correspondent

CAPE TOWN — Sasol has welcomed General Mining's announcement that they and Sentrachem will be building another oil-from-coal plant on the Springbok Flats in the northern Transvaal.

"All active steps to increase production of motor fuels from indigenous sources and thereby further reducing the country's dependence on imported crude oil, must be welcomed, a Sasol spokesman said Sasol welcomed the competition

General Mining announced last week that they were to build a R1 000m complex which will produce on a 70 percent diesel and 30 percent petrol ratio though the volume production figure has not yet been released.

PILOT PLANT

"Most of South Africa's coal resources are of a relatively low grade with a high ash content," the spokesman said The technique of direct liquefaction which as yet has not been commercially proven, as emphasised by General Mining, can only be successfully applied with certain types of coal, mainly coal of a relatively high quality.

The coal in the Springbok Flats which General Mining has in mind, appears to fall in this category

When the direct liquefaction process has been commercially proven overseas, where demonstration plants are now being built, South Africa will be able to use an even wider range of indigenous coals for the production of motor fuels.

For this reason, Sasol has been doing development work in the field of direct liquefaction of or several years and a pilot plant has been operating at Sasolburg for some time.

"All responsible steps to augment South Africa's motor fuel production must be welcomed," the spokesman said.

Sasol 2 — a great beginning Now, about five years later, it has its own town

Star 25/12/80

182

Secunda heralds a new life-style

The SA Property Owners' Association conducted a tour of the new town of Secunda at Sasol 2 FRANK JEANS says there is much to be learned for future town development

If new communities are to spring up throughout South Africa to meet the demands of the mining and industrial build-up there are valuable lessons to be learned from Secunda—the town on the doorstep of the Sasol 2 plant in the eastern Transvaal

If the vast Sasol projects have pitched the country into the oil-from-coal business giving a self sufficiency undreamed of they have also heralded a new era of town development with the folk of Secunda the forerunners of a life-style vastly different from what many South Africans have always come to accept as norm

PROTOTYPE

Much has been written about the need for this country to realise that in times of rampant inflation and spiralling costs, homes just 'ain t what they used to be"

There is little doubt that Secunda is the prototype of the spread of new towns which must come if future housing demands have to be met, and the 4m homes by the end of the century served by mushrooming industries become a reality

Certainly there is one lesson to be learned from Secunda — the shrunken home life has arrived and planners of future towns might well look again at this model in the highveld

The Sasol Townships Company, developers of Secunda has much to be commended for

In less than [illegible] the planners, out of sheer necessity amid world oil crises, have created out of about 1 000 ha of virgin veld a well-serviced town which will eventually be home for 25 000 people

It has a CBD hotel shopping malls, schools and church sites — all the amenities to sustain a town which is in the heart of a power complex

They have looked far beyond Sasol too, and see Secunda as the springboard for a new industrial age fanning out around the Evander-Kinross-Trichardt triangle

And what is even more remarkable is the fact that it has been a 'man haul' town with every brick and bag of mortar being transported from as far as Benoni and all points west

There was no other way and it was an operation which pushed development costs to R7 000 per 1 000 sq m

There are now 4 124 houses and they are being built at a rate of 25 a week which again says much for the concentration of labour and production levels The housing bill so far is R120m

Sasol Townships has also made the neat homes an attractive buy, with the purchaser benefiting by a four percent bond interest rate

The cost of the house too, is competitive considering the high development costs — R15 000 upwards plus R7 000 for the stand

They are the plus factors about Secunda but there's another side to the equation

One would have thought that in a new town of the eighties there would be plenty of scope for imagination of design and aesthetic appeal, with lots of landscaping "horseshoe and cluster effects and a lot less of the "strip" style which is certainly the feature of Secunda

Of course, such concepts would only increase the burden of costs but if the total cost of Sasol 2 and Sasol 3 a kilometre away, is expected to reach the R5 500m mark it's reasonable to suppose that a few million more for the good of a town's environment would never be missed

The homes — from 105 sq m on stands of 650 sq m to 1 400 sq m — are in a high density situation, with the "stripping" style providing little chance for space and must demand a great deal of good neighbourliness

Even allowing for the newness of Secunda to wear off and for the hedgerows to begin to sprout and the parkland areas to become more lush, there will be a tightness of living which will be difficult to shrug off

Certainly, Secunda is only the start of a great new development process and it will take a lot more people and places to shake off the bundu" image

One can only hope the planners look at what is lacking at Secunda

As the Sasol 2 and 3 complexes start munching their way through a coal seam stretching from Springs to Standerton and digest 27m tons of black wealth a year to convert into even more precious crude there will be a great people intake for the area

Hopefully, the sprinkling of new towns will have much more living room — despite rising costs — and a greater feel of permanency

For it should never be forgotten that the mighty Sasol sisters in the long run are there to serve the needs of the people — not the other way round

(183) FM 29/2/80

CHEMHOLD

Maintaining growth

Chemhold's chemistry is not always fully understood, but it is clear that it is reactive enough to sustain its growth tack In the six months to end-December, the

group increased pre-tax profit by 46,7% to R2,6m (R1,8m) from 30,6% improved sales of R26,3m (R20,1m)

At the attributable level, profit increased 65,4% to R1,3m (R803 000), boosted by a strong turnaround in associate Akulu-Marchon Last year, Akulu incurred heavy losses resulting in an overall R62 000 negative contribution from associates in the first half This year associates contributed R194 000 to attributable profit The merger with Marchon Paragon should also result in further strong profit improvements, but not in the second half Write-offs will be offset against earnings, so earnings from this source are unlikely to improve very much in the short term.

Chemhold has in the past tended to prefer to enter new ventures with partners, and this has resulted in minorities absorbing a large hunk of profits. In the first half, income attributable to outside shareholders amounted to R389 000 (R311 000) — equivalent to 25,5% of the R1,5m (R1,2m) taxed profit

With import substitution still wide open and international chemical companies keen to invest in SA, this tendency will probably continue. The group is ostensibly looking for new opportunities and is keen to team up with overseas investors to expand its product range

Chemhold is not letting grass grow under its feet. Firstly, it is increasing the number of shares in issue by 1,1m to 5,4m through a one-for-four rights issue of ordinaries If the current share price of 440c holds until April 9, when the pitching price will be announced and a prospectus issued, the group could receive some R4,2m This will also enable it to increase borrowings by R3,3m. However, one of Chemhold's financial objectives is to limit the debt: equity ratio to 80%.

The group will not only use these funds for increasing production capacity, but also to finance inventory. Chairman W J Hefer says one of the secrets of success is that stock levels have been kept very high in order to keep ahead of competitors The rationale behind high inventory levels stems from the anticipation of oil price hikes which have pushed the price of oil-based chemicals through the roof In this instance, there are once-off advantages of stockpiling and Chemhold intends to maintain this policy, particularly in view of the relatively low current cost of borrowings.

The directors anticipate stronger second-half growth and have revised their year-end attributable profit forecast from R2,2m to R3,0m Even after taking the increased share capital into account — the new shares will be entitled to the final dividend — 1980's earnings should exceed 66c Out of this, the directors forecast an 18c final dividend, but this could comfortably be increased to 20c giving a total of 31,5c after the 11,5c (8c) interim. At 440c, the share is on a 7,2% prospective yield, reflecting a cautious attitude towards group prospects.

Peter Pittendrigh

(183)

Triomf pays R22m loans

RDM 1/3/80.

Financial Editor

MR LOUIS Luyt is full of confidence about the 1980 outlook for his Triomf Fertilizer group, having paid off the full R22-million of outstanding foreign loans last year.

He says in the annual report he expects net earnings a share of at least 110c against 90c in 1979 — and that for the first time the group may pay an interim dividend as well as a final payment

The entire Richards Bay production has been sold forward at prices well above those of last year

Mr Luyt says the further improvements expected in profits this year — they were 2,5 times better last year than the previous record in 1975 — will again have to come from the export side

"The purported oversupply situation in the international phosphoric acid market, which was played up by certain buying countries during 1977, 1978 and the arly part of 1979, in their efforts to suppress prices, would appear to be something of the past

"The considerably improved price pattern which has emerged in recent months is a much better reflection of the ruling demand/supply position

"The entire production of the Richards Bay complex for the year has already been committed on the basis of price formula considerably better than those achieved last year

"Consequently, barring a substantial recessionary collapse in the economies of those countries which are contractually committed to buy the bulk of our exports, the current year should once again see a substantial improvement in the trading profits of the group"

Mr Luyt has little comfort for those hoping for stability in domestic prices — he repeats criticisms of the Government's price control policy for the industry

"This pricing policy is unrealistic and unrewarding under the current conditions of high inflation and acts as a deterrent to investors to expand production facilities so as to provide the growing needs for fertiliser in the country

"Recent price rises, which the farming community will have to absorb, have been due almost entirely to imported inflation by way of increased raw material costs and higher freight rates"

COMMENT Mr Luyt's forecast of minimum earnings this year of 110c includes provision equivalent to 55c a share for deferred taxation He says the huge boost in profits and cash flow last year — trading profit rose from R3 482 938 to R25 099 183 — has greatly improved the debt/equity ratio

The share price went ex-dividend this week and was effectively 10c higher at 750c

The group is looking healthier than it has for several years and the share certainly has attractive possibilities, but given the volatile world markets, must be speculative

(183)

Triomf pays R22m loans

RDM 1/3/80

Financial Editor

MR LOUIS Luyt is full of confidence about the 1980 outlook for his Triomf Fertilizer group, having paid off the full R22-million of outstanding foreign loans last year.

He says in the annual report he expects net earnings a share of at least 110c against 90c in 1979 — and that for the first time the group may pay an interim dividend as well as a final payment

The entire Richards Bay production has been sold forward at prices well above those of last year.

Mr Luyt says the further improvements expected in profits this year — they were 2,5 times better last year than the previous record in 1975 — will again have to come from the export side.

"The purported oversupply situation in the international phosphoric acid market, which was played up by certain buying countries during 1977, 1978 and the arly part of 1979, in their efforts to suppress prices, would appear to be something of the past

"The considerably improved price pattern which has emerged in recent months is a much better reflection of the ruling demand/supply position.

"The entire production of the Richards Bay complex for the year has already been committed on the basis of price formula considerably better than those achieved last year

"Consequently, barring a substantial recessionary collapse in the economies of those countries which are contractually committed to buy the bulk of our exports, the current year should once again see a substantial improvement in the trading profits of the group "

Mr Luyt has little comfort for those hoping for stability in domestic prices — he repeats criticisms of the Government's price control policy for the industry

"This pricing policy is unrealistic and unrewarding under the current conditions of high inflation and acts as a deterrent to investors to expand production facilities so as to provide the growing needs for fertiliser in the country

"Recent price rises, which the farming community will have to absorb, have been due almost entirely to imported inflation by way of increased raw material costs and higher freight rates "

COMMENT. Mr Luyt's forecast of minimum earnings this year of 110c includes provision equivalent to 55c a share for deferred taxation. He says the huge boost in profits and cash flow last year — trading profit rose from R3 482 938 to R25 099 183 — has greatly improved the debt/equity ratio.

The share price went ex-dividend this week and was effectively 10c higher at 750c.

The group is looking healthier than it has for several years and the share certainly has attractive possibilities, but given the volatile world markets, must be speculative.

Sun Times (Bus Ind) 2/3/80

183

Minister orders inquiry into AECI

By BILL CAIN

INDUSTRIES Minister, Dr Schalk van der Merwe, has ordered an official probe into AECI's virtual monopoly of the explosives industry.

The investigation comes two years after National Process Industries announced its intention to break into the R175-million sector with Dupont's Tovex.

Manufacture of the American chemicals conglomerat's product began just over a year ago at a Roodepoort plant with a 1 000-tons-a-month capacity.

Managing director, Oliver Hill, hopes to capture 25% of the market by 1984 in spite of AECI's strong traditional and contractual links with the Chamber of Mines.

Minister Van der Merwe's move gives the two-month-old Competitions Board its first investigation task apart from probes it took over on January 1 from the Board of Trade.

Interested parties are being asked to submit evidence and observations on the present explosives and accessories set-up to the board as soon as possible to Private Bag X84, Pretoria, although scrutiny of the industry will probably take up to two or three years.

Dupont licensee NPI, almost sure to be the complainant behind the official probe, has claimed it can supply better explosives cheaper if it can crack AECI's hold on the market.

183

DEBINCOR

Chemical growth

FM 14/3/80

By and large, De Beers Industrial Corporation's earnings for the year to end-December reflect the sharp improvement in AECI's dividends for 1978-79 And judging by prospects for AECI this year, as Coalplex swings into the black and as the Triomf dividend is received on top of higher earnings from traditional operations, Debincor should again report much higher earnings and dividends

In 1979, Debincor's investment and sundry revenue of R18m (R14,6m) increased by 23,2% Of this, R14,2m (R11,3m) represented dividends received from AECI Included in this figure was AECI's 12c (9c) final for 1978 and an interim of 12c (10c) for 1979 Already declared for inclusion in Debincor's results this year is AECI's 1979 final of 18c (12c) Every 2c dividend increase by AECI boosts Debincor's income before tax by R1,2m

Taxed earnings totalled 114,6c (88,8c) — up 29,1% as a result of a lower average tax rate From this a 65c (45c) final dividend has been declared to give a 110c (82,5c) total, which betters most market forecasts

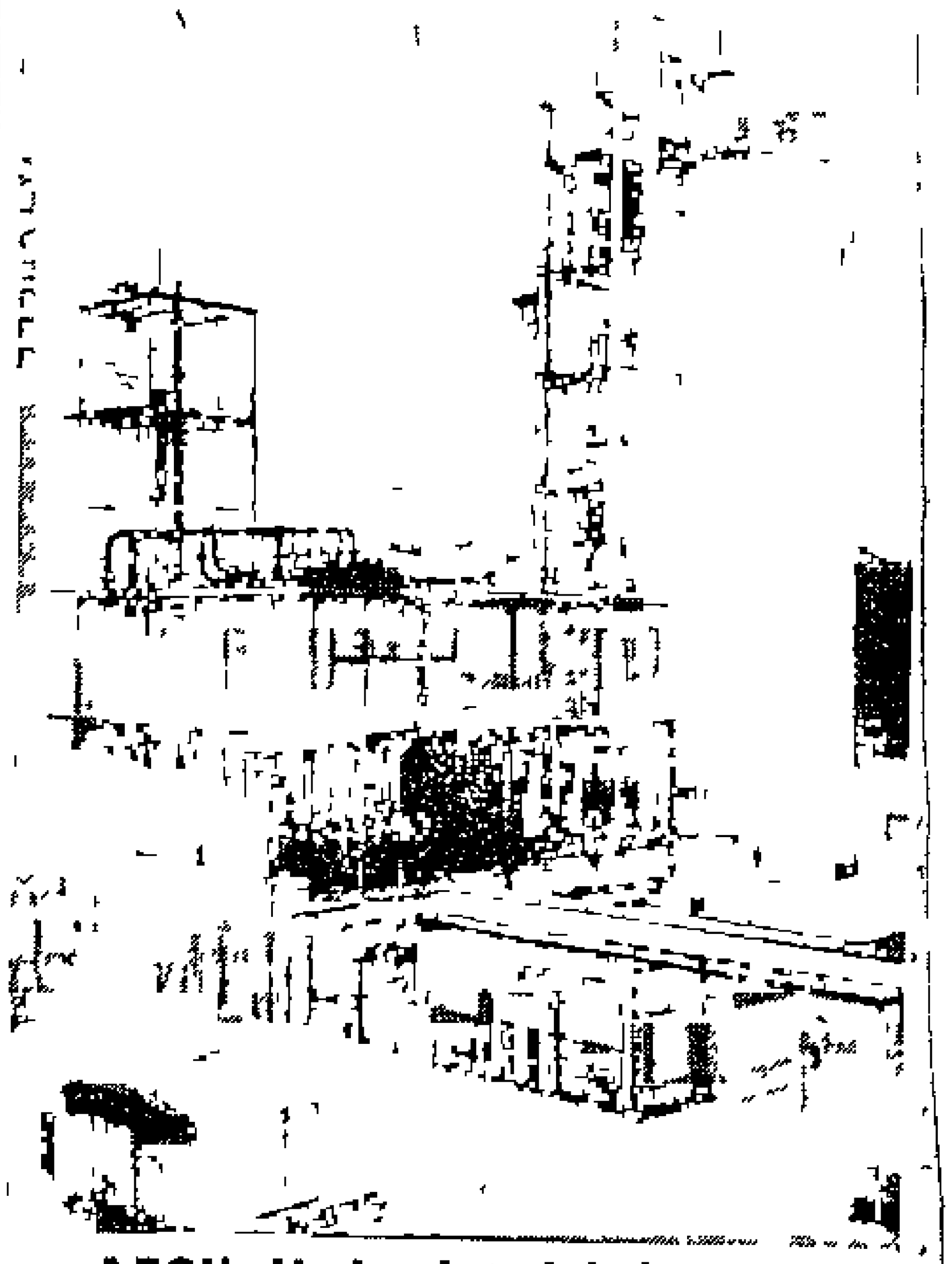
Other income came from holdings in Highveld Steel and Amic, both of which declared higher dividends during the year

At end-December, Debincor had a net worth of 3 046c (1 620c) The listed portion of the portfolio appreciated by 79,8% to R146,6m (R81,5m), while unlisted investments more than doubled to R256,3m (R123,3m) The current market price is at a 16% discount on nav

Prospects depend largely on AECI Many analysts are looking forward to better growth from AECI this year after a 33,2% earnings hike to 51,4c (38,6c) in 1979 This expectation is based on the upturn in the economy, AECI's heavy reliance on coal as a raw material and the capex plans Projects in the pipeline include a R94m expansion at SA Nylon Spinners, two R75m polythene plants, a R35m mono-ethylene glycol facility and a R15m polyol plant

If AECI merely maintains its 12c interim — which is conservative — the contribution to Debincor's pre-tax income will be at least R17,8m (R14,2m) And if Debincor's other investment income grows at an unchanged 15%, total dividend and interest income will be about R22,2m (R18m) or 161c (131c) a share before tax So a conservative estimate of earnings of 145c (114,6c) after tax could allow for a 130c dividend In this case, Debincor rates a firm hold

Des Kilalea



AECI's Umbogintwini plant . . . catalytic prospects

Financial Mail March 14 1980

FAIR DEAL

Fertiliser exports: a phenomenal growth

STAR 19/3/80 ~~47~~ 183

Many of the products which fertiliser manufacturers claim are imported, thus forcing them to increase the cost of their product, are in fact exported in large quantities.

In 1979, fertiliser increased 14,1 percent in price At the beginning of this year an additional 17,3 percent price rise was announced

At the same time two Government-initiated inquiries are investigating the fertiliser industry and its pricing policies

One, headed, by Professor C Pistorius will complete its three-month investigation on March 28

The other is a year-old investigation being conducted by the Competition Board

The Fertiliser Society gave a variety of reasons for this year's 17,3 percent price increase.

First was the withdrawal of the Government subsidy which added 13 percent to the rise

Four percent of the increase was attributable to increased labour, electricity and transport costs, Dr H Luitingh director of the society said

The remaining 12 percent was due to the cost of imported raw materials, such as sulphur, potassium and petroleum products used for manufacturing ammonia

However, all these products are locally manufactured to a greater or lesser degree Imported petroleum products are declining as a significant cost factor

The petroleum used for manufacturing ammonia has been largely replaced by coal-based ammonia — 65 percent to 70 percent of local needs are obtained from this

Giving further reasons for this year's higher fertiliser price, Dr Luitingh said the cost of sulphur delivered had increased 86 percent during the last year, potassium had risen 40 percent and ammonia and nitrogen obtained from petroleum 76 percent

In addition, he said, freight costs had risen 81 percent and fertiliser companies had to absorb cost increases of R4,2-million.

Last year's 14,1 percent price rise for fertiliser is only being felt in food price rises now. This year's 17,3 percent increase will be felt once farmers start harvesting crops next year

So it is interesting to compare import and export figures for fertiliser in 1978 — the year that led to the 14,1 percent price rise

In 1976 fertiliser imports cost the country R18-million Two years later the cost of imports rose marginally to R19,3-million

However, the export market showed phenomenal growth, from sales worth R9-million in 1976 to R20,2-million in 1978

This does not include the hundreds of millions rands worth of phosphoric acid exported from Richards Bay each year

In less than two years, Triomf's Richards Bay phosphoric acid plant has grown into the world's largest single phosphoric acid exporter, with annual exports of 700 000 tons of acid

The nitrogenous content is the most important, and costliest, ingredient of fertiliser South African farmers complain that it is particularly costly in this country, and they could import it for half the price

Most fertilisers are excluded from surcharge, including the main nitrogenous fertilisers, all phosphates, all potassium and natural (guana) fertilisers — except for those packed for retail sale in tablet or lozenge form

There is a 20 percent customs duty and a 7,5 percent import surcharge on those

The accompanying table shows the discrepancy in price between the value of imports and exports for 1978 Tonnages are supplied by the Department of Customs and Excise for imports only

Fertiliser companies and the Fertiliser Society refused to give details of tonnage exports of fertiliser

Farmers, or other parties, disillusioned with fertiliser costs — including the three farmers from the Free State who told The Star fertiliser formed 60 percent of their farming bill — can submit complaints and evidence to the two Governmental committees of inquiry

Their addresses are:

- The Secretary, Committee of Inquiry into the Cost Structure of the Fertiliser Industry, Private Bag X342, Pretoria, 0001 Memoranda should reach the secretary not later than March 28
- The Competition Board Private Bag X342, Pretoria, 0001

Fertiliser	Imports '76 Rand value	Imports '78 Rand value	Exports '76 Rand value	Exports '78 Rand value
Ammonia and nitrogenous	R 3504639	R 726903	R1510714	R16085179
Phosphatic or Mineral fertilisers	R14284730	R18370734	R7436433	R 4957246
Other fertilisers including those packed for retail sale	R 223618	R 273932	R 170202	R 197260
Total	R18012987	R19371569	R9117349	R20239685

Figures supplied by the Department of Customs and Excise, Pretoria

This year's 17,3 percent increase in fertiliser price will only be felt next year.

Rand pumps will soon switch to gasohol

STAR 21/3/80 ~~88~~ 183

By Harvey Thomas, Motor Editor

Premium pumps on the Rand will switch over to gasohol — 10 percent alcohol, 90 percent petrol — in July or August.

And in Johannesburg today the Automobile Association said that its tests of the mix had been "positive".

The new blend is a direct result of Sasol 2 coming on stream and will initially be sold on the Rand But further gasohol areas will be designated and gradually introduced.

The 10 percent blend is a combination of ethanol (a light alcohol) and other heavier alcohols.

When gasohol is freely available in different parts of the country the saving to South Africa in foreign exchange will be upwards of R200-million.

The AA's tests proved that vehicles tuned to optimum economy with exhaust C O levels of less than 1,5 percent actually used 1,7 percent more fuel when filled up with gasohol.

"But the change in power output at maximum throttle openings was negligible," said Mr Fred Botham, the Association's Technical Services executive. He added that a recent survey had established that fewer than two percent of the vehicles on the Rand were tuned to such optimum economy.

When vehicles tuned to optimum economy were detuned by fitting larger jets to the carburettors the switch to an alcohol blend had improved consumption marginally.

The move to gasohol does, however bring new implications for the motor trade.

Special care will be needed by service station operators to keep water out of tanks, filler caps and dipsticks will have to be closed meticulously and repair checks run,

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80

10000 MISCELLANEOUS ARTS YEAR : N/A PAGE 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
~~152327Y~~	~~VAN DER MERWE~~	~~BARBARA LOUISE~~	~~911101~~	~~MATHEMATICS I M102~~	~~F (37)~~	~~152327Y~~

* TOTAL NUMBER OF STUDENTS 1

DEAN

REGISTRAR (ACADEMIC)

10000

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

13030 BACHELOR OF ARTS YEAR : 3 13030

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~102521L~~	~~ABBOTT~~	~~PETER HARRY KALTH D~~	~~603202~~	~~ROMAN LAW & JURISPRUDENCE~~	~~IUP~~	~~(57)~~	~~4~~	~~102521L~~
077201P	ANDREWS	DAVID BRIAN	107301	ENGLISH III	3	(56)	4	077201P
~~101148U~~	~~BASKIN~~	~~MELANIE ANN~~	~~114101~~	~~RELIGIOUS STUDIES I~~	~~UP~~	~~(54)~~	~~5~~	~~101148U~~
101875J	BUSSE	PETER GRAHAM	004301	PSYCHOLOGY III	3	(52)	4	101875J
~~114694T~~	~~COOKE~~	~~JOHN GEORGE~~	~~406204~~	~~GEOGRAPHY IIA (HALF COURSE)~~	~~UP~~	~~(51)~~	~~4~~	~~114694T~~
115418E	CUPIDO	ODILE ARLENE	101202	AFRICAN LANGUAGES XHOSA II	UP	(50)	4	115418E
~~111405T~~	~~CURTIS~~	~~RICHARD MARK~~	~~911201~~	~~MATHEMATICS IIA M204~~	~~UP~~	~~(55)~~	~~4~~	~~111405T~~
100997E	FABER	LESLEY SHARON	911103	MATHEMATICS Ib	F	(41)	5	100997E
~~098097C~~	~~FRANK~~	~~SUSAN~~	~~004301~~	~~PSYCHOLOGY III~~	~~UP~~	~~(57)~~	~~4~~	~~098097C~~
113612R	GATZOURIS	EUSTRATIOS JOHN	603301	ROMAN LAW II	UP	(63)	4	113612R
~~101853K~~	~~KLIJ~~	~~HELENA JANET~~	~~110201~~	~~AFRICAN HISTORY I~~	~~UP~~	~~(50)~~	~~4~~	~~101853K~~
102381J	KRAUSE	INGRID GERTLINDE	115103	ITALIAN INTENSIVE	UP	(60)	4	102381J
~~097859U~~	~~LEVEIAN~~	~~LAURA JEAN~~	~~942201~~	~~ASTRONOMY A (HALF CRSE)~~	~~2-~~	~~(63)~~	~~5~~	~~097859U~~
101158E	OOSTERBAAN	WILLEM DINANT	106301	ECONOMICS III	ABS		5	101158E
~~094835G~~	~~ORRILL~~	~~ANALIESE LYNETTE~~	~~116317~~	~~DRAMA III~~	~~UP~~	~~(53)~~	~~4~~	~~094835G~~
111331M	PLOTKIN	NADINE BETTY	107301	ENGLISH III	ABS		5	111331M
~~103519W~~	~~SHUMAN~~	~~ANTHONY~~	~~117301~~	~~POLITICAL SCIENCE III~~	~~UP~~	~~(53)~~	~~4~~	~~103519W~~
102719B	SMALLHORNE	AMANDA JANE	802131	HIST & APPRECIAT OF MUSIC I	ABS		5	102719B
~~102257Z~~	~~TAYLOR~~	~~COLLEEN JANE~~	~~105103~~	~~GREEK & ROMAN LIT & PHIL~~	~~3~~	~~(58)~~	~~5~~	~~102257Z~~
033909H	VALLEY-OMAR	FAROUK ISMAIL	102302	AFRIKAANS EN NEDERLANDS III	F		5	033909H
~~101164L~~	~~VAN DER ELST~~	~~JEAN-MARIE RICHARD~~	~~106301~~	~~ECONOMICS III~~	~~UP~~	~~(51)~~	~~4~~	~~101164L~~
			910101	STATISTICS IA(HALF CRSE)	F	(24)		
			910106	STATISTICS IC(HALF CRSE)	F	(34)		
~~112105D~~	~~VAN WYNGAARDT~~	~~ANNE-MARIE~~	~~911201~~	~~MATHEMATICS IIA M204~~	~~UP~~	~~(55)~~	~~4~~	~~112105D~~
116606W	VENIER	GILDA MARIA	102101	AFRIKAANS	UP	(50)	4	1166[illegible]
~~133100Z~~	~~VILJOEN~~	~~ADELE~~	~~1073[illegible]~~					

S. Tribune 23/3/80

(183)

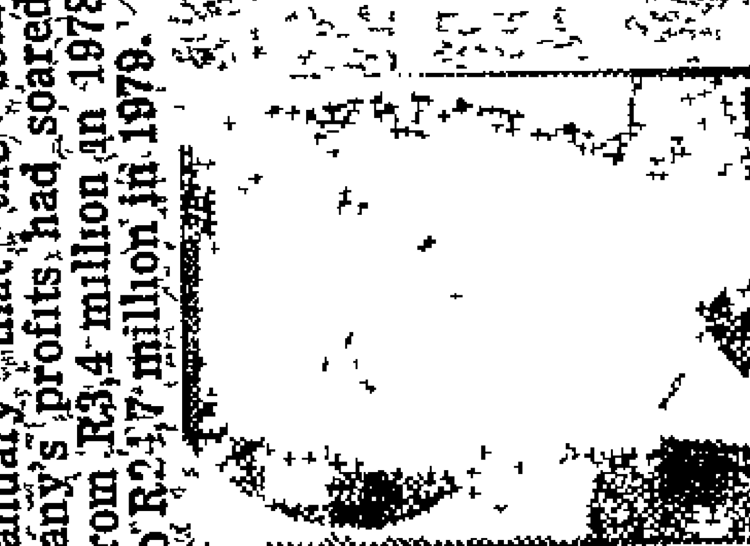
Triomf profits spark industry probe

Tribune Reporter

IRATE farmers may have a chance to slam the fertiliser industry over increasing prices and profits after the Natal Agricultural Union raises the matter with the South African Agricultural Union.

NAU secretary Alwyn Bischof old the Sunday Tribune this week the organisation was "very concerned" about the high price of fertilisers, especially in view of Triomf's 780 percent increase in profits.

Triomf chairman Louis Luyt announced at the end of January that the company's profits had soared from R3,4 million in 1978 to R24,7 million in 1979.



Louis Luyt
Fertiliser magnate

"The NAU has taken the matter up with the South African Agricultural Union and consideration is being given to a national conference of farmers — a platform from which farmers can express their views of the industry," Mr Bischoff said.

It was the NAU which called for an inquiry into the price of fertiliser in South Africa, prompting Minister of Industries Schalk van der Merwe to appoint the Pistorius Committee charged with investigating the fertiliser industry with a view to formulating policy principles aimed at reducing fertiliser costs.

Mr Bischoff said there would be a sharp effect on all food production.

"The farming sector cannot absorb the increases and the ripple effect is going to be fairly significant."

Mr Luyt has protested that Triomf's profits are derived from the export market and "we are virtually subsidising the sale of fertiliser locally".

Foskor planning new R300m mine

STAR 24/3/80

183

Foskor, the lowveld phosphate giant, has begun preliminary work for the establishment of a R300m open cast mine at the southern end of the Phalaborwa phosphate complex.

Foskor's managing director, Mr T G J Pistorius, said production would be around 5m tons of concentrated phosphate rock annually, worth about R250m on the export market at present prices.

It was difficult to put a price tag on this development. What, at present might be an investment of R300m would be substantially higher when finalised in 1981 or 1982.

A pilot plant for a dry concentrating process, which represents a world first for Foskor, would come into operation early in 1981. If successful, this process would be used in the new mine.

Foskor's current expansion programme would increase production from the present 3m tons to 3,5m tons by year-end. At the same time, production will be rationalised.

The total cost will be R23m.

As the source of the main basic material for the manufacture of fertiliser, the cost level at Foskor is important to the consumers of farm products.

In this process, Foskor is pioneering a new technological approach in mining by commissioning a mobile primary rock breaker, which is to run on rails and be as tall as a five-storey building.

Strenuous efforts were also made to cut energy costs, which at present amounted to nearly 40 percent of the total. Diesel power would be replaced by electricity wherever possible.

DAILY DESP 27/3/80

A love made visible

KING WILLIAM'S TOWN — Van Leer a plastics factory which was opened at Dimbaza yesterday, was love made visible said Chief Minister L. L. Sebe who performed the official opening

The factory was an investment not only for profit "but also for peace The dividends to be reaped from it will multiply the riches in man's heart as well as his pockets," Chief Sebe said

The factory, which specialises in plastic mesh, is a R2 million investment and the first Van Leer project of its kind in the South African black states

Yesterday's opening was also attended by Mr G Velier, a director of the company and his wife, Ursula, both visitors from Holland

Also present was Dr D de Graaff, an international engineer for the company which now operates in 35 countries

Mr De Graaff comes from England although he is a native of Holland He was working in Australia before he came to South Africa — DDR

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

12010 LOWER DIPLOMA IN LIBRARIANSHIP YEAR : 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION		SYMBOL	12010
~~1-0986P~~	~~BUHRI-G...~~	~~JOSE~~	~~118101~~	~~CULTURAL HISTORY OF W.E. I UP~~	~~(50)~~	~~1~~	~~1409A0P~~
159075H	ELEERS	CHARLES PETER	118101	CULTURAL HISTORY OF W.E. I UP	(50)	3	159075H

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

UCT

CT. 28/3/80 ~~73~~ ~~85~~ 183

Black workers retire earlier

BLACK employees in an oil company contributed to the incidence of early retirement through ill health in a ratio out of proportion to the number employed, a doctor told the general practioners congress in Cape Town

In a paper based on figures issued by a Cape based oil company, Dr A Spratt said blacks formed 52 percent of all early retirements while they made up only 32 percent of the work force Second were coloured employees then whites with Indians in the lowest group

Labourers formed the largest grouping among the prematurely retired accounting for 37 percent Average age on retirement was 53 and the main cause was hypertension (23 percent) followed by chronic lung disease (13 percent) and heart disease (10 percent)

To finance the rest of the loan repayments, minorities increased their stake in subsidiaries by taking up R10m in new 8% pref shares and providing a further R4,9m So this was largely a matter of borrowing from Peter to pay Paul

Even so earnings could be slightly enhanced by the improved terms of the new financing arrangements

With Luyt forecasting an interim, and the group ostensibly keen to revert to twice-covered payouts, a 55c total appears to be possible this year putting the share on an attractive 8 3% yield This reflects investor's caution on medium-term considerations following the US ban on phosacid exports to Russia, which is expected to bring world phosacid supply and demand more closely into balance *Peter Pittendrigh*

(183)

TRIOMF

Farming out profits

FM 28/3/80

Activities *Holding company with subsidiaries manufacturing and marketing fertiliser phosphoric acid, crop chemicals and farm implements Owns 51% of the equity in operating subsidiary Triomf Fertilizer (Pty), of which AECI owns the other 49%*

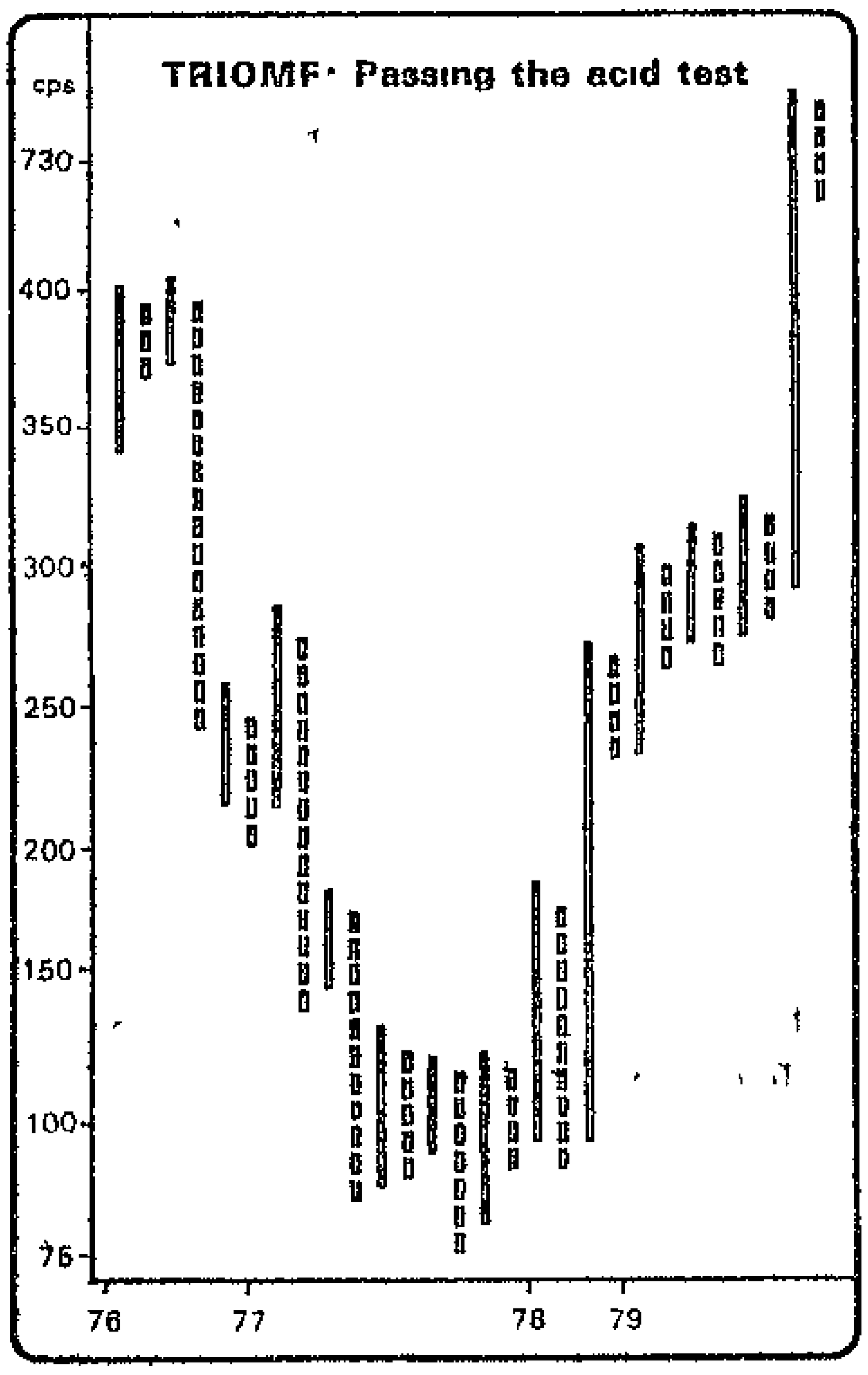
Chairman *L Luyt managing director J J Becker*

Capital structure *14m ordinaries of R1 Market capitalisation R95,2m*

Financial *Year to December 31 1979 Borrowings long and medium term, R78,9m, net short-term, R62 3m Debt equity ratio 263,1% Current ratio 1,1 Group cash flow R33,2m Capital commitments R1,7m*

Share market *Price 660c (1979 '80 high 800c, low, 150c trading volume last quarter 224 000 shares) Yields 13 4% on earnings, 4 5% on dividend Cover 2,9 PE ratio 7 5*

	'76	77	78	79
Return on cap %	10 3		10 3	20 4
Turnover (Rm)	151	200	157	334
Pre-tax profit (Rm)	5 1	(12 4)	3 4	25 1
Gross margin %	10 1		7 4	12 0
Earnings (c)	46 9		10 4	88 2
Dividends (c)	30			30
Net asset value (c)	177	169	180	94



Triomf's share price rise from last year's low of 150c to 780c before falling to its current 660c reflects the company's gearing When the phosphoric acid price is rising, the group's performance can be staggering And last year it was

On a mere 31% sales increase pre-tax profit rose 638 2% to R25,1m (R3,4m) As the company has an assessed loss tax amounted to a negligible R399 000, but due to the high level of minority interests, outside shareholders took R12 4m leaving Triomf shareholders with R12 4m (R1 5m) equivalent to earnings of 88,2c (10 4c)

The strong profit improvement was almost entirely due to the higher world price of phosacid Locally sales grew by only 8% and chairman Louis Luyt bemoans the fact that price fixing limited the contribution of local sales to profitability to a mere 34%

It was mainly the vagaries of SA's climate which kept sales down However, in the latter part of the year with early rains assisting, sales increased considerably Luyt says December turnover was double the budgeted figure and resulted in finished goods stock levels declining to R11,8m (R14,6m)

The main thrust of Triomf's profit growth comes from its phosacid operation But the blame for its patchy profit record equally lies at the feet of the Richards Bay plant This project was funded with loan capital, which had to be serviced This problem was aggravated by subsequent losses When the phosacid price tumbled Triomf's loss grew to R12 4m in 1977 Even though the turnaround has been spectacular, the group still had a R141,7m (R161,4m) debt burden at the end of 1979, which resulted in R14,9m (R15 6m) being paid in interest

So the interest alone eats up more than $45/t of the phosacid price This might not appear to be awesome in relation to the current $500 t-odd world phosacid price, but is a large bite considering that Richards Bay probably contributed some R12m to group pre-tax profit

This means that the margin on phosacid was of the order of $40t or so on each ton of phosacid sold Therefore, on the assumption that the average phosacid price was of the order of $370/t, the average breakeven price (leaving interest out of

Triomf's Luyt riding high with phosacid

account) must have been just under $300 t

On the further assumptions that 1980's costs will rise by around 20% due to escalating sulphur prices and that total production will be sold at an average of $475 t the margin could widen to $115/t before interest Deducting unchanged interest payments brings the margin down to $70 t to boost Richards Bay's potential 1980 pre-tax profit to R28m

Consequently with local operations likely to contribute around R15m pre-tax profit could be in the region of R43m, of which AECI and other minorities could absorb a little more than 50% after deducting R7,8m deferred tax leaving Triomf shareholders with 120c earnings

This is higher than Luyt's 110c earnings forecast

On the strength of the anticipated performance, the 30c dividend paid from last year's earnings need not be frowned upon Last year this dividend absorbed only R4 2m which would have reduced the debt equity ratio from 263 1% to 237,2% If this figure were to be calculated as Luyt would have the *FM* do it, the debt equity would decline to 100,5% Luyt argues that the R50m shareholders' loan are tied to equity with no repayment date specified and could therefore be considered as pref share capital Even so shareholders would probably be happier to see borrowings reduced considerably

Luyt states categorically that group was able to repay R22 2m in foreign loans as a result of the improved cash flow However the source and application account shows that Triomf's R20 6m net cash flow from operations provided just enough to meet the dividends a R5 7m increase in working capital, R5,0m capital acquisitions and R5 6m of the loan repayments

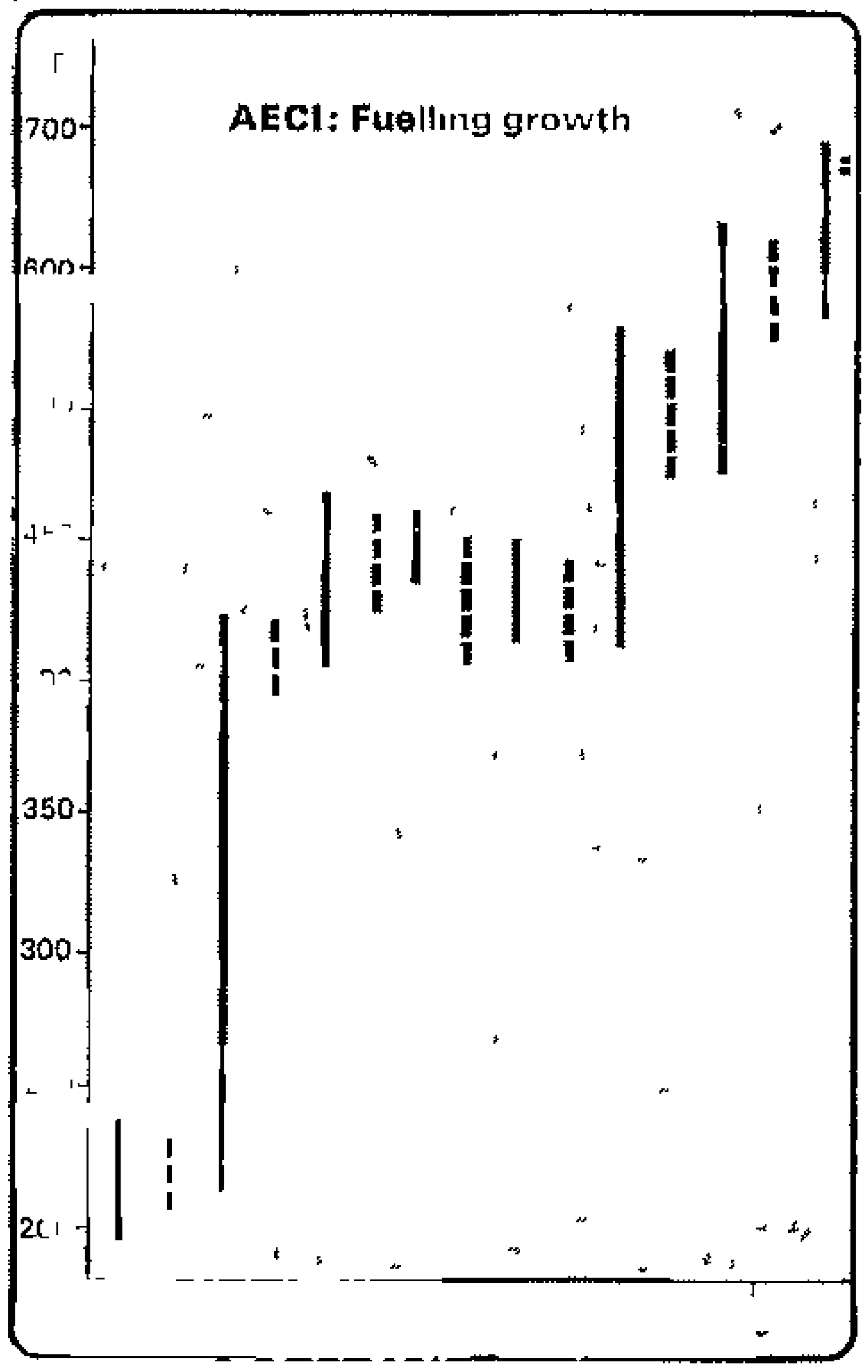
X1

AECI ~~252~~ 183 FM 28/3/80

Explosive growth

Activities *Chemical and explosives producer which owns 60% of Coalplex, 49% of Triomf and 100% of SA Nylon Spinners Anglo American Corporation and ICI each own 40% of the equity*
Chairman *H F Oppenheimer deputy chairman W B M Duncan, managing director D N Marvin*
Capital structure *148,7m ordinaries of R1, 300 000 5,5% cum prefs of R2*
Market capitalisation *R1 026,0m*
Financial *Year to December 31 1979 Borrowings long and medium term, R165,7m Net cash R23,3m Debt equity ratio 40,7% Current ratio 1,8 Group/net cash flow R92,1m Capital commitments R95,0m*
Share market *Price 690c (1979-80 high, 715c, low, 335c, trading volume last quarter, 334 000 shares) Yields 7,4% on earnings, 4,3% on dividend Cover 1,7 PE ratio 13,4*

	76	'77	'78	'79
Return on cap %	11 8	12 3	17 4	19 2
Turnover (Rm)	432	590	704	896
Pre tax profit (Rm)	54 6	64 6	95 3	125 4
Gross margin %	14 6	13 3	15 5	15 4
Earnings (c)	29 8	24 7	37 6	51 4
Dividends (c)	18	18	22	30
Net asset value (c)	219	233	254	319

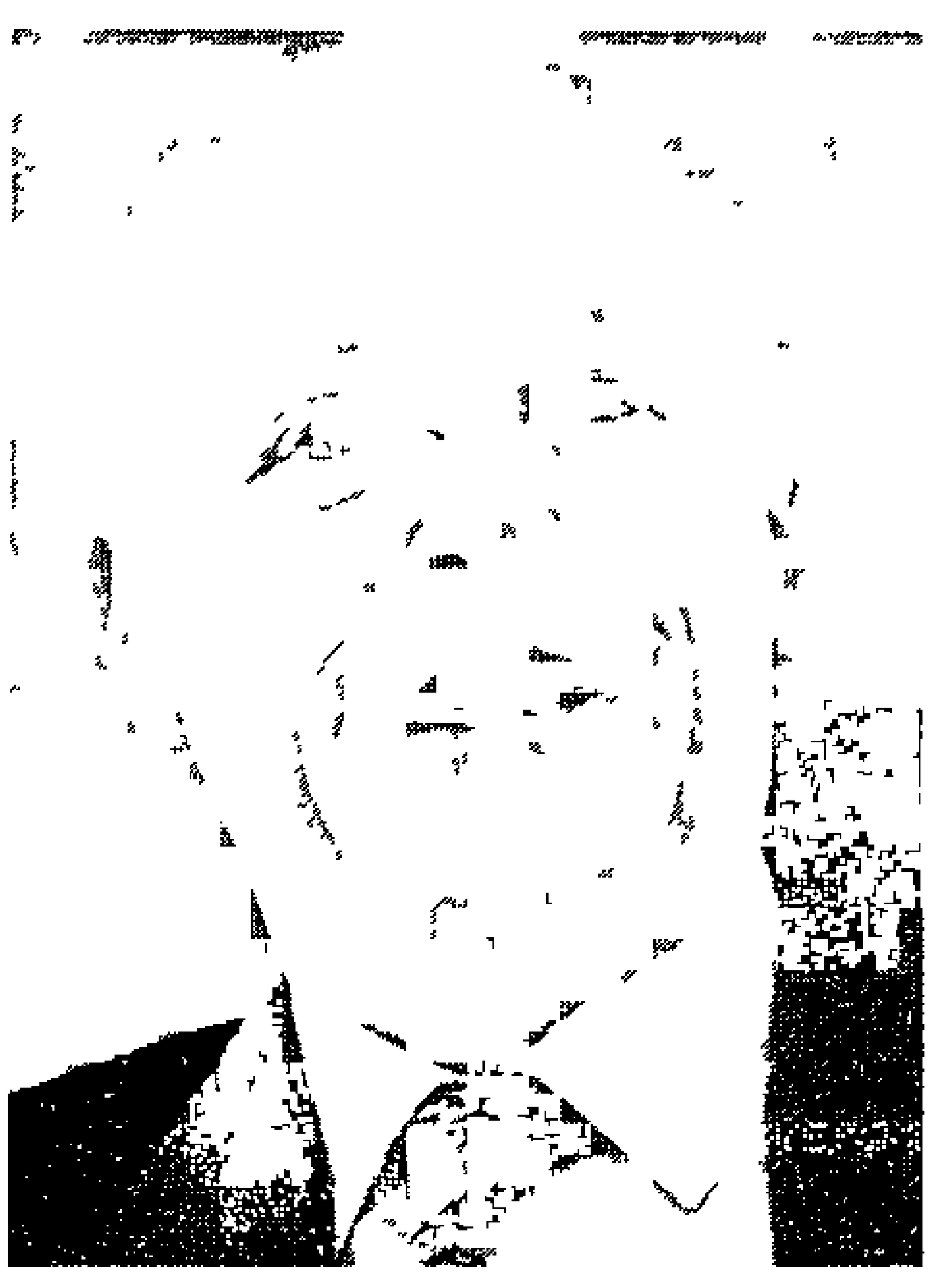


AECI is continuing on an explosive growth tack This is reflected in doubling of the share price in the last twelve months The chemical sector is closely tied to growth in general consumer demand, so it is not surprising that AECI's fortunes benefited from strongly improved sales throughout the economy

AECI's own sales were boosted by increased demand for consumer oriented products such as low density polythene and synthetic fibres In fact, trade has been so buoyant that plants producing these products were fully utilised and the group now finds it will have to increase capacity by establishing a 140 000 t polythene plant at a cost of R150m and spend R40m on additional spinning capacity at SANS to meet anticipated demand Output of polythene was supplemented by imports to meet local demand

The funding of this capex will be provided by cash flows and borrowings However, chairman Harry Oppenheimer does not expect increased borrowings to have any significant effect on the group's gearing ratios, suggesting that borrowings will be kept to a minimum Certainly 1980's R95m capex could quite easily be financed from cash balances, earnings and cash flow

Cash flow alone should be well over R105m this year and the group had liquid assets totalling R50,9m at the year-end This together with the 41% debt equity ratio reflects the balance sheet strength and the ability of the group to meet increased working capital requirements accompanying increased turnover Last year sales increased by 27,2%, resulting in



AECI's Marvin moving ahead in all areas

a working capital increase of R45,9m Stocks increased to R174 4m (R131,3m) and debtors to R170 1m (R141 2m), while creditors rose only R21 2m to R110,1m

Another strength is the increased efficiency of capital employed In the last four years the group has increased return on capital from 11,8% to 19 2% Also, the gross margin has been maintained at a creditable 15 4% (15 5%) The group is still striving to improve on this and with the increasing profitability of Coalplex this is likely to be achieved

Though Coalplex is probably not yet profitable, it performed well with design capacity being proved The efficiency of this plant and increased PVC sales resulting from local markets being developed and export sales doubling to 42 000t — despite the loss of Iran as a market — helped the polymers and derived products division become the biggest contributor to the R132,0m (R103,8m) group trading profit This division achieved a R49,4m (R36 3m) trading profit from R370,6m (R272,0m) sales Besides benefiting from increased polythene and fibre sales, the division has had a tremendous boost from Duropenta, which supplies plastic and PVC pipes to the mining, building, civil engineering and agricultural sectors Duropenta was the strongest growth subsidiary in the group

The explosives division increased its contribution to trading profit to R37,1m (R31,1m) and agricultural and inorganic chemicals to R31,9m (R27,8m)

Helped by particularly high demand for paint and related products, the chloralkali and organics division increased its sales to R165,1m (R139,8m) But the margins were low and the division achieved a trading profit of only R13,6m (R8,6m) With the upturn in building activity this division is emerging from a long period of low activity

Last year's profits did not benefit from Triomf's dividend, of which R7,8m accrues to AECI, as dividends are brought to account in the year they are received Had these dividends been included in 1979 results, taxed profit would have increased 45,4% to R91,1m As it was, the figure increased 33,3% to R83,3m (R62,5m) Investment allowances totalling R6,7m (R5,2m) were included in this figure, but the group does not consider these to be distributable, so deducts them from the R76,5m (R57,3m) attributable profit

With 30% of AECI's products already derived from coal and the group seriously looking into ethanol production from agricultural residues and into substantially

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

15016 B.A./LL.B. YEAR : 1 15016

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~154230R~~	~~ARP~~	~~HANS-ERIK~~	~~105105~~	~~LATIN ELEMENTARY~~			~~1~~	~~154230R~~
157795R	BARRETT	MICHAEL CONRAN	117101	POLITICAL SCIENCE I	UP	(59)	1	157795R
~~153562Q~~	~~JUCHINSKY~~	~~GLENN BRUCE~~	~~102101~~	~~AFRIKAANS~~	~~UP~~	~~(50)~~	~~1~~	~~153562Q~~
156581X	COHEN	PETER DAVID	117101	POLITICAL SCIENCE I	UP	(57)	1	156581X
~~155002F~~	~~CONROD~~	~~INDRAN~~	~~105105~~	~~LATIN ELEMENTARY~~	~~ABS~~		~~1~~	~~155002F~~
157855G	DE KOCK	RODNEY JAMES	105105	LATIN ELEMENTARY	UP	(56)	1	157855G
~~154395W~~	~~DREYER~~	~~NADINE~~	~~117101~~	~~POLITICAL SCIENCE I~~	~~UP~~	~~(59)~~	~~1~~	~~154395W~~
155823Y	FISHER	MICHAEL ALEX	102101	AFRIKAANS	F		1	155823Y
~~150196G~~	~~GIHWALA~~	~~DEREEKA~~	~~117101~~	~~POLITICAL SCIENCE I~~	~~UP~~	~~(56)~~	~~1~~	~~150196G~~
156314F	GORDON	STEPHEN MICHAEL	105104	LATIN I	F	(31)	1	156314F
~~156503L~~	~~HARDCASTLE~~	~~JUSTIN FRANK~~	~~105105~~	~~LATIN ELEMENTARY~~	~~UP~~	~~(50)~~	~~1~~	~~156503L~~
038176W	HARRIES	ROGER EZRA PAUL	107101	ENGLISH I (PRE-1980)	2-	(64)	1	038176W
~~115449N~~	~~HENDRICKS~~	~~ROBIN ARTHUR JUSTIN~~	~~105105~~	~~LATIN ELEMENTARY~~	~~ABS~~		~~1~~	~~115449N~~
159727P	KANE-BERMAN	DIANA LOUISE STUART	117101	POLITICAL SCIENCE I	UP	(55)	1	159727R
~~162529M~~	~~KEAY~~	~~EDWARD WALLACE~~	~~117101~~	~~POLITICAL SCIENCE I~~	~~F~~	~~(47)~~	~~7~~	~~162529M~~
161080M	LEVIN	MERVYN BERNARD CHARLES	105105	LATIN ELEMENTARY	ABS		1	161080M
~~157638W~~	~~MAHATEY~~	~~NAZEEN~~	~~105105~~	~~LATIN ELEMENTARY~~	~~UP~~	~~(51)~~	~~1~~	~~157638W~~
155155X	MCQUEEN	STEPHEN	105105	LATIN ELEMENTARY	ABS		1	155155X
~~156583Z~~	~~MEIKLING~~	~~WAYNE-BRADLEY~~	~~102101~~	~~AFRIKAANS~~	~~F~~		~~1~~	~~156583Z~~
15375[illegible]	[illegible]	[illegible]ES LUTHER	102101	AFRIKAANS	UP	(50)	1	155752X
[illegible]	[illegible]	[illegible]	~~603202~~	~~ROMAN LAW & JURISPRUDENCE I~~	~~F~~	~~(49)~~	~~1~~	~~156357F~~
[illegible]	[illegible]	[illegible]AIR	105104	LATIN I	F	(34)	1	154745U
[illegible]	[illegible]	~~[illegible]GRANT~~	~~102101~~	~~AFRIKAANS~~	~~UP~~	~~(50)~~	~~1~~	~~156056H~~
[illegible]	[illegible]	[illegible]DOR PETER	105104	LATIN I	UP	(50)	1	154272M
[illegible]	[illegible]	~~[illegible]EE~~	~~105104~~	~~LATIN I~~	~~UP~~	~~(50)~~	~~1~~	~~154933E~~

UCT

increasing methanol production, the group could substantially lessen SA's dependence on imported oil-based fuel and chemicals. Both coal and ethanol have promise as chemical building blocks. Furthermore AECI is helping with the development of a conventional internal-combustion engine which will run on methanol in its 100% form and is registering patents for additives which will allow diesel engines to run on methanol. If all goes well the group could establish a 2 500 t-a-day methanol plant on a coal field. At this stage AECI estimates the cost of the plant will be around R400m.

There appears to be no reason why AECI could not maintain its current growth rate and extrapolation of last year's growth points to earnings of 70c this year, from which a 40c dividend could be paid. So the share, on a 5.7% prospective yield, has not yet come to the end of its growth.

Peter Pittendrigh

(183) 28/3/80

PHOSPHORICACID (183)

No morelosses?

FM 28/3/80

There's scepticism in some quarters about Triomf's current euphoria on the future outlook for phosphoric acid sales With Triomf GM (administration) Kobus Becker's statement to the *FM* that "we are so confident that the company is buoyant while looking forward to a tremendous 1980," it might be opportune right now to introduce a slightly more sober note on future of phosphoric acid sales

President Carter's ban on sales of a reported 1 Mt of super phosphoric acid (which contains 70% phosphate pentoxide as compared to roughly 54% contained in "merchant grade" phosphoric acid marketed by countries such as Morocco, Tunisia and SA) to Russia, cannot be glossed over The contract, currently in the balance, could leave 700 000 t or so of phosacid floating around the world markets

This amount is in excess of Triomf and of Fedmis' combined 500 000 t of annual exports If the contract is cancelled, it will cause "an oversupply situation with the currently high phosacid prices likely to be depressed," in the view of an industry spokesman

He says the outlook for worldwide phosacid sales will only be clarified in April/May when the US farmers (who determine the demand for phosacid in the US, the biggest consumer country), start planting summer crops

What could happen, on the most pessimistic scenario, is that the US government may impose a restriction on average planting following the ban on grain sales to Russia "The US market is dominant in phosacid sales and dictates sales volumes worldwide"

Phosacid price movements can also be affected by the outcome of the ISMA (umbrella organisation for fertilizer manufacturers and raw material producers worldwide) meeting to be held in Monte Carlo in May

The suggestion that SA exports could find their way to the Soviet Union, in a simple rearrangement of existing supply channels, appears to be far-fetched

Comments one industry spokesman "SA cannot replace US supplies which are of a special grade The Russians erected eight plants to manufacture liquid fertilizer for which the special grade of phosacid is required They cannot use anything else"

A report in *Green Markets*, dated February 25 1980, states "presently there are no other sources of super phosphoric acid (SPA) available in sufficient quantities to supply the (Russian) plants A capacity of about 100 000 t exists in Europe, but it is largely for local use

"And while there are many other suppliers of merchant grade phosphoric acid in the world, these acids cannot be used by the Soviets in the new plants Converting the plants to use merchant grade material as a feedstock is possible but would cost the Soviets as much as \$13m — 20% of the cost of the original plants — and require one to two years to complete These plants, therefore, will not be able to produce phosphate fertilizer for a year or two beginning this spring unless our exports are resumed"

But whether the US ban will affect the world adversely has yet to be seen Certainly, Triomf chairman Louis Luyt believes it will not He says "The Russians have changed their requirements to 54% merchant grade phosacid Countries like Morocco and Tunisia will supply their needs of 1 Mt and countries such as SA will then fill in the gaps left by these countries in international supply The 500 000 t worldwide annual shortage mains Our whole production has been sold contractually, but for the sake of orderly marketing the ultimate destination of the phosacid may change"

Pricing of phosacid is unlikely to be depressed, says Luyt "For example, we are selling on the spot market at prices well above our contractual price"

Consensus is that if phosacid prices remain high, Triomf triumphs If they drop seriously, which is a possibility, but one which Luyt discounts, Triomf could face a tricky situation. *Hellouise Truswell*

(183) FM 4/4/80.

SENTRACHEM/FEDMIS

Paper chase

In any takeover involving an exchange of shares, the bidder is usually faced with the problem of persuading investors that his paper is at least as attractive as the shares he proposes buying

Not so Sentrachem, which failed rather dismally in its attempts to get Fedmis minorities to take cash rather than its shares (*Fox* November 30) The outcome is that the company has had to issue almost 5m more shares than planned and has ended up with some R37m in cash which it did not expect to have once the takeover was complete

In all, Sentrachem issued 23m shares to Fedmis holders and paid out about R14,6m, indicating that holders of only 7,3% of Fedmis' equity and loan stock opted for the cash This was completely contrary to the company's view that about 25% would take cash, involving an outlay of just short of R50m and the issue of 18,6m shares

It also meant that Sentrachem had to issue a slightly larger number of shares to General Mining to give Genmin its 10% stake in the enlarged capital, and Genmin accordingly acquired 8,95m Sentrachem shares (against an expected 8,46m) for which it paid R42m, or 470c each

With the two aspects of the deal complete, the chemical group now has 89,5m ordinary shares in issue against 57,5m before the takeover, and a cash balance of about R27m — instead of having to pay R10m out of its own resources

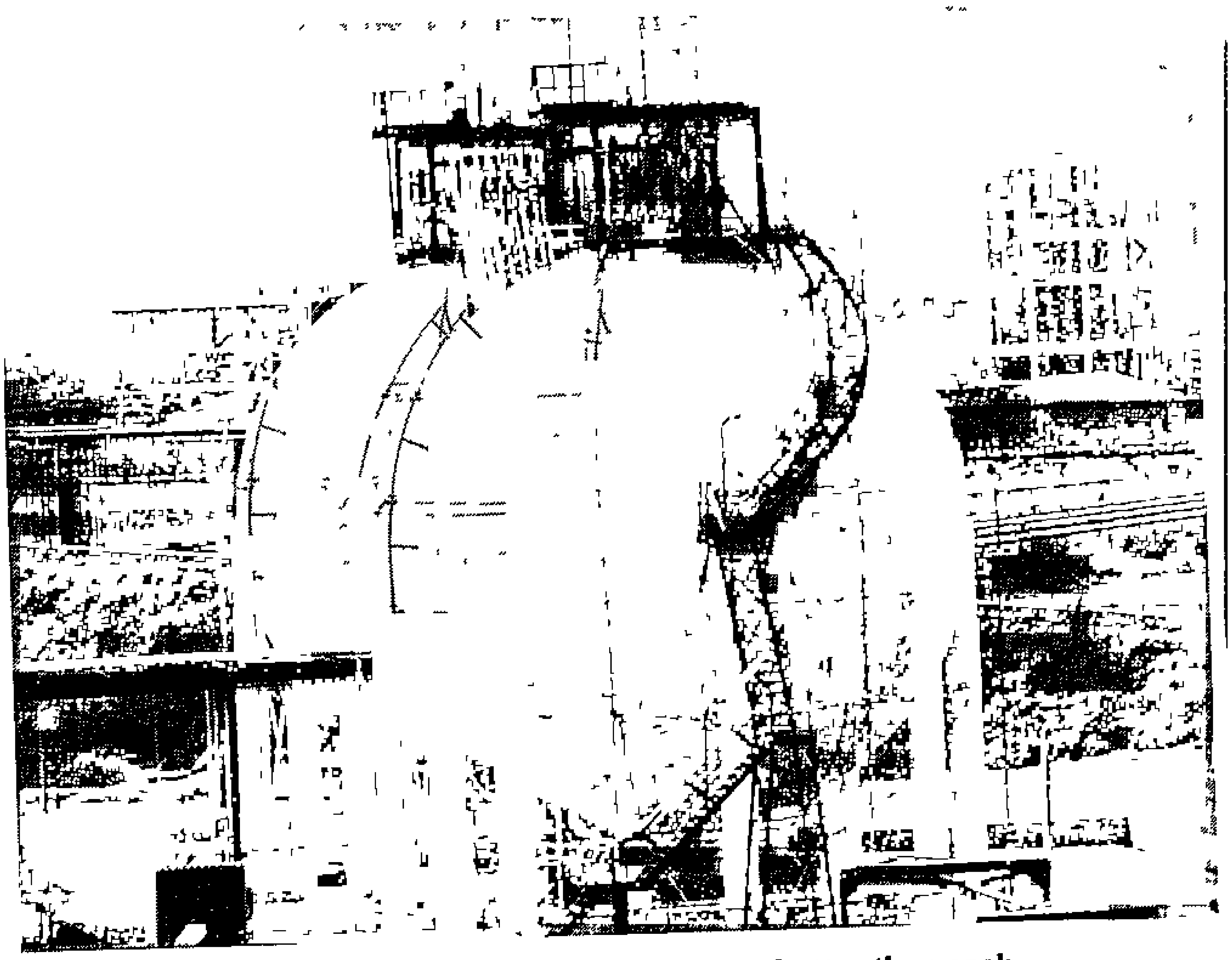
The outcome is not of major significance to Sentrachem itself, and the fact that its capital is about 6% larger than planned is not expected to affect the offer document's 62c earnings forecast for the year to June 1980, and the dividend total of 31,5c The cash will ultimately be absorbed in the group's massive expansion programme and in the meantime can be used to adjust debt balances

It has, however, complicated the balance of shareholdings in Sentrachem, with particular reference to the unstated objective that FVB would become the ultimate holding company, which depends on Sentrale Chemiese Beleggings (Senchem), which previously held 57% of Sentrachem remaining the immediate holding company

Until the Fedmis deal, Senchem was equally owned by FVB's 63%-owned subsidiary, Federale Chemiese Beleggings (Fedchem), BP Southern Africa, and the IDC But Fedchem also held 34,4% of the Fedmis equity and 34,7% of its loan stock, and with the inclusion of the Sentrachem shares received in exchange for these interests, its holding in Senchem increased to 46% Fedchem also obtained the agreement of its Senchem partners that it would be able to further increase its holding to over 50%

Had Fedmis minorities responded as expected, the chain of control of Sentrachem would have run from Fed Volks through Fedchem and then Senchem With Sentrachem's larger than planned capital, however, the Senchem holding has dipped to around 47% and will have to be topped up to restore the *status quo*

Brian Thompson



Sentrachem . . . assets better than cash

ADCOCK-INGRAM

FM 11/4/80 232 183

Rationalisation gains

Activities· *Holding company which derives most of its income from the manufacture and sale of pharmaceuticals and chemicals Tiger Oats owns 52% of the equity*

Chairman: *J Tannenbaum, managing director N W Nossel*

Capital structure. *1,9m ordinaries of 50c, 75 000 6% cum prefs of R2 Market capitalisation R32,9m*

Financial· *Year to December 31 1979 Borrowings long- and medium-term, R3,5m, net short-term, R4,7m Debt equity ratio 26,8% Current ratio 2,0 Net cash flow R4,3m Capital commitments R2,6m*

Share market. *Price 1 775c (1979-80 high, 1 800c, low, 1 200c, trading volume last quarter, 23 500 shares) Yields 16,5% on earnings, 5,0% on dividend Cover 3,3 PE ratio 6,1*

	'76	'77	*'78	'79
Return on cap %	23 7	23 4	+22 4	26 0
Turnover (Rm)	66 9	54 4	88 5	70 1
Pre-tax profit (Rm)	7 2	7 6	11 8	11 1
Gross margin %	13 2	14 9	14 4	16 5
Earnings (c)	238	210	317	293
Dividends (c)	70	75	120	88
Net asset value (c)	1 207	1 315	1 474	1 670

* 18 months to end-December + Annualised

Benefits from the past two years' rationalisation produced a significant improvement in profit margins despite a relatively low turnover increase And this year, though the rationalisation exercise is all but complete, another profit advance is on the cards as the full effects of the product reorganisation and cost cutting programmes are felt

PRE TAX PROFIT MIX

	79	78
Pharmaceuticals, hospitals and surgical supplies	62 5	69 1
Consumer products	6 9	6 3
Wholesale & retailing	30 6	24 6

The growth in the profit contribution from the pharmaceutical, hospital, and surgical supplies division is a direct result of last year's rationalisation MD Norman Nossel tells the *FM* that Adcock-Ingram cut down its range of low volume, low margin product lines "We are not sales conscious, but profit conscious We ensure that our tendering is not subsidised by private sales All tenders must be on a profitable basis," says Nossel

Demand for products in this division was firm throughout the year In the ethicals operation Adcock-Ingrim re-established Keatings Pharmaceuticals to market licensed products alongside Rio ethicals operation Adcock-Ingram re-es-Sabax in which Adcock holds 60% had a "most satisfactory" year In 1979 new manufacturing facilities were commissioned which use locally produced raw materials, saving some R1m in foreign exchange annually New plant and machinery was also installed at the Latex Rubber products operation, which is broadening its marketing base and aiming for higher market share

The Home Products division also rationalised its product range during the year, and Nossel is looking forward to an increased contribution This, however, will mean higher marketing expenditure to increase market share The Family Circle group of retail chemists is also concentrating on increasing its advertising expenditure Chairman Jack Tannenbaum says the steps being taken are to assist chemists combat the market inroads by the chain stores

This year, with expectation of further improvements in profit margins, there should be another advance in earnings. However the market has taken an apparently dim view of last year's dividend cover increase to 3,3 (2,6) times Nossel explains that the increase is not necessarily an indication of a permanently higher cover, but rather that R2,6m capex is needed this year to finance a recent purchase, at a low price, of land near Halfway House and new premises bought for R1,6m Adcock has also recently revised its wage structure to ensure a stable work force

With its relatively high dividend cover and strong balance sheet, the company has adequate resources for further expansion An earnings hike to about 340c is possible this year, though this estimate may be conservative given the tax benefits that should flow from the R2,6m capex At 1 775c Adcock stands on a prospective 5 PE, which is not expensive on a medium-term view

Des Kilalea

DATES TO REMEMBER

Last day to register for dividends.

Friday April 18 French Bank 5,5c, Gresham 11,5c, Ned-Equity 4,25c, Northern Engineering 21c, Picardi Hotel 3c, SA Bias Binding 35c, Sage 10,5c, Wankie 3,96c, Willem Barendsz 6c

Meetings.

Monday April 14 Natal Anthracite, Metal Closures, Standard Brass, Vierfontein, Zuinguin

Tuesday April 15 Amcoal, NEI, Vryheid

Wednesday April 16. Cons Murchison

Thursday April 17· Aberdare (Port Elizabeth), Apex, Durban Deep, EP News (Port Elizabeth), ERPM, Gaydon, QH Superite, Rooiberg, Union Tin, Vogels

Friday April 18. Bruynzeel

All meetings are in Johannesburg unless otherwise stated

april 11 1980

Financial Mail

X1

FM 11/4/80 183

ALCOHOL FUELS

One for the road

Last Friday, Environment and Energy Minister F W de Klerk conferred with potential producers to lay down guidelines for the development of an alternative (specifically alcohol) fuel industry

It was undoubtedly the most significant SA development in fuel supply since the 1951 decision to build Sasol 1

The government has now decided to run with alcohols, making it a real and practical possibility that the country could be completely independent of imported oil by the end of the century -- a mere 20 years ahead It has (tentatively) made the choice between methanol and ethanol — and opted for methanol — and has decided to give private enterprise its head in this highly strategic field

De Klerk told the would-be and actual alcohol producers, which included such technological leaders as AECI and Sentrachem, as well as Anglovaal and General Mining, that he was open to proposals

The Minister has given interested parties 12 to 18 months to submit their schemes for approval The government's Energy Policy Committee will review all applications and will make a ruling on what taxes and duties will be applicable

Alcohol fuels will have uniform excise and other duties as presently applied to Sasol, based on the energy content of the fuels In practice, methanol will enjoy an advantage of roughly 4c a litre of petroleum equivalent over fuel derived from imported crude oil

Additionally, the government is to give a further duty reduction to licensed producers for contributions to the replacement of diesel fuel only This will be related to production storage and distribution costs and demand factors

The aim, says De Klerk, "shall be the lowest level of incentives which will result in an appreciable production and use of the alternative for diesel fuel "

And he warns 'The Government will accept no responsibility for the profitability of any undertaking '

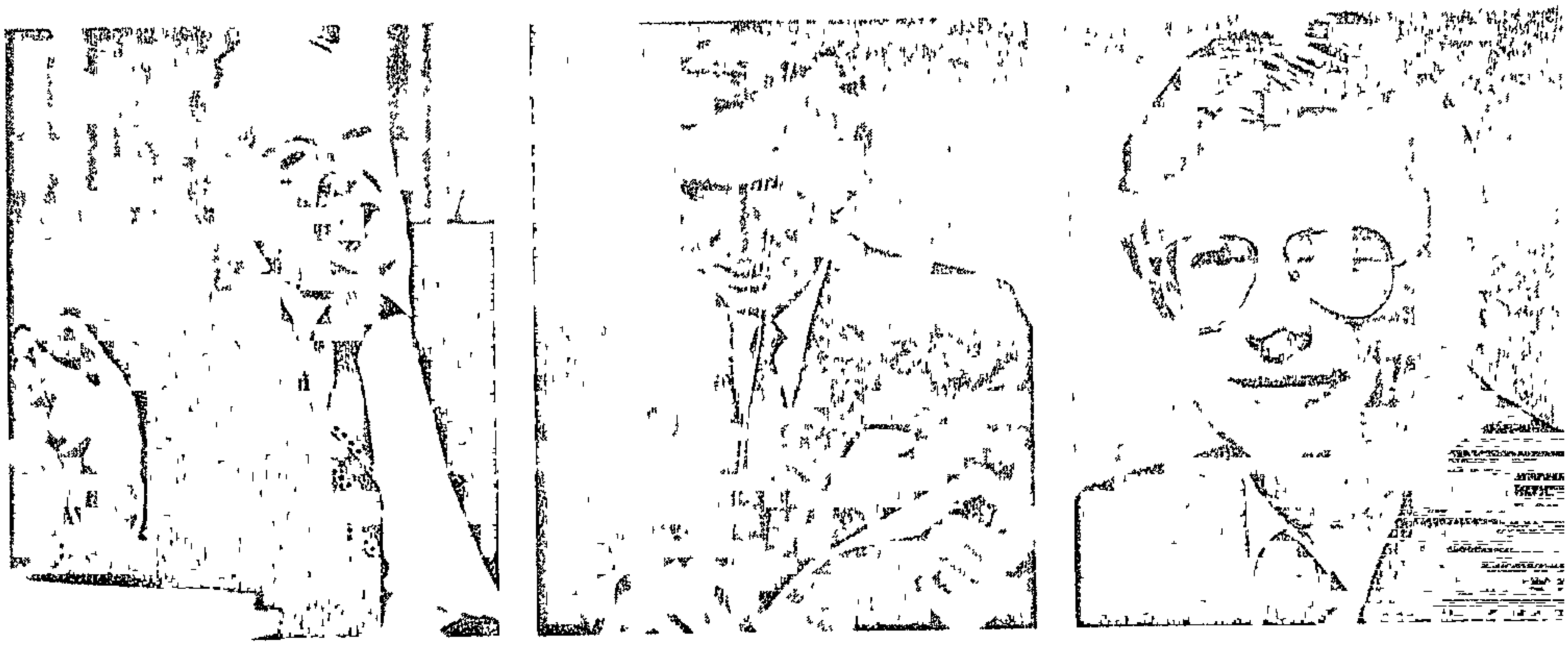
It is now clear that as forecast by Cape Town University's Energy Research Institute ERI (FM March 14) methanol is destined to play a major role in SA's future energy equation De Klerk is talking of alcohol fuels providing 15% to 20% of liquid fuel requirements, but the ERI's Professor Richard Dutkiewicz believes it could be as much as 50%

Because of the diesel/petrol imbalance, with the consequent shortage of diesel, the quantity of crude oil which has to be imported is determined by the demand for diesel fuel Imports can thus only be lowered, says De Klerk, to the extent that alternative fuels can replace or augment diesel fuel

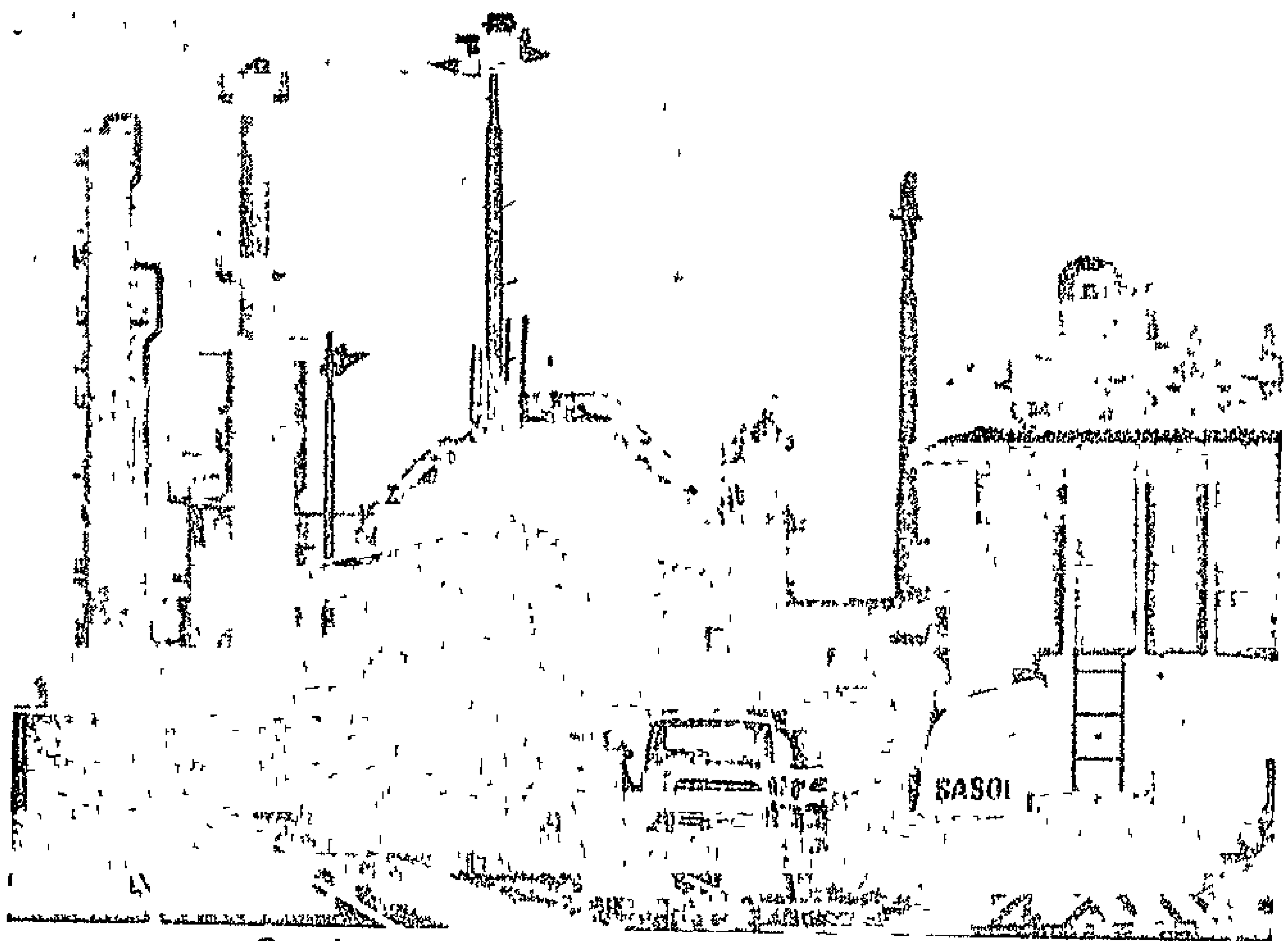
'Steps by the government, and possible incentives should, therefore, in the first instance, be aimed at encouraging and assisting the private sector to augment and replace diesel fuel,' he says

"Comprehensive investigations have left the impression that methanol, derived from coal, emerges as a stronger possible alternative fuel to ethanol derived from agricultural products '

Reasons given for the thumbs-down to ethanol are the price instability of fertilisers weed-killers, agricultural machinery and the like, the high energy input in ethanol production, and the possible con-



AECI's Denys Marvin, Shell's Ken Geeling, VW's Peter Searle . three-way co-operation on the road ahead



Sasol . private enterprise may well enter the field

flict in demands between food and fuel production

Excessive dependence on ethanol could not be permitted But the Minister is prepared to allow some production of ethanol from agricultural products and to offer the same assistance as to methanol because of the conviction that the percentage of the total provided by ethanol will be relatively small

Special consideration is also being given to farmers who might want to set up small fuel plants

It is clear that the Sasol route is no longer seen as the only way to fuel self-sufficiency De Klerk says a theoretically justifiable policy decision merely to build further Sasol plants, or others based on variations of the technology, would be wrong

Significantly, too, he opens the door to the possibility of private enterprise developing Sasol-type or other synfuel operations

Industry's response to the government's policy statement has been prompt First off the mark was AECI, which has on the drawing board a R450m, 800 000 t/year methanol plant which could be in production by 1984

AECI has also intensified its research programme on which R500 000 has already been spent, to perfect the use of methanol as fuel In the programme, run in conjunction with Shell and Volkswagen, VW Golf cars converted to methanol have been tested and AECI plans to convert its truck fleet to methanol as well Four existing vehicles have been converted to run on a 15% methanol/petrol blend

The company is concentrating its efforts on the (diesel-powered) truck application, which offers the best hope for solving the most crucial problem in the national fuel equation the diesel shortage

The scenario already spelt out by the ERI in its document *Energy 1980* sees the conversion of diesel trucks to methanol as the first step towards fuel self-sufficiency by the year 2000 Initially, methanol would be used either in duel fuel configurations with diesel (methanol does not mix easily with diesel, and has to be injected separately), or in 100% alcohol engines, and later would be introduced in private vehicles

Pure methanol cannot be burned in unmodified diesel engines as it has significantly different combustion characteristics from those of dieseline But it can be used in diesel engines relatively inexpensively modified, mainly by fitting spark plugs

Perhaps it would be more correct to call this sort of engine a "high-compression, heavy-duty, internal combustion methanol engine"

It is to be hoped that the Industrial Development Corporation, which is pushing ahead with the Atlantis Diesel Engines factory in the Cape, is taking heed of the methanol developments At this stage, it might make more sense for ADE to produce methanol engines than diesel engines

The advantage of this approach is that the huge capital investment in the existing national vehicle fleet, oil refineries and distribution facilities is not wasted Cars continue to run on petrol until the end of their normal lives, and Sasol petrol will continue to be the preferred fuel for certain applications

Moreover, it does not become necessary immediately to establish a national network of methanol distribution outlets Main users would be fleet owners, who normally fill their tanks at their own facilities

With Sasols 2 and 3 coming on stream between now and 1985, dependence on petroleum could be reduced to 64% by 1985, 30% by 1990 and zero by 2000

According to the ERI production costs (in a small plant with a capacity of 2 000 tons a day) work out at 28c per litre for petrol with oil at $35 a barrel, 45,5c for Sasol synfuel, 43,1c for ethanol, and 32,7c for methanol

However, though methanol contains less energy per litre than petrol, engines run more efficiently on it, and the efficiency of energy conversion from coal to methanol is higher than from coal to Sasol petrol Thus the methanol coal-to-wheels route gives 43% more kilometres per unit mass of coal than the Sasol route

Taking this into account production costs (again based on a small plant) break even with imported crude oil at a price of $34 a barrel In a big plant, break-even point would be lower Current Opec prices are in the $25 to $29 range, with spot prices around $35

But it must be pointed out that economies of scale can bring these production costs down significantly for both Sasol synfuel and methanol (though not ethanol) Sasol's cost is about half the quoted figure

Wrong horse

The government's decision to opt for methanol has undoubtedly been an embarrassment to Sentrachem which has been backing the ethanol horse In an attempt to recover its position, Sentrachem issued an announcement to coincide with AECI's last week, declaring that it is to set up a new ammonia-from-coal complex which "paves the way" for methanol manufacture

But it is clear that AECI is ahead of the game

Another contender is Anglovaal, which has been examining the feasibility of methanol production (from its substantial coal deposit in the Witbank area) for 2½ years, and has been sponsoring research at the ERI for a year

Anglovaal can't export coal because it has no capacity on the Richards Bay line, and the price-controlled local market doesn't exactly offer scintillating profit potential There's no word yet on Anglovaal's precise intentions, but a methanol plant would have to be at least as big as AECI's to make it economic

Anglovaal has three methanol-fuelled trucks under test, it's taken out patents and has a working understanding with Caltex which may soon be turned into an agreement It's not hard to put two and two together and conclude that the mining and industrial conglomerate may soon be in methanol production

Another alternative fuel project has been mooted by General Mining, which is contemplating an oil-from-coal project on the Springbok Flats based on direct hydrogenation — the major alternative to the Sasol process

The developments are significant for a number of reasons For the first time, alternative fuels are to be produced in SA on a fully commercial basis None of these interested companies will go into schemes which offer inadequate returns on investment

Central to AECI's plans will be the possibility of exporting methanol for use in existing power stations which will have to be converted from oil There have already been preliminary discussions with potential foreign buyers

This would take up the slack in local demand during the early stages, and possibly offer better prices

The involvement of oil companies is noteworthy Caltex is believed to have plans for an extensive distribution network Shell has supplied methanol storage facilities and dispensing equipment at AECI's Modderfontein factory and is supplying the petroleum products needed

Its rationale for participation is to obtain first-hand practical experience in the handling of methanol as a fuel on a commercial scale

The programme will be another feather in the cap for SA, the country which pioneered oil-from-coal technology, and which is now demonstrating itself to be possibly the only country in the world which has a practical policy to deal with the Opec threat

The US, for one, could take a few lessons

(X1)

MINERALS, FM 11/4/80 (183)

Phosphate for ever

Foskor's annual production of 3 Mt of phosphate concentrate is expected to increase by 16,5% to 3,5 Mt by mid- 1981 as a result of Foskor's R25m expansion programme, which began roughly a month ago

A Foskor spokesman tells the *FM* "approximately 1,4 Mt is taken up by the local market The balance is converted into phosphoric acid for export "

Foskor sells its phosphate rock at R22,50/t The price, determined on January 1 1979, will hold till December 31 1980 Considering that on January 1 1979, the price of diesel was 16c/ℓ and is now 48c/ℓ, it is noteworthy Foskor could peg its price

No less than 5mℓ of diesel are used annually Foskor reckons "efficiencies of scale, and very good production methods with worldwide patents on some processes developed by SA scientists, have contained costs " World price for phosphate concentrate is roughly double the SA price

Meanwhile, Foskor is thinking of another mine at Phalaborwa "We'll know by the end of 1981, beginning 1982, if these plans are likely to be realised. At this stage, the thinking cannot even be classified as an approved project," a spokesman says

Foskor says the cost of such a project is impossible to determine at this stage But, based on figures with "which we have played around at present it could possibly cost R300m to R500m " Total production, should the scheme go through, would be earmarked for export

At the moment recovery methods allow roughly 1 t of phosphate concentrate to be recovered from 6 t of rock "The tried and tested wet process (a system of flotation) is used in the recovery process. Now we are working on a process of dry recovery It has only been tested on laboratory scale " No indication is possible at this stage which method is likely to prove the more effective in the long run

Local demand for phosphate concentrate grows at about 4% a year Significantly Foskor is not fazed by the possibility that a turn-down in phosphoric acid demand worldwide could affect demand for its phosphate concentrate

"Since we came into production in 1955, we've never had a surplus of the product "

Foskor is also confident of available ore reserves The ore body is roughly 8 km by 3 km Foskor has drilled down to a depth of 5 000 ft There is no change in the ore body composition With these known reserves it can apparently produce 1 400 Mt of concentrate/1 000 ft "

"There are enough ore reserves in the country to fulfill the needs of the SA farmer for at least 1 000 years," the spokesman adds

Twins stand-by offer

WDM 17/9/89 232 183

THE controlling shareholders and certain executives of W & A Investment Corporation are making a stand-by offer of 229c a share to the minority shareholders in Twins Pharmaceuticals

The reason for this move is that since the intention to acquire control of Twins was announced, the ordinary shares have traded well above 229c.

The acquisition of the Twins shell — after which it will have a 50% shareholding in W & A — will mean that Twins will be the controlling company of W & A. Within a year, trading assets of at least 25% of total assets not connected with the current operations of W & A are to be introduced into Twins

The JSE Committee has called for information from stockbroking firms on all transactions carried out by them in Twins shares from January 2 to February 22, inclusive

The reason for the inquiry is the fluctuation both in the price and the volume of trading in the share in that time

Anglovaal plan to join in methanol production

STAR 17/4/80 (183) 55 2.80

By Jaap Boekkooi

Another South African mining giant, Anglovaal, is planning to enter the motor fuel-from-coal field on a massive scale with a plant near Witbank.

Anglovaal announced today it had reached a working agreement with Caltex Oil to jointly investigate the production and distribution of methanol.

It would have to produce about 800 000 tons of methanol a year to make the project economically viable.

Recently AECI announced plans to produce 800 000 tons of methanol from coal as well, and demonstrated methanol-driven cars and a bus at the Rand Show.

Combined production of the two fuel-from-coal giants could thus reach 1 600 000 tons a year — equal to the total output of liquid fuel by Sasol 1 and Sasol 2.

Ironically, the stage could be reached where South Africa, the only country in the world suffering an official oil boycott, could reach over-production of its own substitute motor fuels.

Anglovaal, which has been sponsoring the University of Cape Town Energy Research Institute programme to run diesel engines on a pure methanol, or methanol/diesel dual fuel systems, has now taken out provisional patents on several aspects of these conversions.

boat (which is the same as total rent since we assume the boat is costless to operate). He charges a fee of 2.8 fish per person for the right to be on board. With an average catch of 6 8 out of which each pays 2 8 and keeps four, only five persons will want to be on board. Now the 14-fish rent (social gain) goes to the government and is distributed however the government sees fit. It would appear that the only difference between this and the private-property control system is in who gets the 14-fish gain. The private owners, seeking personal profits, also achieved the maximum social output.

However, if our government agent takes life easier and doesn't charge the right fee, what will he lose? The loss is imposed on the public as a whole. But who in the public or government has an incentive as strong as a private owner to detect opportunism or shirking of prescribed duty? In contrast to the private owner, a political authority suffers less loss of potential personal wealth in being less attentive to nonownable gains. And if there is uncertainty about the potential catch on board, he would permit extra people on board if that made him more popular and enhanced his hold on political office. Or to make his personal life easier, the authority might allow too few on board because that permits shorter working hours for him (like closing on holidays and earlier in the afternoons) and not operating the boat as fully as would maximize profits. Soon we shall see how *incentives* and *uncertainty* about future potential production are critical influences on methods for coordinating and controlling joint production activity.

But when has a government agency been supposed to maximize *profits?* It is usually, or always, told to "maximize public welfare and benefit." (The agency might be a nonprofit corporation for hospitals, colleges, or the post office.) How is "maximize public welfare" interpreted? In our example, maximize the number on board? Or maximize the catch on the boat? Or the social total? Maximizing the catch *on board* would, as we have seen, result in marginal products on board that are less than on shore, thereby reducing the social total—a *social* waste.

The ambiguous goal "maximum public benefit and welfare" is sturdy and widespread, because its ambiguity permits the authorities wide latitude of interpretation and hence of measuring performance. It is commonly mandated for government authorities who control access to the television and radio electromagnetic spectrum, air space for airplanes, postal service, highways, national and state parks and beaches, airports, harbors, schools; it is even applied to federal forests, offshore oil, and federal land. Zoning commissions that control the use of land (such as how congested it can be) are similarly instructed to maximize public usefulness. But hardly any government authority is instructed to maximize profits: not the post office, or the water, electricity, gas, or bus company. All are instructed to "serve the public," or "break even"—with consequences that are now more explainable.

Imperfect Predictability of Performance: Risk Bearing

For two reasons the actual productivity of any group cannot be predicted perfectly. First, natural

(b) Manual labour is hired locally from week to week.

(d) All the plant needed for Southampton has been owned for some years. £1,6000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.

(f) Office and general expenses amount to about £1,800 every year.

Required:

A revised budget (if you think revisions are called for), adhering as far as possible to the same order as that used for the data above, showing which job you (as a director) prefer, with short notes explaining your guiding pr[...] lculations. Both jobs would last 12 months; nc[...] j done or are likely to be offered.

Early tea break saves 30 workers

STAR 21/4/80

An early tea break saved workers at a Johannesburg company from death or serious injury when bulk racks carrying 600 tons of medicines collapsed "like a house of cards".

"Thank goodness more than 30 workers took their tea break early last Monday afternoon," said the manager of the Heriotdale pharmaceutical disrtribution company.

"Tons of patent and prescribed medicines came tumbling down but there was no loss of life."

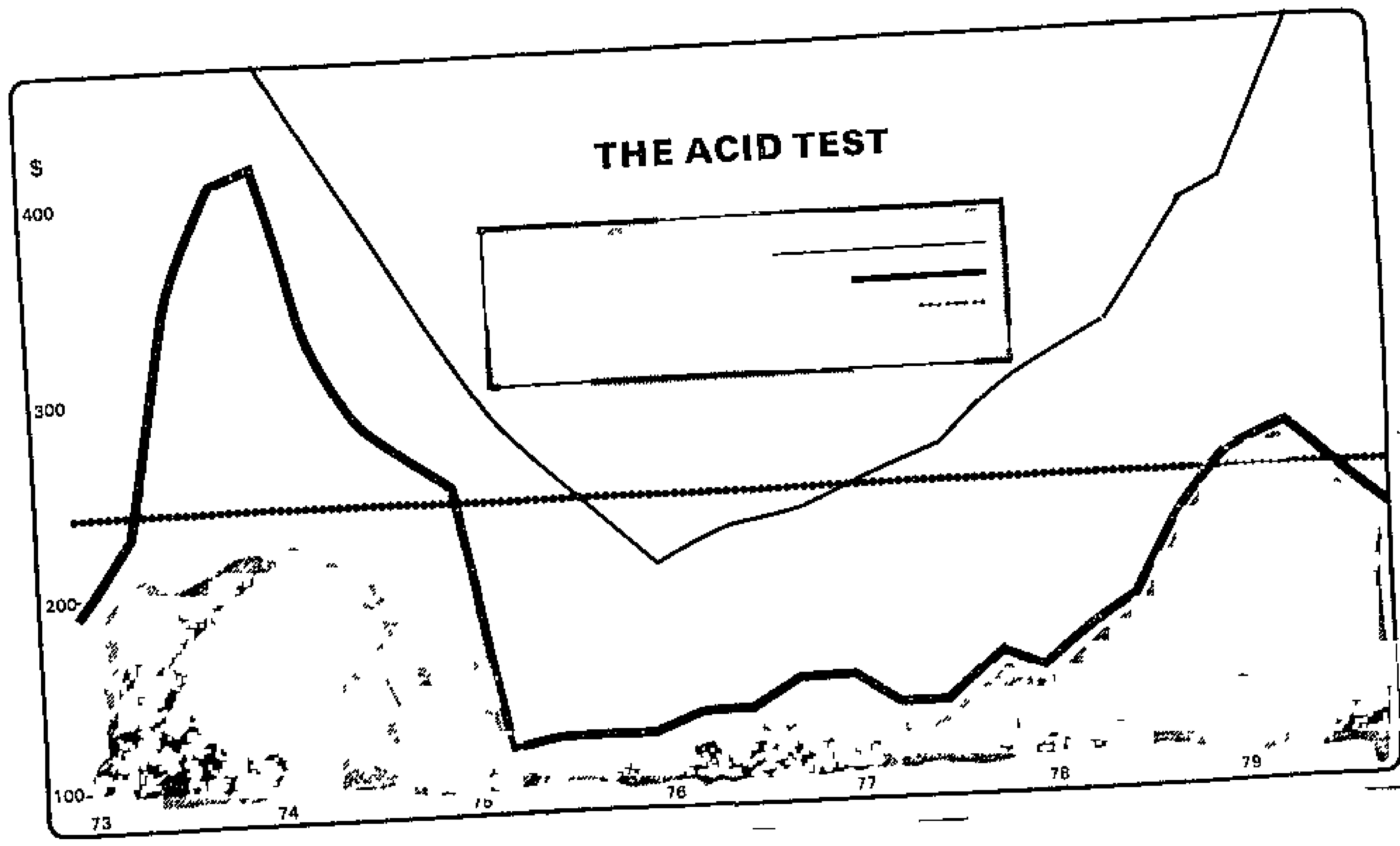
He said the six double-row steel racks were designed to carry 200 tons each but the racks had collapsed while carrying 100 tons each.

The staff has worked round the clock checking which medicines have been damaged and replacing stocks.

The manager said the stocks that fell had a value of R2 5-million to R3-million. He estimated the damage at between R200 000 and R500 000.

The stocks were insured and assessors are checking the damage

~~134~~ 183



FERTILISERS FM 25/4/80

Taking the plunge?

183

Startling downward movements in DAP (Di-Ammonium Phosphate) prices have been recorded in 1980 From a January-/February peak of $260/t to $265/t fob, American traders' prices plunged to $220

Green Markets, the international weekly fertiliser market survey, states that "the international phosphate market has clarified somewhat," following the negotiation of massive contracts to Pakistan One trader summed it up, "at least everyone knows DAP isn't tight anymore "

Green Markets reports further "At the same time as traders discerned a downward price movement on the Pakistan tender, DAP prices to Brazil continued to slip "

This is significant in that phosphoric acid prices closely follow DAP price movements (See graph) Chart movement shows that in 1974, when prices peaked, DAP prices recorded $420/t fob, and phosphoric acid, $560/t c & f, at the end of 1975 prices had dropped substantially with DAP down to $150/t-$160/t and phosphoric acid $260/t-$280/t In 1976, DAP went to $125/t-$130/t, phosacid $235/t, in mid-1977, DAP was $110/t, and phosacid $212/t At the end of 1978, DAP was $130/t-$138/t, and phosacid $260/t In 1979, DAP was $250/t, and phosacid $385/t At the start of 1980, DAP was $265/t, and phosacid $450/t

Says one industry spokesman, "Obviously if the DAP market is tight, prices would be underpinned But consensus is that with the American market substantially down, DAP supplies currently outstrip demand "

Triomf chairman Louis Luyt told the *FM* in March that phosacid remained in short supply despite the US ban of 1 Mt super phosacid to Russia "The Russians have changed their requirements to 54% merchant grade phosacid (from previous super phosphoric acid with a 70% phosphate pentoxide content) Countries like Morocco and Tunisia will supply their needs of 1 Mt, and countries such as SA will then fill in the gaps left by these countries in international supply "

Luyt stated that pricing of phosacid is unlikely to be depressed because of an estimated 500 000 t shortfall in supplies However, the *FM* learns reliably that the Russians are unable, at this stage, to utilise Moroccan and Tunisian supplies in existing plants

Sources say "it would certainly be possible, by introducing a solvent extraction or some other purifier, to convert and adapt merchant grade phosacid for Russian requirements But this would require very substantial investment and would take at least 14-18 months to achieve " The real possibility exists that as a result, phosacid prices could come under pressure

RESEARCH

Another SA coup

(183) FM 25/4/80

By early 1981, SA is to produce Interferon, the powerful anti-viral agent thought to be effective in the treatment of certain types of cancer, in sufficient quantities to treat up to 3 600 patients a year It is expected Interferon will be produced in SA, non-commercially, at substantially lower cost than the current overseas production price

The American Cancer Society currently purchases Interferon mainly from Helsinki's Central Public Health Laboratory Price for the required 18 month treatment course — $50 000.

Despite the current euphoria surrounding the drug, "much work still has to be done and definitive clinical trials and evaluation in cancer therapy have yet to be published," cautions Prof Barry Schoub

The 34-year-old deputy director of the Johannesburg based National Institute for Virology has headed the scientific team which, in conjunction with the Durban based National Blood Fractionation Centre, researches the SA production and evaluation of human leucocyte interferon

But, he adds, "experimental and clinical data available to date do seem to indicate that Interferon should prove to be one of our most powerful and useful therapeutic substances It may well turn out to be the cortisone of the Eighties "

In theory, says Schoub, "we have in Interferon a unique and therapeutic substance It is a natural product of the body, produced by most cells So far it appears to be relatively non-toxic, non-allergenic, and stable It is also one of the most potent biological substances known "

Interferon, originally discovered by virologists Alick Isaacs and Jean Lindenmann in 1957 while investigating flu viruses at the London-based National Institute for Medical Research, revealed a very potent anti-viral activity which inhibited virus multiplication

But because of the minuscule amounts of Interferon available for investigation, and the prohibitive cost of producing it, scientific interest waned quickly

In the Sixties interest revived, following research by Ion Gresser, at the *Institut de Recherches Scientifiques sur le Cancer* in Villejuif, France He manufactured Interferon from mice brains in the laboratories His research revealed that Interferon acted in three ways

- As an effective anti-proliferative agent, especially of cancer cells,
- It stimulates the system to attack cancerous tissue, and
- It acts as a potent anti-viral agent

Scientific research, says Schoub, "strongly associates viruses with many cancers — for example cancer of the cervix, primary liver cancer, and many of the leukaemias

Schoub is optimistic about future SA Interferon production Prohibitive production costs are likely to be reduced, primarily because "of the very high quality of the voluntary blood transfusion service in SA "

Schoub . . . hopes to produce Interferon on industrial scale

And services such as the Natal Blood Transfusion Service intend switching to routine production of "leucocyte-poor blood " In layman's terms this means freeing blood of leucocytes or white blood cells, used for the production of leucocyte Interferon

Another factor, says Schoub, is the ready availability of bluetongue virus in SA sheep This particular virus, endemic to SA, appears to be "the most potent producer of leucocyte Interferon "

Five batches of leucocyte Interferon have been processed since October, from the white cells of 50 units (pints) of blood The next aim is to establish two pilot plants to optimise production by early 1981 to enable treatment of 3 600 selected cancer cases and 60 000 units of blood

Interferon treatment over 18 months consists of 1m units injected intramuscularly three times a day for a month. This is followed by 1m units three times weekly over 17 months This is the regimen followed at the Karlinska institute in Stockholm

Althoug Schoub agrees that "on first generation techniques, production is still cumbersome and would not satisfy clinical demands, on second generation techniques we will be able to produce leucocyte interferon on an industrial scale "

One research programme involves "mass production technology to synthesize Interferon chemically At this stage research is still embryonic, but some work has been done to enable us to unravel the structure of interferon," says Schoub

Schoub expects adequate Interferon production should be achieved "in the next five years "

Yet he remains cautious "A headlong rush into unplanned and widespread use of Interferon to treat cancer patients could lead to failure and a relegation of Interferon to the trash-heap of has-been cancer 'cures' "

STAR
29/4/80
(185 [illegible])

Ethanol seen as big job provider

Own Correspondent

[illegible] maize [illegible] plus into [illegible] could provide [illegible] substitute for imported fuel and create 300 000 [illegible] the vice-chairman of Sentrachem Mr [illegible] le Riche.

[illegible] was [illegible] in [illegible] the [illegible] potential of [illegible] a [illegible] the [illegible] Pretoria.

Ethanol mixed well with diesel and could help fuel [illegible]. Made from maize, it would be a paying proposition at the full producer price for yellow maize.

By-products made the process even more attractive — [illegible] tons of maize would provide 1 ton of ethanol, 0,9 tons of high [illegible] cattle feed and 0,6 tons of carbon dioxide which could be converted into algae, a valuable protein supplement for livestock.

R1 000 A JOB

For each million tons of maize converted into ethanol 100 000 jobs — secondary employment through service industries taken into account — would be created.

At R10m capitalisation for 150 000 tons of maize annually, this meant that R200m would create 300 000 jobs which was less than R1 000 a job.

RDM 30/4/80.

(83)

Plevans profit 71% up

PLASCON-EVANS Paints had net taxed profit of R5 752 000 for the six months to March 31, 1980, compared with R3 348 000 for the corresponding period a year earlier.

This Barlow Rand company's increase in profit is 71,8% Turnover at R81 707 000 was up 35,3% on the previous year's R60 386 000

A 25% higher dividend of 5c has been declared On earnings of 21,1c a share, this gives a dividend cover of 4,22 and compares with a dividend of 4c on earnings of 12,3c for a 3,08 cover in the first half of the 1979 period.

The company reports that the brisk trading conditions experienced during the period are expected to continue for the rest of the year. However, it warns that although earnings for the full year to September 30 will show a satisfactory increase over the 33,6c recorded in 1979, rising raw material costs will continue to erode margins

STAR 1/5/80

(~~55~~

~~260~~

183)

'Energy is for peace'

CAPE TOWN — The most fruitful future co-operation of energy between African states could well be in the field of oil refining, the chairman of Sasol and Soekor, Dr D P de Villiers, said in a speech here.

He told a meeting of the Western Cape branch of the SA Institute of Civil Engineers that in the African economic scene there was room for "energy for peace."

"As engineers you would know better than I do to what extent electrical transmission systems are already crossing the borders of African states."

Dr de Villiers said the capital cost of oil refineries had escalated "beyond all reason" since 1975, and with the uncertainty of future oil supplies the erection of a new refinery called for a "very risky" decision.

The capacity of oil refineries in South Africa was in excess of demand even before the Sasol Two decision had been taken.

The relatively small petroleum consumption of various African countries would also make it well nigh impossible to embark on the building of new refineries. At the same time increase in petroleum consumpion was a sine qua non for those under developed countries.

The total capacities of the South African crude-oil refineries was 55 percent of the present needs of the rest of Africa, excluding the Mediterranean countries and Nigeria.

It stood to reason that the spare capacity in those South African refineries would increase with the growth of indigenous fuel production.

"If we add to this the fact that oil prices anywhere in the world are still made up of the starting price in the Persian Gulf plus sea freight around Africa, it must be realised that these refineries in the years to come will be able to refine crude oil which any consumer country might wish to bring into South Africa on a most competitive basis.

"I would suggest that co-operation between owners of South African refineries and various Government departments for the purpose of reviewing import duties harbour and transport charges could develop for South Africa an unassailable position as a refiner of crude oils for smaller African countries.

"The new department in charge of energy matters — a very laudable development — could well tackle this task as a matter of priority," Dr de Villiers said. — Sapa

, 86P,
ATIONS INTO ENGLISI
.ATICAL NOTES, WITH
OTHER LANGUAGES OF

IN THE COPULATIVE (

N WHICH THE PHONOLOG

UCT

183

ALTERNATIVE FUEL 2

am 2/5/80

Modifying methanol

AECI's research into additives that would enable the use of methanol in unmodified diesel engines is part of a long-term programme, says technical director Doug Wood. He emphasises that success in this endeavour is not assured and could take time and effort.

The problem with methanol is that it has a very low cetane number. This means that, unlike diesel fuel, it will not easily ignite in a high-compression engine. AECI hopes that reasonably cheap additives will be found to improve the undesirable combustion characteristics of methanol, so that this coal-derived fuel can be used to overcome the diesel fuel shortage.

Professor Richard Dutkiewicz of the Energy Research Institute of UCT has a different solution to the problem. He proposes the modification of existing diesel engines by the installation of spark plugs. Spark ignition makes it possible for diesel engines to burn pure methanol very effectively.

The limitations of this idea are the cost and man-hours required to modify the large existing stock of diesel engines, although the cost of newly-manufactured spark ignition "diesels" would compare reasonably with the cost of conventional diesels.

The prize to AECI for being first in the field with a successful methanol modifier would consequently be a big one. So its current reticence over the precise lines of research being pursued is easily understandable.

Trek cashes in on local product

STAR 5/5/80

183

By Jean Moon

Trek, the holding company with investments in the oil industry can thank the high price for imported crude oil for the increased demand for indigenous products Subsidiary Chemico which refines, markets and distributes lubricants and greases under the trade name "Lubro" improved its profit substantially during 1979

Strict cost holding operations as well as cut back in capital expenditure, strictly enforced debtors terms together with the application LIFO resulted in satisfactory liquidity. Consolidated bank balances and cash rose from R1,4m in 1978 to R6,2m at the end of 1979

Assets which have grown by R11,6m to R63,3m were totally financed from Trek's own sources and all normal capital expenditure in the future should be adequately catered for internally

Chairman G Clark said in the annual report that Trek's low capital involvement in production facilities and its emphasis on marketing activities places it in an excellent position to maximise from indigenous alternative fuels

DATE 013178 PAGE 14

ORT .. CONTAINING KAF

Y IN 1788.

DE HOLLANDSE TIJD. BY

6, DEN HAAG, 1932)

S OF X . NOTES ON THE

OF THE SHONA LANGUAGES

LISH TRANSLATIONS AND

MUNICATIONS NO. 21, 8

ES OF MOST USEFUL GRA

IONA DIALECTS AND TO

SURVEY.

MAP.

OR THE SHONA GROUP.

Meths may be banned

DD 6/5/80

(183)

THE ASSEMBLY — The Government would like to ban methylated spirits if an alternative effective solid fuel could be found for domestic use, the Secretary of Justice, Mr J. P. J Coetzer, said yesterday.

Although numerous representations had been received about the distribution of meths, it would be difficult to restrict its sale and possession.

Writing in his department's annual report, which was tabled in Parliament yesterday, Mr Coetzer said he hoped the new regulations would help prevent abuse and to eliminate undesirable practices.

"If the measures are unsuccessful, other possible solutions will have to be investigated

"If an effective solid fuel could be found for the numerous pressure stoves, lanterns and other domestic appliances in daily use, the use of methylated spirits could perhaps be totally prohibited," he said.

Mr Coetzer pointed out that meths was cheap compared to alcoholic beverages and until recently it could be purchased easily.

"Consequently it has been used as a substitute for alcohol. Cases have even occurred where methylated spirits has been sold to people by the tot," he said. — PC.

Afrox hoists interim to 12c

AFN-1 6/6/80 (183)

Financial Editor

AFRICAN Oxygen has boosted its interim dividend from 9c to 12c after increasing net attributable taxed profit from R5 018 000 to R7 151 000 for the six months to March 31.

Earnings a share rose from 17,04c to 25c.

Afrox makes and distributes industrial and medical gases. It is controlled by British Oxygen.

The turnover for the half year was up by 22% from R69 million to almost R84 million.

The fact that Afrox was able to push earnings up by close to 50% again illustrates the gearing benefits on profits that many groups are getting from the economic upturn with the ability to make greater use of capacity.

Afrox was, however, given the extra benefit of a lower incidence of tax — because of allowances on capital expenditure — and earnings therefore got an additional aid over the 33% rise in pre-tax profit.

The directors say a R22 million capital expenditure programme is on hand this year and is expected to reach R27 million in 1981.

Profit was given an extra non-recurring boost of R493 000 from the sale of 49% of Dowson & Dobson Electronic.

Improved trading conditions are expected to continue and the growth pattern should be maintained during the remainder of the year.

COMMENT: Afrox deserved. It has the image of a solid, well managed group.

Earnings this year should be in the 55c to 60c range after 28,7c, 34,4c, 40c and 42,6c in the previous four years.

The market has, however, largely anticipated the excellent interim figures and the share price will probably reflect general market trends in the near future.

183

PHOTOGRAPHIC MATERIAL

No silver lining

FM 9/5/80

When silver prices soared last year, suppliers of photographic materials lost no time in pushing film prices up in tandem

Now silver is down to a third of its former peak — but film prices have been much slower to come down.

At present the London price of silver (which accounts for 30%-60% of the film price) is around 662p/oz — more than double its price a year ago but well under the 1 920p/oz it reached in January. That prompted some local suppliers to put up prices of black and white film, photographic paper products and X-ray film by between 30% and 75%.

And even though the silver price has come down the price of some film products may still go up. Says Eric Horvitch of Fuji: "The full effects of the silver price peak were never reflected in the price of our film because we were carrying about eight months' stock at the time. By the same token our prices after May this year may go up by 15% because orders for this stock were placed when silver prices were higher than they are now."

Agfa Gevaert cine film prices are relatively low at the moment but competitors doubt that they will remain at these levels for long. Arnold Dellanotte, MD of Film Tech distributors, says this price will last for as long as the price of silver holds steady. "This is largely due to the Agfa Gevaert policy of directly linking its prices to the ruling price of silver," he says.

Clayt Liljequist, administrative director of Kodak, says his company does not follow the same policy but that some reductions can be expected. "There is stock on the way from our US parent company priced from 5%-15% below current levels. But our local selling prices will not immediately drop by these amounts, as we will have to average out prices of the new stock with the stock we still have."

He adds that one assured cost reduction is the abolition of the 7,5% import surcharge on photographic paper which, he says, will lead to a 6,5% price reduction on certain items within the next month.

Financial Mail May 9 1980

Chemhold sees R3m profit

232
183

RDM 9/5/80.

By ELIZABETH ROUSE

CHEMICAL Holdings is maintaining its impressive performance and the chairman, Mr Bill Hefer, forecasts a 1980 taxed profit of more than R3-million.

In his March quarterly report to shareholders, Mr Hefer forecasts that the final dividend could be 18c on the increased share capital This will lift the total to 29,5c from 21c

The one-for-four rights issue was 98% successful The share capital has been increased by 1 069 591 shares to 5 422 599 shares, all of which will participate in the final dividend, payable in November

Some of the rights issue funds have been used to acquire from Akzo Chemie its 25% holding in Akulu-Marchon, the new holding company which started operating in January

The transaction has increased Chemhold's interest in Akulu-Marchon to 50%, the balance continuing to be held by Albright & Wilson of Britain Mr Hefer says the group sees a rewarding future in detergent raw materials

Chemhold made a record taxed profit of R865 000 in the March quarter — up 72% on the 1979 March quarter's R503 000. This brought attributable taxed profits for the nine months to March to R2 193 000 — up almost 68% on R1 306 000 earned in the previous comparable nine months

Turnover over the same time rose by over 30% to R40 302 000 from R30 937 000 Sales were up 29,5% in the March quarter to R13 986 000 from the December quarter's R10 796 000

The associate companies, Akulu Chemicals, Dussek Brothers and SA Paper Chemicals, improved their turnovers and all other divisions flourished

Mr Hefer comments that while the contribution from the associates to this improvement was important, it should not obscure the significance of a 45,9% rise in Chemhold's pre-tax profits to R4 309 000 over the past nine months

If Chemhold earns a minimum of 20c in the last quarter, earnings will be 70,6c a share for the year compared with 1979's 46c

Sun Trib (Fin) 11/5/80

183 ~~107~~

Ethanol plant will fuel KwaZulu growth

By JACK BRICKHILL

THE first large-scale ethanol plant to be built, probably at Kosi Bay, signals a development that will transform much of KwaZulu and give jobs to more than 20 000 people

The project, which still needs the official blessing of the KwaZulu Government, will cost R20 million and will produce 40 million litres of ethanol a year. The Government's Corporation for Economic Development in Pretoria has applications to build another four ethanol plants using cassava as a feedstock

Ethanol, which is a higher energy fuel than methanol can be mixed with either petrol or diesel The large-scale production of ethanol in KwaZulu from 1983 is another important step in the country's progress to self sufficiency in oil products Ethanol from the Sasol 2 plant will be blended with petrol and sold in the Transvaal in July

The KwaZulu production of ethanol from cassava in the undeveloped Makhatini Flats could eventually be more than 500 million litres a year but development on this scale depends on plans for land use in the area

There is also a possibility of large-scale timber development on the land which can be used for cassava and a decision will have to be made by the KwaZulu Government on the allocation of land which is not generally suitable for other crops

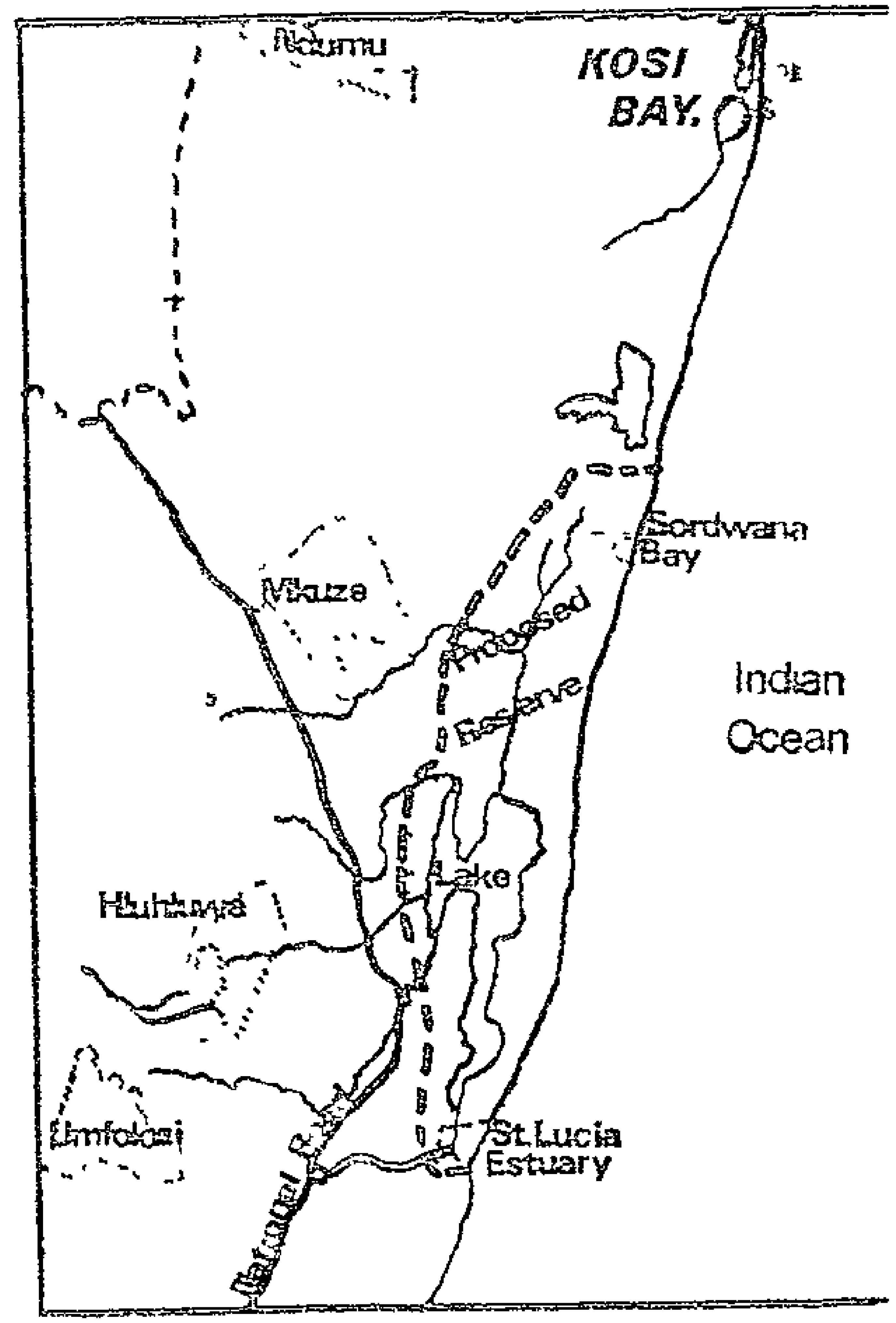
The first enthanol plant can be built in two years and should be in operation by 1983 The names of the South African and Austrian companies which have applied to build the plant have not yet been disclosed

Dr Koos van Marle, general manager of the CED's agricultural division, says he is satisfied so far with the experimental work on cassava production By the end of next year the CED will have a complete picture and will be able to take a decision on commercial production

Work is being done on 60 cassava cultivars of which half are from Australia, where yields have been collated for different climates and soils The CED started experimental work seven months ago and it will take another 15 months to establish growth patterns

Cassava samples are sent to the Council for Scientific and Industrial Research and to Sentrachem for analysis of the starch content and the ethanol yield

Initial yields of 30 tons a year a hectare are being obtained at experimental plots at Kosi Bay



Pesticide move

183

RDM 14/5/80

SENTRACHEM will reorganise its pesticide interests from July 1 Mr D J Marlow, the managing director, said the changes were necessitated by the extension of Sentrachem's agricultural product range

In the next two years the group planned to manufacture a considerable number of new products as an extension to the pesticides it made now

Construction of plants to manufacture 2,4-D and MCPA was progressing well Three additional strategic pesticides would appear on the South African market within the next 12 months and plans to produce yet another four pesticides were far advanced

A new company, 'Agrimark,' would market these products

FM 16/5/80

COLGATE

Union accusations

The credibility of employment codes once again comes into question. This week an unregistered union released information on the refusal by Colgate Palmolive — rated as a top firm in terms of the Sullivan Principles — to deal with the existing union.

The unregistered Chemical Workers Industrial Union, a Fosatu affiliate, accuses Colgate of violating the principles by refusing to deal with it and by clinging to the racially defined liaison committee system. It has adopted this stand [illegible] the union despite a petition in support of the union signed by 300 of about 400 weekly paid production and warehouse workers. The union claims a membership of 150.

In the final reply to the union's request for recognition Colgate wrote: "As a company we are opposed to the unionisation of our workforce because we firmly believe that as an enlightened employer offering equal opportunity employment practices no trade union can do more for our employees than we can."

In addition, it said: "We are not prepared to enter into any discussions with your union representatives [illegible] unless you comply with our requirements and the law governing the registration of unions."

According to the union, prior to this reply Colgate had asked for confidential information, such as copies of membership forms. The union refused this unless recognised. The union applied for registration in March.

On Monday a delegation of African workers asked to see management. According to union shop stewards, Colgate turned this down, referring them to the liaison committee. The shop stewards say the workers don't want a liaison committee.

The union reckons Colgate is hiding behind the Sullivan Principles. "They say they are a good company, stressing integrated facilities and so on." But the shop stewards say even integration "is not carried out fully."

Even so, this is not what workers are worrying about. Says a shop steward: "Integration of facilities is not what we are after. We want a direct say with management."

○ *The FM tried to contact Colgate management but no one was available to comment on the accusations.*

RDM 16/5/83

(133)

UK-owned firm is new union target

By [illegible]
Labour Reporter

ANOTHER foreign company is [illegible] predominantly [illegible] the [illegible] is [illegible] they are [illegible] workers

The union is [illegible] legal action and [illegible] dispute has been the cause of [illegible] short work stoppages at the factory. But management denies this.

The company is a subsidiary of the British [illegible] company Inoxa and the union is the Fosatu affiliated [illegible] Workers Industrial Union.

Inoxa's managing director, [illegible] denies [illegible]

[illegible] attention [illegible] of foreign [illegible] in South Africa

According to the union, [illegible] Inoxa [illegible] workers are [illegible]

one of them [illegible] management [illegible] week

The union [illegible] management [illegible] been [illegible] poor performance [illegible] union denies this is the case.

It says the dismissals led to [illegible] stoppage on [illegible] later in the week. Management has [illegible] workers back [illegible] spokesman.

The spokesman added: "We [illegible] this dispute [illegible] management has [illegible] with no [illegible] action."

[illegible] this week [illegible] been fired [illegible] do not [illegible] workers are [illegible] there, although we [illegible]" he said.

[illegible] there had [illegible] stoppages at the [illegible] call me [illegible] work- [illegible] a stoppage"

[illegible] that "we [illegible] ourselves [illegible] good employers" but [illegible] further, [illegible] that [illegible] was [illegible]

[illegible] statement [illegible] the company [illegible] week.

183 ~~12~~

Two die in dynamite factory fire

17/5/80

Staff Reporter

TWO men died and 22 were injured when a fire swept through the safety fuse section at the Modderfontein dynamite factory near Johannesburg yesterday.

The names of the dead, both blacks, have not yet been released.

The injured were all taken to the Modderfontein Hospital. Last night two men were in critical condition. Three others had multiple burns and another 17 were treated for light burns and suffocation.

The fire, which started about 2pm, was quickly brought under control by the Modderfontein Fire Department.

Mr Murray Joubert, publicity manager of AE [illegible] Limited, said there had been extensive damage to buildings and equipment at the site, but there would be no immediate [illegible] to the mining industry because there were large reserves of safety fuses.

The cause of the fire has not yet been established.

A commission of inquiry under the Chief Inspector of Explosives is to investigate the blaze.

There have been several explosions at Modderfontein recently, but yesterday's fire caused the first loss of life this year.

The Modderfontein factory, the largest commercial explosives factory in the world, operates under stringent State safety regulations.

Welding blast-factory

STAR 19/5/80 (183)

Modderfontein Dynamite Factory admitted today that the fire blast which killed two blacks and caused injuries to 17 workers happened during welding in the safety fuse department

The fire caused damage estimated at R1-million, and a statement by AECI says the factory will be out of production for 10 days, reaching full capacity in three weeks

AECI's own internal inquiry into the accident will look into whether correct procedures and precautions had been used in the welding job

TOTAL.

CADE

R-SYL-SPACE OF SOURCE-LINE.
ACE OF SOURCE-LINE.

N-CASCADE

TOTAL.

ATIO

Post 13/5/80

183

Factory blast victim 'critical'

A BLACK man is still in a critical condition in the Modderfontein Hospital after a fire which killed two blacks, and injured a total of 21 men at AECI's Modderfontein explosive factory on Friday

A building was severely damaged when black powder used in the production of safety fuse, went up in flames

A spokesman for the factory said the production of safety fuse would be affected for "some time", but there would be no inconvenience to the mining industry

Names of the dead and injured are being withheld pending notification of relatives

Only one of the four men still in hospital yesterday was "critical" Two of the men, who suffered multiple burns, are white.

Factory spokesmen were unable to estimate the damage They said the cause of the fire was not known An investigation is to be held by the Chief Inspector of Explosives during the next few weeks

(183)

Plascon's R3m expansion to boost output

RDM 20/5/80.

By SIMON WILLSON
Industrial Reporter

DESPITE a R1 100 000 capital expenditure programme last year Plascon Evans, Barlow Rand's paint-manufacturing subsidiary, is still unable to meet demand and has launched a R3 million expansion scheme for fiscal 1980 to increase production capacity at all its plants

The scheme includes the erection of a resin plant in Bulawayo and a new factory in Epping Cape Province for Inmont — the printing ink and specialised coating manufacturer which Plascon took over last year

The Bulawayo expansion will however be using funds generated within Zimbabwe rather than those of the parent South African company Profits are difficult to repatriate from the newly independent state and are being ploughed back in new investment

Building extensions and additional equipment are required at the Polycell plant and the paint plants at Luipaardsvlei Transvaal — Plascon's biggest factory — and Epping

Factories also to be extended are those at Chamdor (near Krugersdorp) Port Elizabeth and Cape Town The scheme includes Plascon's own emulsion plant at Mobeni Durban the first emulsion plant built by a South African paint manufacturer

The R3 million is coming from the company's own resources and no public issues are planned to raise loan capital

The expansion programme is another indication of the buoyancy of the paint market which, although very much part of the construction industry suffers little of that industry's notorious, cyclical booms and troughs

The paint industry is certainly benefitting from the present high demand for construction in South Africa and Plascon's figures reflect this

Turnover last year rose to R[illegible] 7-million an increase of 32% on the previous year A consolidated net profit of R9,[illegible] million resulted in earnings per share increasing from 23,[illegible] in 1978 to 34,6c in 1979 an improvement of [illegible]%

The healthy signs were bolstered by the performance of Plascon's Zimbabwean subsidiary whose profit contribution to the group last year increased by 60% over the year before

But even in the construction industry troughs paint manufacturers come off less badly than most other suppliers in the industry

Demand for paint is more inelastic than that for other building materials and survives the depressions that stall production altogether in industries with more elastic demand patterns such as bricks and cement

The only problematic outlook for the paint industry and companies like Plascon at the moment is their continuing dependence on oil by-products for their paint ingredients and a critical shortage of chemists in the industry

The industry successfully rode the big lead price increases of last year by reducing lead oxide based paints to a minimum with a bit of clever substitution

Now Plascon is conducting advanced exploration and intensive research into the development of water-based finishes to lessen the industry's dependence on petroleum based materials

Paint, although predominantly a capital-intensive industry, is being hit — in common with other specialised manufacturers — by a shortage of skilled labour, in particular of industrial chemists

Post 20/6/80

183

Spark may be cause for death of two

A SPARK from a welding machine, which was spewing flames near piles of fuses and explosives, is said to have caused the fire blast which killed two blacks at Modderfontein dynamite factory this weekend.

The single spark, believed to be the focal point of the official inquiry to be held within the next few weeks, caused damage estimated at between R1-million and R2-million.

In the conflagration which followed the welding operation it is alleged that black powder and safety fuse wire started to burn and that exploding gunpowder carried the fire further.

CRITICAL

Seventeen people were taken to hospital after the accident. Two blacks, who were in a critical condition, were yesterday said to be improving.

Most of the victims were suffering from burns, suffocation and shock.

The factory owners, AECI, were inquiring yesterday about a report that although the factory has its own hospital and ambulance service, no ambulance arrived on the scene until 20 minutes after the fire.

Factory workers stood by helplessly as men were running in agony, their skins peeled off like wallpaper.

STAR
5/5/80

(183)

Afrox details spending

By Jean Moon

Afrox is to spend about R49m on capital projects in the next two years.

Some R22m will be spent by the September year end and a further R27m in 1981.

This year, nearly R14m will be spent on the gases side of the business with the installation of new gas producing plant, storage facilities and cylinders. In June it will commission a 120 ton a day producing plant which will substantially increase Afrox's daily volumes for oxygen, nitrogen and argon.

Production facilities in both welding and engineering will be increased and the expenditure in these two business areas will amount to some R4,5m. The MIG (metal inert gas) wire plant has recently come on stream at Afrox's electrode factory in Brits.

General expenditure for computer equipment, new buildings and vehicles, will amount to about R4,5m.

In the half year to March Afrox increased its turnover by 23 percent to R83,5m which produced a 47,3 percent rise in after tax profits to R7,5m.

On a 7,9c rise in earnings to 25c a share, the interim dividend has been lifted by 3c to 12c a share.

Although taxation was 15 percent higher at R4,5m, the tax rate was reduced from 43,5 percent to 37,5 percent thanks to allowances for capital expenditure.

Chairman and group managing director Mr Beau Sutherland said that he expects an improvement in trading conditions and that the growth pattern presently being experienced should be maintained for the rest of the year.

198/80/K (E) T

183 21/5/80

FOR RELEASE AT 21H00 ON 21 MAY 1980

ADDRESS BY THE HON. J.C. HEUNIS, M.P., MINISTER OF TRANSPORT AFFAIRS : PLASTICS INSTITUTE OF SOUTHERN AFRICA SYMPOSIUM : DURBAN : 21 MAY 1980

Mr Chairman, Gentlemen

Thank you for inviting me to attend this banquet and the honour of taking part in the proceedings of this symposium. I should like to congratulate the Plastics Institute of Southern Africa on the initiative they have shown in arranging

this symposium. /.. ..

this symposium. We all appreciate that it is essential to establish a practical means of exchanging information and technical expertise in this rapidly developing field of the chemical industry.

It is strategically important for the country to develop its own industries. Similarly, the development of an indigenous pool of technical knowledge, which makes the country less reliant upon expensive imported expertise, must be seen as a

positive step/.. ..

positive step towards economic and strategic self-sufficiency. Your Institute in its concern with the educational aspects of the plastics industry is fulfilling your function with the holding of this conference. I am convinced that the delegates will derive much benefit from the papers presented by the panel of speakers, many of whom have come from as far afield as Europe and America. I would like to welcome our overseas visitors and trust that they will also benefit from their visit to our country.

The limited scope/.. ..

The limited scope of the internal South African market militates against the establishment of capital-intensive chemical industries because they cannot attain the economies of scale. Nevertheless, the chemical industry has grown to become a major component of our economic structure. It is recognised as a growth industry, a capital-intensive industry, a technically advanced industry. It employs highly qualified staff with particular skills in process designs, production and quality

control and/.. ..

control and maintenance. It is also an industry directly affected by successful research innovation and development. In addition, it is a highly competitive industry exposed to the full onslaught of foreign competition and also a strategic industry.

Apart from manufacturing areas where economies of scale could be achieved, such as fertilizers, petro-chemicals and explosives, the biggest advances in the chemical industry have

taken place/.. ..

taken place only over the past two decades. During 1922 when the gross domestic product, at factor cost, was R439 million, of which the manufacturing sector contributed R35 million, the value of the chemical industry's contribution was R4 million which represented 11,4 per cent of the manufacturing industry's output or only 0,9 per cent of the gross domestic product. By 1950, with the gross domestic product at R2 549 million and the manufacturing sector's contribution R470 million, the gross

output of the/.. ..

output of the chemical industry was R40,2 million, which represented only 8,6 per cent of the manufacturing sector's contribution and 1,6 per cent of the gross domestic product.

However, according to the latest figures at my disposal, the gross domestic product had grown by 1976 to R25 706 million and the gross output of the manufacturing sector to R19 178,6 million. At this stage the gross output of the chemical industry was valued at R2 659,7 million, which was 13,9 per cent

of the output/.. ..

of the output of the manufacturing sector and 10,3 per cent of th gross domestic product. Taking into account the large production complexes which have come into production during the past few years and the dramatic increase in the gross output of the chemical industry, this upward production tendency has undoubtedly been maintained. To the 13,9 per cent contribution by the chemical industry to the manufacturing sector must be added a further 1,4 per cent which is the contribution of the

plastic products/.. ..

plastic products industry, valued at R275,3 million.

These figures are impressive. However, I feel that in spite of the progress that has been made and the development that has taken place, the base of the chemical industry should be widened to provide even greater scope and self-sufficiency. The interdependence of manufacturers in the chemical industry and also of other manufacturing sectors is an acknowledged fact, also in your own case. The plastic product sector is

dependent upon/.. ..

dependent upon the chemical industry for more than 50 per cent of its direct and indirect inputs as a percentage of the final value of its products. In this regard I should like to appeal to entrepreneurs to investigate the range of products manufacture in this country in the light of new national strategic considerations, to possibly re-evaluate schemes which were previously discarded for economic reasons. Where economies of scale or competition have created problems, I wish to offer

the AECI-Sentrachem Coalplex/.

the AECI-Sentrachem Coalplex at Sasolburg as an example of how some of these difficulties can be overcome.

These undertakings had an interest in plastics going back many years. AECI had been in PVC production since 1955 and the capacity of their plant was reaching its limit. Meanwhile, the production of PVC and other plastics was part of Sentrachem planning since its inception in 1967. Both firms had obtained Government permission to build an ethylene-based plant to

produce 80 000 tons/.. ..

produce 80 000 tons of granular PVC and 20 000 tons of paste polymer per annum. The ethylene would have come from a large oil refinery based on imported crude oil at Richards Bay.

The 1973 oil crises, however, thwarted the plans for the refinery and emphasised the importance of the coal-based process to the country not only on account of our abundant coal supplies but in view also of the ever-present risk of oil boycotts or sudden large price increases by OPEC countries.

Both firms/.. ..

Both firms then began exploring the acetylene route to PVC and it was decided to proceed on the basis of coal, albeit with a little governmental prodding.

The coal-based project proved extremely expensive - it is, in fact, the biggest single chemical project of the private sector in South Africa. The two companies decided that rationalisation would be to the mutual benefit of their shareholders and a joint undertaking was decided upon. This project,

Coalplex,/.. ..

Coalplex, is capable of producing 147 000 tons of carbide, 44 700 tons of acetylene, 90 000 tons of chlorine, 200 000 tons of caustic soda, 104 000 tons of vinyl chloride monomer and 100 000 tons of polyvinyl chloride per annum.

What I have illustrated is that with rationalisation and a fair measure of entrepreneurial enterprise, one can make a major contribution to the expertise and knowledge concerning the utilisation and beneficiation of South African raw materials,

in this case/.. ..

in this case anthracite, burnt lime and salt, as well as to the primary industries which produce them. Ripple benefits are, of course, that Escom earns more for power, the Railways more for transport, and employment is given to a great many skilled and semi-skilled employees.

The growth of the plastics industry has been phenomenal and I for one, am confident that the future of your industry is assured and that growth can be maintained for the following reasons:-

The first is/.. ..

The first is the intrinsic characteristic of plastic itself; the apparently endless versatility of this group of materials and, having filled gaps when traditional materials were in short supply or overpriced, it is now being accepted as a first-design material in its own right.

As production increases and manufacturing methods improve, costs are lowered with an axiomatic advantage in the market place. However, it is when considering the per capita

consumption of/.. ..

consumption of plastic raw materials that one becomes aware of the vast potential. Present consumption of plastic raw materials in South Africa represents roughly 14 kilograms per head of total population compared with 65 kilograms per head in the United States of America and 70 kilograms per head in the Federal Republic of Germany. Taking into account that a large proportion of the raw materials required by your industry is available from indigenous industries such as SASOL and the

AECI/Sentrachem Coalplex/.. ..

AECI/Sentrachem Coalplex, one has every reason to feel secure, although not complacent. There is no room for complacency in this, or any other industry for that matter. Constantly changing demands and improved technology place a heavy burden on the leadership and managerial skill of entrepreneurs. Whilst physical raw material may be available, it will be necessary for growth and future progress to ensure that the knowledge and skills of our available manpower are similarly developed.

On the last/.. ..

On the last occasion I addressed the members of your Institute, I held a different portfolio and my address reflected the philosophy of that portfolio. Today, especially as this symposium is directed at the application of plastics in transportation, I should like to conclude by mentioning some of the developments brought about by my present Administration.

Plastics were first used by the South African Railways in its pattern shop in Durban in 1962. The superior strength and

abrasion resistance/.. ..

abrasion resistance of fibre glass and the ease with which complex shapes can be reproduced led to great savings in the manufacture and maintenance of patterns and core boxes. Plastics sections were then established in the pattern shops at the major centres.

Rapid escalation in the use of plastic components by other Railway departments led to the establishment of full-fledged plastics workshops at Durban, Koedoespoort and Salt River.

A point of interest/.. ..

A point of interest is that the first thermoplastic injection machine in South Africa was installed in the S.A. Railways plastics workshop in Durban. It would appear as if this city is the cradle of plastics pioneering in South Africa - a good choice for a symposium on this subject.

There are six processes used by the Railways in the manufacture of plastic products, viz hand laminating, spray work, cold press moulding, hot press moulding, resin injection

and thermoplastic/.. ..

and thermoplastic injection. The favourable properties of plastic, such as electrical and thermal insulation, chemical and corrosion resistance and high strength to weight ratio, have led to many transportation applications and the Railways has manufactured items for use on its own land, sea and air transport equipment.

We have designed and built containers for the export of perishable products on Boeing aircraft and I am proud to

mention that/.. ..

mention that the International Air Transport Association has issued official specifications based on our design. Many other specialised items required for the operation of the Railways, Harbours, Airways, Road Motor Services and Pipelines are manufactured on a daily basis.

During the testing of the high-stability bogie, when a world speed record of 245 kilometres per hour on a 1 065 mm gauge was attained, it was found that wind resistance was a

limiting factor. /.. ..

limiting factor. A streamlined nose for the locomotive was constructed out of glass reinforced plastic which allowed higher speeds being achieved - a case where plastics, the material of the future, helps the South African Railways into the future.

May the future of your industry also benefit from this symposium and may you all profit from the knowledge and experience gained here.

Thank you.

Issued by the Department of Foreign Affairs and Information at the request of the Ministry of Transport Affairs.

CAPE TOWN
21 May 1980

'Colgate resists unions worldwide'

By KINGDOM LOLWANE

COLGATE Palmolive SA, the Boksburg-based American company, this week said it was their policy worldwide to resist the establishment of trade unions.

The company was reacting to allegations by the Chemical Workers' Industrial Union (CWIU) that it had refused the unionisation of its workers. The company, according to the CWIU, said that a committee to serve the interests of its workers already existed.

The union claimed, among other things, that Colgate refuses to deal with the union of the workers' choice and that management was endorsing Government policy, saying it will only deal with a registered union.

A statement released by the company says "It is the Colgate-Palmolive policy that we resist the establishment of trade unions in our factories throughout the world. With respect to unions, if the employees do organise in accordance with the laws of the country, and a majority of the employees indicate a desire to join a union, it has been our practice to deal with such a union.

"It is strongly emphasised that our refusal to meet with the CWIU prior to the official registration of that body, and the steps we took to determine whether all our employees knew what they were signing when they endorsed the so-called petition, in no way constitutes any deviation whatsoever from our sincere and on going commitment to the Sullivan Principles.

PROBLEMS

"Our liaison committee was elected from among and by the employees in a free and open election in which 86 percent of our hourly paid employees participated. Our company has been, and continues to be willing to meet with the legally elected representatives of the committee as often as necessary to resolve questions and problems relating to rates of pay, hours of work, working condition and extention of fringe benefits.

"Without trade union representation, Colgate Palmolive pays a minimum wage rate which must rank among the highest in the country. Since the CWIU has not seen fit to supply the information we have repeatedly requested, we must therefore, again decline their request for a meeting.

Meanwhile, the Sullivan Principles stress that companies should "support the elimination of discrimination against the rights of blacks to form or belong to Government registered unions, and acknowledge generally the right of black workers to form their own union or be represented by trade unions where unions already exist."

21/5/80

Luyt's Triomf stake up

183

23/6/80

Industrial Reporter

SENTRALE Landbou-Bevorderings (SLB) Co-operative Societies have been released from the contract under which they had to retain a material share interest in Triomf Fertilizer Investments, says Triomf's executive chairman, Mr Louis Luyt.

SLB took up a 40% interest in Triomf in 1970, and the co-operatives' interest now stands at about 49%

Mr Luyt and other investors have now obtained the total interest of the co-operative societies in Triomf There will be no change in the control of Triomf Fertilizer Investments as a result of the transaction

Mr Luyt also announced yesterday that Lanchem, which is controlled by the Luyt group and owns about 35% of Triomf, would be given the opportunity to increase its shareholding in Triomf to just under 50%.

'E MUST enter in
ɜr of each question
ier in which it has
/e columns (2) and

External
(3)

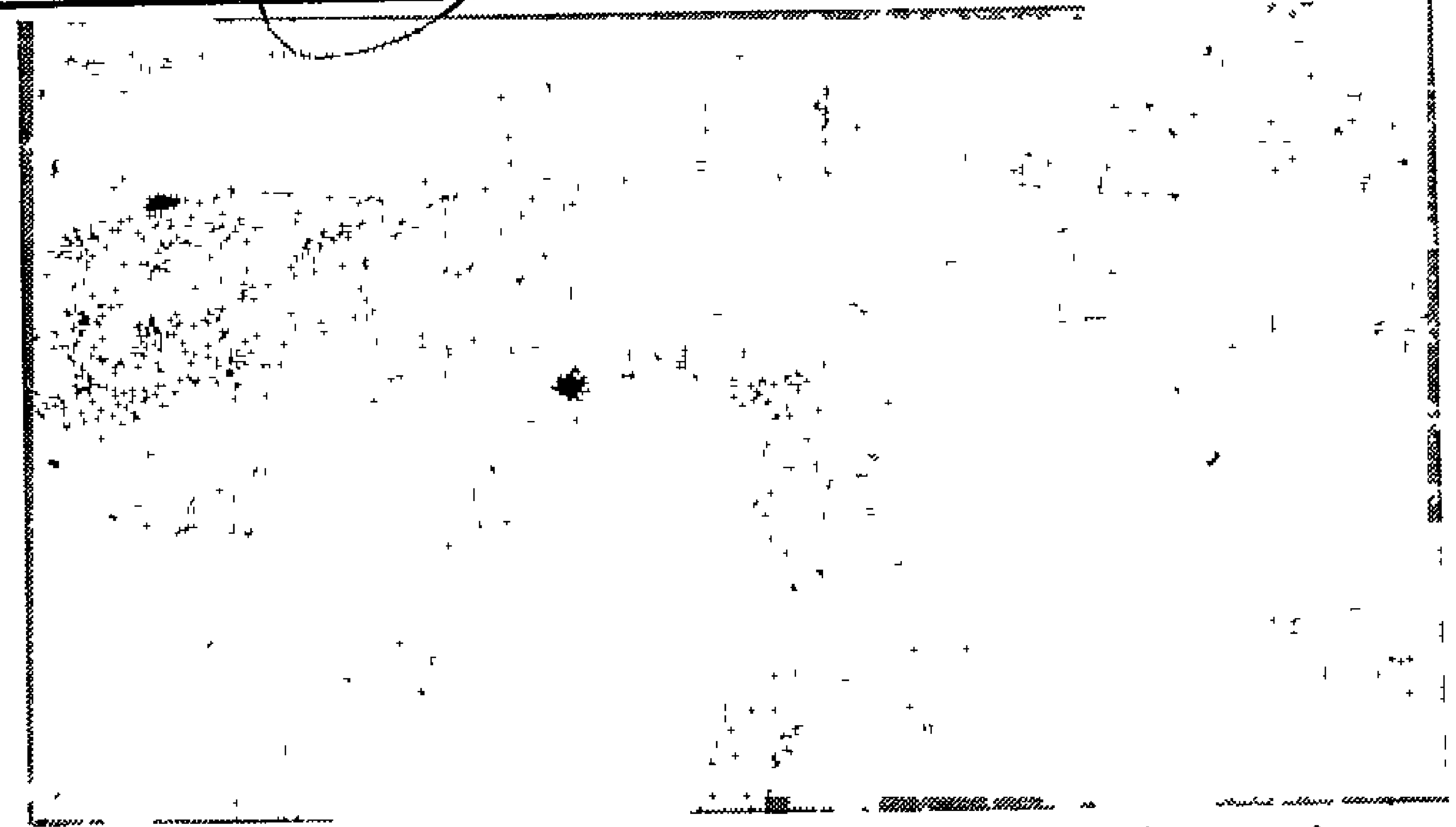
ʳ or other mate-
amination room
:ted
icate with other
except the invi-
ɔe torn out
led to the com-
fore leaving the

sion from the

(2)

Sectio. 10

R100m for cementing expansion



Lime Acres, the centre of PPC subsidiary Northern Lime's development plans

PRETORIA Portland Cement, South Africa's largest cement producer, is to expand its lime production facilities at a cost of at least R100-million over the next five to six years.

The company's managing director, Guy Luyt, told Business Times this week the expansion will take place at the Lime Acres, Cape, operation of PPC's subsidiary, Northern Lime

Mr Luyt also outlined details of an expansion of PPC's cement production facilities — a project which has already started at the De Hoek works of Cape Portland Cement

Some R63-million will be ploughed into this project

The disclosure of these plans closely follow the group's impressive interim figures, which reflected a 50% leap in profit and a 27,3% increase in the interim dividend

"Some R60-million has already been allocated with full board approval to the Northern Lime development, which includes a new rotary kiln — the ninth — at Lime Acres," says Mr Luyt.

"And if the current growth in the lime market continues, we shall seriously consider building a tenth kiln before 1986 This will mean further capital

[redacted]

expenditure of about R35-million "

These estimates do not include ongoing capital expenditure, which will push Northern Lime's capital spending above the R100-million mark

According to Mr Luyt, lime demand is growing by 5% to 6% each year

"Northern Lime, with 65% of the market, will, however, confidently attain adequate capacity to meet any surges or peaks in the market," he adds.

"This means continually keeping our productive capacity at 15% to 20% above projected average market demand "

The need for increased lime production is harnessed to the upturn in the economy, which has prompted intensified activity in the production of gold, uranium, steel and carbide — the chief lime consumers

Inspired by higher gold prices, gold producers have increasingly turned to the milling of low grade ore And as lime is used in the gold reduction process, the demand for this strategic commodity has increased

Mr Luyt discloses that the new No 9 kiln will come on stream during 1982 to meet the escalating demand

The kiln will be the biggest in South Africa (and possibly the world) and will provide additional productive capacity of 450 000 tons a year

According to Mr Luyt "It will increase Northern Lime's production by 1 500 tons to 6 800 tons a day The existing four large kilns — Nos 5 to 8 — each produce 1 000 tons a day "

Northern Lime's Lime Acres plant is the second largest lime-producing facility in the Western world

PPC's cement operation is utilising about 75% of its present production capacity and Mr Luyt envisages that, based on current market trends, PPC's next expansion in this field will be in four to five years' time

"Domestic demand has improved, reflecting the increased level of activity in the building and construction industries," says Mr Luyt

"Our existing expansion at the De Hoek works to increase installed clinker capacity by 500 000 tons a year is on schedule and commissioning is expected by September 1980 "

Commenting on the April cement price increase, Mr Luyt says that this will make a real contribution to PPC's profitability and return on capital employed — despite escalating costs

Company says it made a mistake

By KINGDOM LOLWANE

COLGATE Palmolive (SA) Limited, the American company based in Boksburg, has said it made an error in its original Press release regarding the establishment of trade unions in the company.

Colgate's original statement had read: "It is the Colgate-Palmolive policy that we resist the establishment of trade unions in our factories throughout the world. It is strongly emphasised that our refusal to meet with the CWIU prior to the official registration of that body, and the steps we took to determine whether all our employees knew what they were signing when they endorsed the so-called petition, in no way constitutes any deviation whatsoever from our sincere and on-going commitment to the Sullivan Principles."

The recent statement rectifying the original, reads: "On a worldwide basis, Colgate-Palmolive Company policy neither resists nor encourages the formation of trade unions in its factories. However, if a majority of employees in a country decide to join a union and if the union is organised in accordance with the laws of that country, it has been Colgate's practice to deal with such a union. As a point of record, a majority of Colgate factory workers worldwide belong to unions."

THURSDAY

Member

doubt heart about the meat strike. The accompanying pamphlet
he circumstances leading up to the lockout. The meat workers
ed to the University for assistance - both financially and in
meat boycott.

pay the workers strike pay of R15 a week, the General Workers
R11,000 a week.

last week the figures of R10 per student and R25 per staff
week were suggested. Since this meeting money has been
campus - but not nearly enough.

payday, someone will during the next few days collect your
n. We appeal to you to contribute as generously as you possibly

RKERS SUPPORT COMMITTEE

ct

P.N. 27/5/80

Donation for Turfloop

183

ETHNOR (Pty) Ltd, a major pharmaceutical company based in Halfway House, has donated R10 000 to the University of the North (Turfloop) for the purchase of about 50 cattle.

The donation was made as part of the company's continuing programme to improve the quality of education as a contribution to the community in particular and the country as a whole

Mr Arthur Umlew, industrial relations manager of Ethnor, said the company saw the cattle as being directly related to its own activities.

"Our company is particularly concerned with the control of disease among cattle and with the improvement in the quality of livestock," he said

The experimental herd will be involved in controlled research related to disease prevention and upgrading of cattle stock

While similar research is being carried out at white universities, the difference in the project being established at the University of the North is that the people involved will have direct experience of cattle farming in black areas

CHLORIDE FH 30/5/80 183

Productivity gains

The recovery evident in the first-half was maintained and Chloride reported earnings growth of 30,7% to 70,3c (53,8c) a share, with a higher 30c (26c) dividend total for the year to end-March And with growth in the economy increasing, particularly in the sectors served by Chloride, a further earnings advance is on the cards this year

Turnover increased 16,9% to R39,1m (R33,4m) which, with a significant improvement in productivity and reduced overheads, allowed a 34,9% hike in pre-tax profit to R4,6m (R3,4m) MD Don Searle explains the better margins were largely a result of the upgrading of the group's lead smelter and better scrap handling and productivity at Benoni, as well as distribution changes in the automotive field

Last year Chloride reduced the number of its own automotive branches from 17 to nine and appointed 47 independent distributors "In this way we achieved a reduction in overheads and far closer cost control," says Searle The group had to give away some of its margins by moving to independent distributors but overall there were significant gains, he says

At the taxed level, the improvement was slightly less as the tax shield from previous capex, particularly on the Berlin smelter, diminished The tax rate increased to 31% (28%)

Searle says the dividend was not increased in line with earnings because in the previous year the distribution was lifted to 26c (23c) despite falling profits However, he adds that group liquidity is satisfactory, and the gearing ratio fell to 22% (34%). The trend towards lower gearing is expected to continue, placing Chloride in a position to acquire complementary companies should opportunities arise

Prospects for a further increase in earnings seem good Searle says demand in the automotive market is expected to grow this year, though, with better quality products now available, by a lower rate than the economy Last year the automotive battery market was static and Chloride finished with an almost unchanged market share

The motive power division was a strong performer last year and the trend towards battery power in mining and industry provides a firm foundation for growth However, as in the other divisions, cost control, particularly in the cost of lead, will have to be maintained in order to reap the benefits of a broader market

The systems division, which was trimmed last year and rationalised with the Altech group, "finished the year on a high note," says Searle This year further gains are expected

Chloride shares are tightly held with 70% of the equity owned by the UK

COLGATE

FM 30/5/80 (183)

Will it wash?

US multinational Colgate Palmolive believes it is acting within the Sullivan Principles by refusing to recognise the unregistered Chemical Workers Industrial Union.

The company, a signatory to the Sullivan Principles, tells the FM it will recognise the CWIU only once it is registered and if the company is satisfied a majority of its workers are union members.

A company statement says: "If a majority of employees in a country decides to join a union and if the union is organised in accordance with the laws of the country, it has been Colgate's practice to deal with such a union."

Colgate industrial relations director Chris Dyson acknowledges that an unregistered union is not illegal. But he argues that an unregistered union is not "organised in accordance with the laws of the country."

On union recognition, Sullivan states: "Each signatory (will) support the elimination of discrimination against the rights of blacks to form or belong to government registered unions, and acknowledge generally the right of black workers to form their own union or to be represented by trade unions where unions already exist."

Dyson believes that throughout ... union should be ... a registered union.

The CWIU, a Fositu affiliate, applied for registration in March and has presented Colgate with a petition in support of the union signed by 200 of about 300 weekly paid production and warehouse workers.

Dyson rejects the union charge that this challenges the credibility of the existing liaison committee at Colgate, elected last year in an 86% poll.

Colgate has never been officially informed by the CWIU that it is a union has applied for registered status, says Dyson. But the fact that the union has *applied* for registration does not change Colgate's stand on recognition, he adds.

Financial Mail May 30 1980

FERTILISER FM 30/5/80 (183)

Predicted shortfall

Dire predictions attributed to Triomf chairman Louis Luyt, that SA farmers are heading for a crisis due to a potential 210 000 t fertiliser shortfall in 1981, have received mixed reactions from the fertiliser industry

Fertiliser annual demand growth averages 7% "It fluctuates marginally," says Kowie Adriaanse, Fedmis marketing manager Demand for nitrogen, one of the three main fertiliser ingredients, has averaged 10,6% compound growth annually, demand for the other two main ingredients, potash and phosphates is low Phosphate growth annually is 3% There's hardly any demand growth in potash

Commenting on the predicted fertiliser shortfall, Adriaanse says "We've realised there's a bigger demand for nitrogen, we are gearing ourselves to cope with it"

Fedmis has embarked on an extensive expansion programme which includes a R200m to R300m ammonia from coal complex providing downstream nitrogen fertiliser products "We hope by 1983-1984 to be on full capacity"

Fedmis is also installing a R6m coal-based producer gas facility "to help offset the rising cost of oil-based ammonia Ammonium nitrate and nitrogen are by-products"

Other expansions include a R16m, 35% extension to the phosphoric acid facilities at Phalaborwa And a R12m, 30% extension to the nitric acid and ammonium nitrate production facility at Sasol

Granulation capacity at both Phalaborwa and Sasolberg will be increased And the installation of a melt granulation factory at Kuilsrivier will be operational before the end of the year A new R11m granulation plant at Sasolburg is due for completion before end-1981

Says Adriaanse "We're doing this in the hope that the returns on depreciated capital, currently not so attractive at 15%, will become more reasonable Returns on capital are a delicate issue at the moment and under negotiation What we're aiming at is replacement values"

Chris von Solms, AECI agricultural director, tells the *FM*, the farmer will never go short of nitrogen "New capacity is needed every couple of years Depending on demand we may have to import small quantities until new capacity is provided"

Trevor Webb, chairman of the Fertiliser Society, says "We are coming into a period of shortage on products like nitrogen, and may have to import small quantities"

He admits "granulating capacity is squeezed, sulphuric acid is a bit short, and phosphoric acid plants practically all work at capacity

"Fertiliser plants are all over 90% capacity The position is tight. If no additional granulation and acid capacity is installed within the next year, the country will have to fall back on imports"

An independent fertiliser distributor, says that with the 6%-7% compounded fertiliser growth every year, a shortage must develop unless new plants are developed "What's needed for this," he says, "is the right return on capital That's what everyone is waiting for"

ALTECH FM 30/5/80 (183)

Growth unlimited

Activities *Manufactures and supplies telecommunications equipment, electronic components, electronic and electrical equipment and systems for professional users.*

Chairman *I Waldman, chief executive W P Venter.*

Capital structure *8,7m ordinaries of R1; 3,4m 11% cum red prefs of R1. Market capitalisation R113,3m.*

Financial *Year to February 29 1980. Borrowings long- and medium-term, R2,3m. Net cash R12,2m. Debt equity ratio 0,5. Current ratio 1,5. Net cash flow R6,8m. Capital commitments R637 000.*

Share market *Price 1 300c (1979-80 high 1 375c, low 540c, trading volume last quarter 30 000 shares). Yields 7,7% on earnings, 3,1% on dividend. Cover 2,5. PE ratio 13,1.*

	77	'78	79	80
Return on cap %	30.9	34.7	41.7	45.6
Turnover (Rm)	31	53.8	58.0	88.7
Pre-tax profit (Rm)	0.6	7.4	10.6	15.2
Gross margin %	21.3	11.5	18.7	17.3
Earnings (c)	20.9	50.8	68.7	99.6
Dividends (c)	8	20	23	40
Net asset value (c)	114	192	224	286

"It is my conviction that Altech today faces an era of opportunity unmatched in its history. I refer to the introduction of electronic digital telephone exchange switching, of fibre optics for communications, solid state controllers, advancement in electronic component manufacture and the swing to power electronics as an alternative source of energy. I believe that no other company is better positioned to meet the challenges that lie ahead."

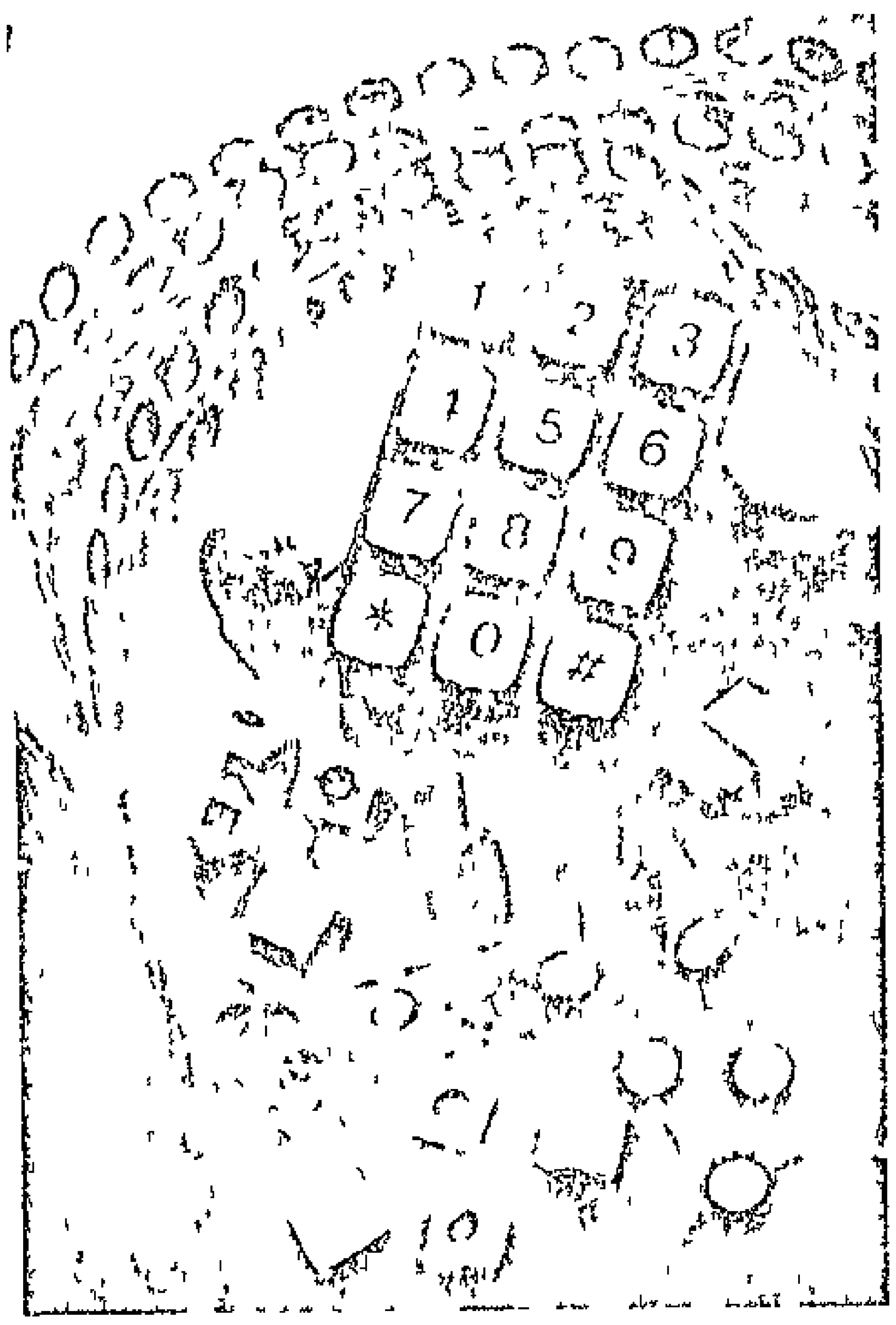
This statement from chief executive Bill Venter is typical of the confidence with which his group views the new decade. It is an attitude enthusiastically endorsed by the market, which has long since accorded the share a glamour-stock rating with a dividend yield substantially below industrial sector averages.

And not without reason. In the four years since the rescue of the Unewinkels shell, earnings have leapt from under 5c to almost 100c, while the total asset base of the group has increased from R1,6m to almost R66m. It is noteworthy that although during the last two years there have been no major takeovers (last year's purchase of Messina Electronics came too late to have any material effect on results), growth has nevertheless averaged about 40%.

This is well ahead of the growth rate of the electronics industry (estimated to have been about 25% last year) which in itself is one of the fastest expanding sectors of the SA economy.

The picture which emerges, therefore, is that Altech is getting a progressively bigger slice of a progressively bigger cake.

At year's end the group order book stood at R89m, a 41% increase on the previous year and an indication of the potential for improved activity. Apart from normal growth, profits should be enhanced by the marketing of locally developed products, in which the group is also hoping to build up an export trade.



Altech ... assembling a solid performance

Looking further ahead, the group will take a major step forward when Telecommunication Technologies (Teltech), jointly formed with the CGE of France, starts delivering its share of the GPO's electronic telephone exchange switching equipment order. The initial contribution to group profits from this company is expected in the 1982 financial year.

The considerable growth potential of Altech is, of course, the reason why the share trades at such a low yield (3,1% at the current 1 300c). But it is difficult to argue that the share is over-priced. Even if the group achieves an average annual growth rate of only 35% over the next five years (compared with the 40% of the past two), the total earnings during this period would fully cover the cost of a purchase now.

There are, however, two negative aspects: the share is unmarketable, and it still pays only annual dividends which, at the present rate of inflation, means that the distribution is worth about 7% less to shareholders than would be the case if the same amount was paid in two equal instalments.

The marketability aspect has been overcome to some extent since the start of the current year by the establishment of Allied Electronics (Altron) as Altech's immediate holding company. Formed out of the Bitcon shell, this company has 11,1m shares in issue, of which about 1,9m are in public hands compared with around 1,6m in the case of Altech.

Altron dividends will be proportionate to the income it receives from its 52% holding in Altech, and would have amounted to 20c last year — instead of the 1c actually paid — if the restructuring had been effective for the full period. At the theoretical yield of 3,6% at 550c it is thus a relatively cheap entry into Altech.

But a share split or cap issue in Altech itself would still be desirable.

Brian Thompson

BRARY OF FORT HAR
RTAIN WORDS, OTHE
DOKE AS 18/1959
MAKES A SIGNIFI

: REV. JOHN BENN

THE ORTHOGRAPHY

THE PROPOSED CH

SA Drug makes little headway

(183)

31/5/80

By HAROLD FRIDJHON

THE second half of the year to March 1980 did not produce any fireworks for SA Druggists. Earnings a share in the first six months were 13,33c and in the second half these were 13,8c, making 27,1c for the 12 months, much in line with the chairman's forecast.

For the previous accounting period of 19 months, earnings were 36,6c which means that on an annualised basis these earnings were equivalent to 23,1c — which means that some progress has been made

An unchanged dividend of 6,5c has been declared

Net income before tax was R11 500 000. This should be compared with R9 900 000, which is the annualised figure taken from the R15 800 000 earned in the previous 19-month accounting period. Taxed equivalents are R8-million and R6 600 000 for the previous period annualised

One looks to the annual report to reveal the extent to which the difficulties which have plagued this company have been overcome The interim report said that production had been interrupted at the Bethlehem plant and in the Medispo operation and the preliminary statement says that they have "been largely overcome"

What will be interesting to note when the annual accounts are published is whether any real progress has been made in reducing the too-high debt/equity ratio

9/1/86 ARGUS

Talks follow Epping strike

183

Labour Reporter

WORKERS at the Fine Chemicals plant in Epping Industria refused to work today, apparently in support of demands for higher wages and a democratically elected workers' committee.

An employee said about 160 were involved.

The demand for an increase in wages was in response to the rising cost of living, particularly the increase in bus fares, the employee said.

A spokesman for the company said only about 60 were not working.

Their complaints were not yet clear, but management was having discussions with them.

PAINT FM 6|6|80 (183)

Making a splash

The doubling of paint prices over five years has forced many building constructors to switch increasingly to face bricks and other alternative wall coverings But this is not holding back growth in SA's 190mℓ, R300m/year paint industry as it finds increasing use in consumer applications

"Tax concessions and other stimulatory measures have boosted spending on a whole range of consumer goods — cars,

stoves, fridges, you name it — all of which will require some sort of paint," says Mike Morgan, chairman of the SA Paint Manufacturers Association

Further, the paint industry is widely diversified The decorative market predominates and represents 55%-60% of turnover The trade market represents 40% and hives off into many sectors like the automative and refinishing markets And, as Ron Lawson, Imperial Paint MD, notes "Recently there has been an upsurge in the do-it-yourself and home decorating market In difficult times people tend to move houses less but concentrate on redecorating and upgrading "

Economic conditions

Last year the industry showed a growth of 9%, up on the 5%-6% growth of the previous two years Improved economic conditions, says Klaus Dienst, vice-chairman of the SA Paint Manufacturers, should make for 15%-18% growth this year

Morgan is satisfied with the projected growth "We've found that in Europe, for some unknown reason, the paint industry grows at the same rate as the national growth rate Therefore we are happy as long as we can keep ahead of SA's 5%-6% growth rate."

Dienst says that the industry is "seeing all the benefits of the upturn in previously depressed areas like building. There's more activity now, over and above government projects " However, he feels that the paint industry will only see the effects of this towards the end of the year "The paint industry is right at the end of the construction cycle Building plans passed, benefit the industry only after roughly 18 months "

A major contributory factor for the price rises is the industry's reliance on oil-based raw materials, chemicals, and solvents However, Morgan points out that because the industry has access to cheap labour, a 5ℓ tin of locally-made PVA is still about a third cheaper than its equivalent in Europe or Australia

The industry is presently trying to break its reliance on the petro-chemical industry and Morgan predicts that in the next 2-3 years, water based paints will comprise 80% of the total market

Lawson feels that with the emerging black and coloured home-owner market, the future looks good for the paint industry "This market has unbelievable potential buying power which, because blacks could not own houses in the past, was a closed door to us This will all change in the future."

FM 6/6/80 183

CHEMICAL INDUSTRY

Cutting out oil

The oil crisis has opened vast opportunities for the South African chemical industry to use local raw materials as a substitute for imported petrochemical intermediates, says techno-economist Terry le Roux

Speaking to the Faculty of Chemical Engineering at Wits University he indicated that SA's abundant at low quality coal reserves would provide the major source of intermediate organic (ie carbon-containing) compounds for synthetic purposes But ethanol derived from field crops like sugar cane could also contribute

Apart from Sasol's well-proven synthetic route to petrol and diesel fuel to which SA is already so heavily committed, Le Roux pointed out that other chemical routes to liquid fuels could become useful in the future

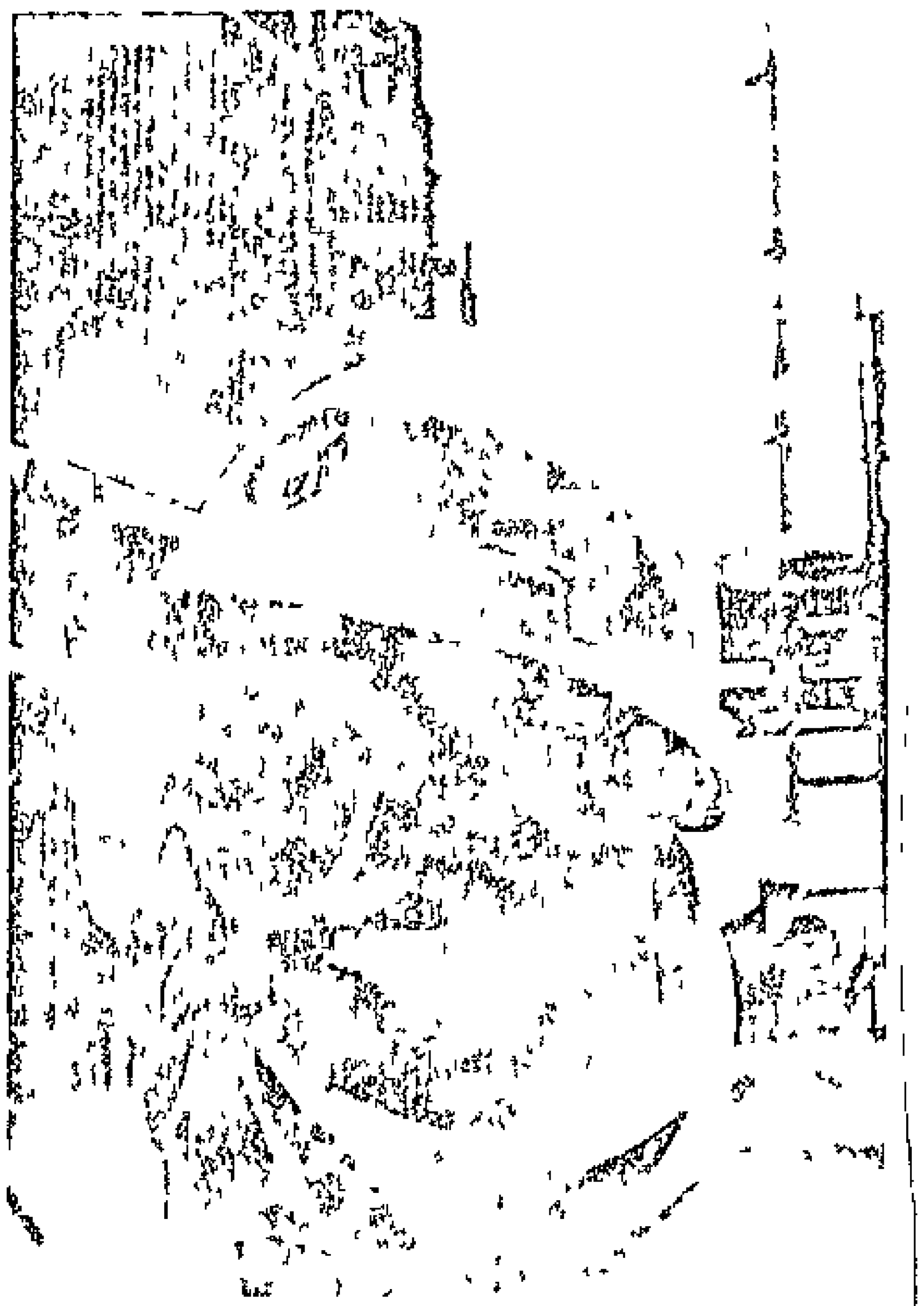
Large scale methanol synthesis from coal (a process already being strongly punted by UCT's Richard Dutkiewicz) would provide a fuel which could be used without further chemical conversion in suitably modified engines Methanol could also be used as a fuel extender in mixtures with ethanol and other similar substances

An important long-term possibility is to convert methanol — using a catalytic system under development by Mobil — to so-called 'aromatics" These are "ring compounds" like benzene and toluene, and can be used to formulate a high-octane petrol (but not, unfortunately, diesel) Aromatics are also very important synthetic intermediates for various classes of chemicals including pharmaceuticals and plastics

At present SA imports aromatic derivatives to the value of more than R200m per year manufactured abroad by traditional methods from various petrochemicals

The Mobil process -- which promises to be attractively flexible could also be used to convert methyl alcohol to such important intermediates as ethylene, propylene and styrene Ethylene is used as an intermediate for the manufacture of polythene and PVC propylene for making polypropylene and styrene for synthetic rubber Synthetic rubber is traditionally made from naphtha, an important petrochemical

Another important synthetic rubber intermediate is butadiene imports of which could soon exceed 5 000t per year But butadiene could also be made locally - from certain Sasol by-product



Chemical worker . . vast development potential in SA

It is also possible to make butadiene from ethanol which itself is a major Sasol by-product As is now generally known ethanol could in the future also become available on a large scale from agricultural sources

Acetylene (produced locally from coal via the carbide route) should also make an important contribution Acetylene could be used as a source of adipic acid, a synthetic intermediate for the production of Nylon 66 SA currently imports more than R15m worth of Nylon 66 per year

Acrylic resin raw materials are used to manufacture acrylic emulsions for paint, adhesives and non-woven fabrics, and SA currently imports over R5m worth per year These products could be made locally from acetylene and also from propylene, already available locally as a Sasol by-product Another important intermediate acrylonitrile (used for making acrylic fibres) could also be manufactured from acetylene or propylene SA currently imports more than R10m worth of acrylic fibres annually

Other important chemicals required on a smaller scale could also be produced locally But Le Roux emphasised that imported petrochemicals can be purchased 'as a package' whereas the development of local substitutes derived from coal or agricultural products would require a substantial local effort in R & D This effort in turn would require a heavy commitment of capital and of scarce chemical engineering manpower

FERTILISERS FM 6/6/80 (183)

Phosacid stand-off

The International Superphosphate Manufacturers Association, (Isma) the umbrella international organisation representing fertiliser manufacturers and raw material suppliers, has just completed its annual price-fixing barney in Monte Carlo

Financial Mail June 6 1980

Information given to the *FM* by industry representatives at Isma, indicates the outcome of discussions held is "inconclusive" No final pricing agreement has been reached on either raw material or phosphoric acid prices, for example

What is likely to happen is that SA phosacid manufacturers will "position" themselves to negotiate at present price values of around \$450/t There is likely to be slight compensation for increased sulphur prices

Seemingly, phosacid prices world-wide have held up better than expected in uncertain market conditions — certainly better than the price of DAP (diammonium phosphate) — one of the main products made from phosphate

The DAP price plummeted in April-May from \$260/t fob to \$202/t During the Isma conference, the price was negotiated upwards to \$220/t

Phosacid supplies internationally are "plentiful" Occidental's roughly 420 000 t 54% grade, left over after Carter's embargo on phosacid sales to Russia, still has to be sold this year"

Overseas intelligence reveals Occidental has sold 236 000 t of "superphosacid, 70% grade, to Brazil at a level of \$450/t cif Possibly more will be sold later this year"

Future deliveries in the second half of 1980 are likely to be "at \$70/t freight plus the moving Phoschem (combine of US producers of intermediate phosphate-containing materials) price which is currently \$370/t At the moment there's a tremendous stand-off between buyers and sellers on price"

Information is that during the course of this year, SA sold 550 000 t phosacid, 54% grade to Brazil and 60 000 t of 54% grade to Japan The price to Japan is said to be \$430/t C & F and "the Japanese are unlikely to pay more than that especially in the present uncertain market conditions"

Industry sources say sulphur is expected to increase \$20/t over the next few months even though new prices were not finalised at Isma But escalating revenues are discounted for SA phosacid producers "because of the rand's continuing strength against the dollar"

SASOL SABOTAGE

Two major chemical manufacturers say they will not be seriously affected by the loss of intermediate chemicals at the Sasol tank farm

Karbochem senior general manager Marthinus van Niekerk explains that his company keeps a four-month inventory of rubber products So, although rubber production will be temporarily affected by the loss of Sasol's butadiene store, Karbochem customers will not be inconvenienced Karbochem's own inventory of butadiene is exceptionally low at present, because Sasol itself has just had a routine maintenance shut-down So, Karbochem will advance the date of its own maintenance shut-down planned for the near future

Those butadiene supplies currently flowing from Sasol until normal conditions are restored are to be diverted from rubber production to keep Karbochem's latex production line running. (Latex is used, explains Van Niekerk, for products like carpeting.)

Dennis Taylor, factory manager of AECI's Midland chemical plant, says the effect will be minimal Only a proportion of the plant's raw materials are supplied by Sasol, namely ethylene, propylene and fuel gas, and Sasol should be able to maintain supply

Supplies of process steam and nitrogen taken from Sasol are unaffected.

RDM. 11/6/80.

Quincor hunts

183

Financial Reporter

QUINCOR (formerly Empisal and virtually a cash shell) is negotiating to buy certain companies engaged in the chemical and allied fields, say the directors in the annual report.

The share has been suspended since April 21 because of the takeover talks.

The annual report shows taxed profit for the eight months to last February at R44 458 against 1979's R1 745 before writing off a loss of R834 334 in that year on the sale of the Empisal group to Tedelex

Present controlling shareholders are Xactics Holdings (Pty) of Cape Town Most of Quincor's current assets are tied up in loans to Tedelex and a fellow subsidiary of Xactics, which has packaging interests.

There is no way of judging the potential of the company by the eight months' results as they reflect the cash shell situation

Triomf pays 30c interim

(183) RDM 12/6/80

Deputy Financial Editor

HARD ON the heels of another phosphoric acid price increase, Triomf, Mr Louis Luyt's giant fertiliser and phosphoric acid making company, yesterday declared a maiden interim dividend of 30c — equivalent to the dividend for the whole of last year

According to a statement, the interim dividend was paid "due to tax considerations and as a result of the positive cash flow of the company and the promising profit position".

The dividend declaration made no reference to trading conditions, but coincidentally, the Brazilian phosphoric acid price was hoisted to a record $500 a ton yesterday, fulfilling a forecast made a few weeks ago by Mr Luyt.

Triomf's phosphoric acid plant at Richards Bay is known to be producing at capacity, all production is being sold and P2O5 profits are soaring Mr Luyt is on record as forecasting that Triomf can realise a price of $500 until the end of the financial year

Domestic fertiliser sales and profits will also have been exceptional, following big crop price increases in the past six months

The dividend is a sure sign of prosperous times and, given Mr Luyt's reported statement that cover is to be reduced to 1,8, suggests a total of 80c for the year as a reasonable prospect

This puts the share at 840c on a prospective yield of 16,7%. The market has not worked out a way to value the volatile Triomf

Blue Circle profit rises 96 pc

(183)

STAR 18/6/80 (289)

By Jean Moon

Only three weeks after the end of the first half, Blue Circle has announced more than double earnings in the six months to the end of May at 22,6c a share.

Pre-tax profit for this holding company with interests in the cement and engineering fields, rose 96 percent to R7,8m.

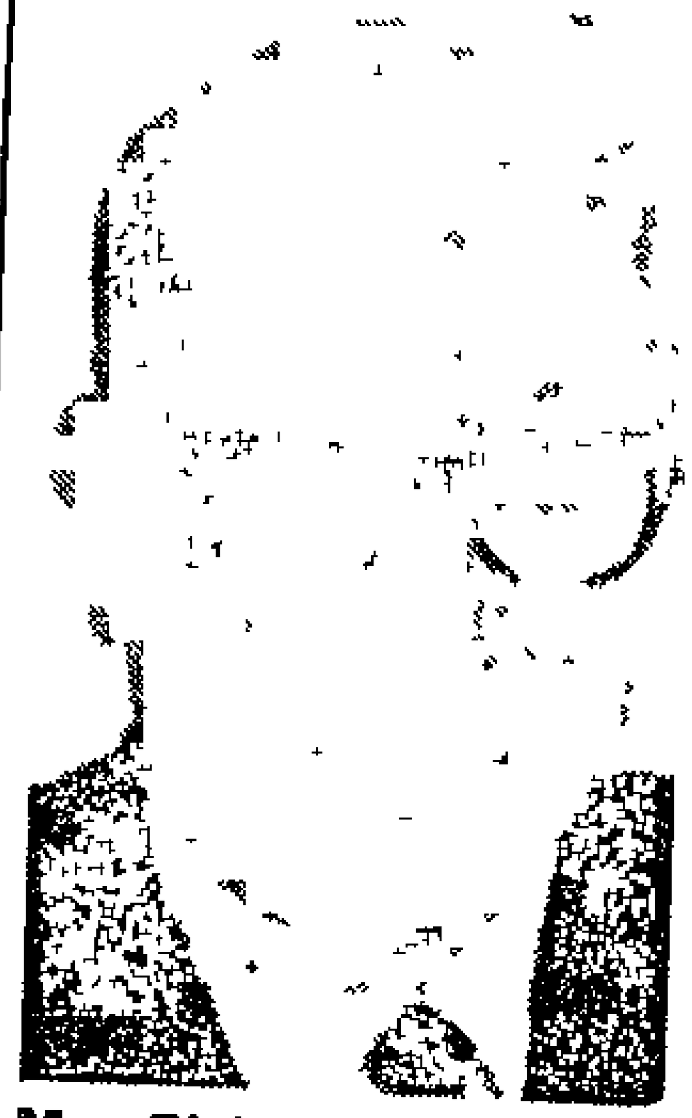
On this excellent set of results, the interim dividend has been raised from 6,5c to 9c a share

But, the company warns that the growth rate in the second half will be materially lower, but earnings will be significantly higher than last year's record of 45,9c a share.

Higher sales volumes and satisfactory trading conditions are expected to continue, with improved performances in all divisions other than mechanical contracting.

This division which contributed 14 percent to profits last year, is expected to finish this year with a small loss stemming from claims and rectification costs arising from past contracts

Blue Circle could hit a fourth financial target this year to produce a return before interest and tax of 16,5 percent a year on average gross assets employed.



Mr Richard Lurie has been re-elected president of the Johannesburg Stock Exchange.

Waicor, W&A pyramid, comes to market

183

RDM 18/6/80

Deputy Financial Editor

WAICOR, the newly constituted holding company of W&A Investments, will be listed on the Johannesburg Stock Exchange today in place of Twins Pharmaceutical, which leaves the lists after being used as its listing vehicle.

The transmuted listing document, published today, shows that W&A forecasts earnings of about 105c a share and a total dividend of 36c for the year to the end of June

This would translate into earnings of 39c a Waicor share

Waicor intends to distribute its entire dividend income every year after payment of the pref dividend and costs The 36c dividend from W&A would translate into dividend income of 14c odd a Waicor share, but pref and other costs would reduce the actual payout

The first dividend for which Waicor shareholders are eligible will be W&A's final of 21c, payable in September This could translate into a maiden dividend from Waicor of 7c

The new company will have as its only assets a 50% stake in W&A Investments and loan portion of tax of R37 000 In terms of JSE rules, it has undertaken to have at least 25% of its capital in other assets within a year

Based on the current price of W&A of 545c, Waicor will have net assets of 200c.

Because its W&A stake cost slightly more than the R14-million of cash remaining in the Twins shell after the Krok Brothers acquired Twins assets, Waicor has a commitment of R544 000 which it must pay to W&A within a year.

Mr Mannie Simchowitz, chairman of W&A, and other W&A executives have 70% of the equity of Waicor The remaining 30% is "widely spread"

Board hits at monopolies of pharmacists

STAR 20/6/80

183

Pretoria Bureau

The Board of Trade and Industries has deplored monopolistic practices in the supply and distribution of pharmaceutical products in South Africa

The board has recommended that the monopolistic conditions be prohibited in terms of the Maintenance and Promotion of Competition Act

The board report was prepared in November 1978, but was released for the first time today in the Government Gazette by the Minister of Commerce and Consumer Affairs, Dr van der Merwe

"UNJUSTIFIED"

The report says "In the opinion of the board certain of these monopolistic conditions cannot be justified in the public interest"

The board could not justify the system in which wholesalers maintained uniform wholesale profit margins in distributing certain pharmaceutical products

"Such uniform profit margins do not make allowance for economic principles such as rate of turnover, life-span or products, cost of handling or differences in the nature and quality of the services supplied by various wholesalers," the report says.

COLLUSION

The board also condemns collusion by manufacturers in bringing about uniform tender prices

"The board could find nothing to justify in the public interest the action of the Retail Chemists and Druggists Association in encouraging its members to boycott suppliers who fail to restrict the sale of certain pharmaceutical products to retail pharmacies only"

SECTION B

RAND DAILY MAIL, Thursday, June 26, 1980

AECI explosives factory for BophutaTswana

RDM 26/6/80

180
183

By SIMON WILLSON
Industrial Reporter

INCREASING demand from the mines for explosives has triggered construction of an AECI commercial explosives factory in BophuthaTswana, scheduled to be in production by the end of 1981

Announcing the R27-million project in Johannesburg yesterday AECI's managing director Mr Denys Marvin, said the company needed to increase its capacity as mining activity intensified and the new site was a logical move which would raise explosives production and save on transport costs

The factory will go up on a 4 700 ha site at Heystekrand midway between Rustenburg and Thabazimbi and construction is planned to start by the end of the year A new company AECI BophuthaTswana, is to handle the supply of explosives to nearby mines

The factory is the biggest single industrial investment in BophuthaTswana to date, and compensates the independent former homeland for the loss of this year s R52 million BMW expansion

BMW decided earlier this month to extend its Rosslyn plant, Pretoria instead of constructing a factory BophuthaTswana was on the shortlist of prospective sites for the plant

The rationale behind AECI's BophuthaTswana safari appears to be a deliberate move away from raw material sources to be closer to markets

The demand for explosives from the platinum, chrome, tin and iron-ore mines on the BophuthaTswana-South Africa border is rising at such a rate that it has been economically justifiable to shift production towards the mines by setting up the Heystekrand plant

AECI s decision is a coup for the BophuthaTswana National Development Corporation and the chemical giant's move is one of few made to the former homeland by South African industrial heavyweights

Mr Marvin had a simple explanation for this "We are in the unique position of being just about the only industry with major consumers in the BophusthaTswana area We have the products for one of the biggest activities in that country

The move is also a vote of confidence in the infrastructure between the BophuthaTswana-South Africa border area and the Witwatersrand Heystekrand will still have to ship all its raw materials from Modderfontein but Mr Marvin said the costs would be covered by savings in sending the finished products to their markets

"It's a logical development for us — by moving closer to the consumers we will make considerable savings in transport costs," he said

The other important advantage AECI expects from the location of the factory is the proximity of an untapped labour force

"We have found that there are 250 000 people living within 25 km of the site These are people who would normally have to look to the Republic for work," Mr Marvin said

The Heystekrand factory has an initial annual production target of 50 000 tons of Anfex powder explosive and 100-million capped fuses BophuthaTswana mines, including the Impala and Rustenburg platinum mines, use 42% of the Anfex and 35% of the capped fuses produced at Modderfontein

you are registered (e g B A , B Sc)

Subject ECONOMICS II
(to be copied from the heading on the Examination Paper)

Paper No. PAPER I
(to be copied from the heading on the Examination Paper)

Examiners' Initials		

NOTE CAREFULLY

1 The answers only on the right hand pages will be marked The left hand pages may be used for rough work, but no credit will be given for such work
2 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
3 Blue or black ink must be used for written answers. The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
4 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used.

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

FM 27/6/80

183

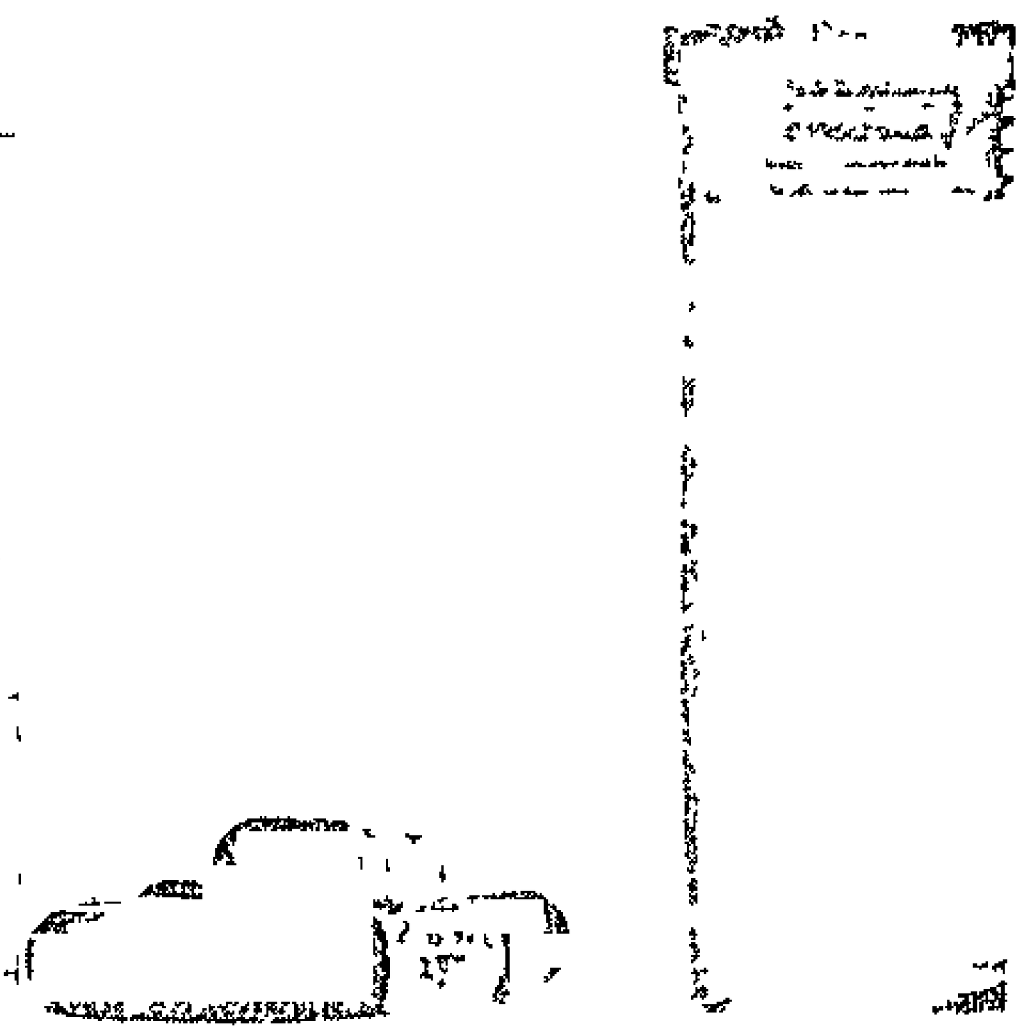
PHARMACEUTICAL INDUSTRY

Is there a monopoly?

The pharmaceutical industry is keeping mum on the hard hitting accusations made by the Board of Trade and Industries on monopolistic practices within the industry. Neither the SA Retail Chemists and Druggists Association (SARCDA) nor the National Wholesale Drug Association will comment on the board's report which suggest widespread malpractice in the industry.

Facts uncovered include:

- Retail pharmacies which had taken loans from wholesalers were forced in terms of conditions included in the loan agreement to purchase up to 67% of their supplies from the relevant wholesalers for up to three years after the loan expired. The board felt this practice is not only a restriction on the freedom of purchase of pharmacies but that it restricts the entry of new distributors to the market.
- SARCDA advised members not to market unscheduled medicine which were also available at other retail outlets. A circular released by the organisation advised members to support only the manufacturers and distributing firms who



SA-made drugs subject to price-fixing?

4

Question 3

(i) U

B/L

B/E

The above
USA to UK
£ to get
~~recev~~ rec
foreign ex
The B/L
article,
dealers
2 countries
paid by th
dealer.

have pharmacists' interests at heart and who have a true respect for our feelings," and that, "one or two firms openly derided retail pharmacies and they should be noted "

The board found that as non-prescription medicines represent less than 19% of pharmacists' average turnover, the sha. in the market for which the pharmacists compete with other retailers is small hence, the board could find no justification for restricting the sale of unscheduled non-prescription medicines to pharmacists

● Despite categorical denial, some of the manufacturers tendered for the supply of pharmaceutical products to the State on uniform conditions and at uniform prices This practice, said the board, is to the disadvantage of the tender buyer and, in cases where the state is the buyer, the taxpayer

The board also criticised the system by which wholesalers maintained uniform wholesale profit margins of 17,5% in distributing certain pharmaceutical products "Such uniform profit margins do not make allowance for economic principles such as rate of turnover, life-span of products, cost of handling, or differences in the nature and quality of the services supplied by various wholesalers," says the report

Similarly, "the argument that the Price Controller has approved the profit margin does not affect the position, since the approved profit margin is intended to be a maximum, and not a fixed, profit margin," notes the report

In justifying the 17,5% profit margin, a spokesman for the NWDA stated that wholesalers had to stock about 17 500 products to meet all the requirements of the retailer, including products of low turnover rate He felt that if the standard profit margin was deviated from, certain products would not be kept in stock

However, in this instance the board found the maintenance of uniform profit margins on prescription medicines not in the public interest because of the "restrictions placed on the freedom of the various parties to negotiate individually and independently without outside pressure, with regard to price and profit margins, and which could result in decreases in cost not being reflected in price decreases "

Another aspect of the pharmaceutical industry to come under the board's scrutiny concerned "bonuses " In order to encourage sales of a specific product, suppliers give a "bonus" to retail pharmacies and doctors so that they will promote sales of that product The board felts this practice could lead to pharmacists promoting products for financial incentives instead of medicinal properties

Within the next 10-12 weeks negotiations are expected to start between the industry and the Competition Board These could last until the end of the year Once the negotiations have been completed, the board will report to Commerce and Consumer Affairs Minister Schalk van der Merwe If he approves these recommendations, they will become regulation in terms of the Competition Act, 1979

Bank

export a trade from
the UK importer will pay
the US exporter will
This is all done through
usually banks.
laying claim to the exported
. The foreign exchange
respondents in the respective
will determine how many £ are
the UK foreign exchange

(ii) Foreign
supply &

essentially determined by
...ual currencies

S of $

D for $

Q of $

92,6 + 4 7

Section A Book I

27/6/80

FM

183

104

‹PLOSIVES

3lasting bonanza

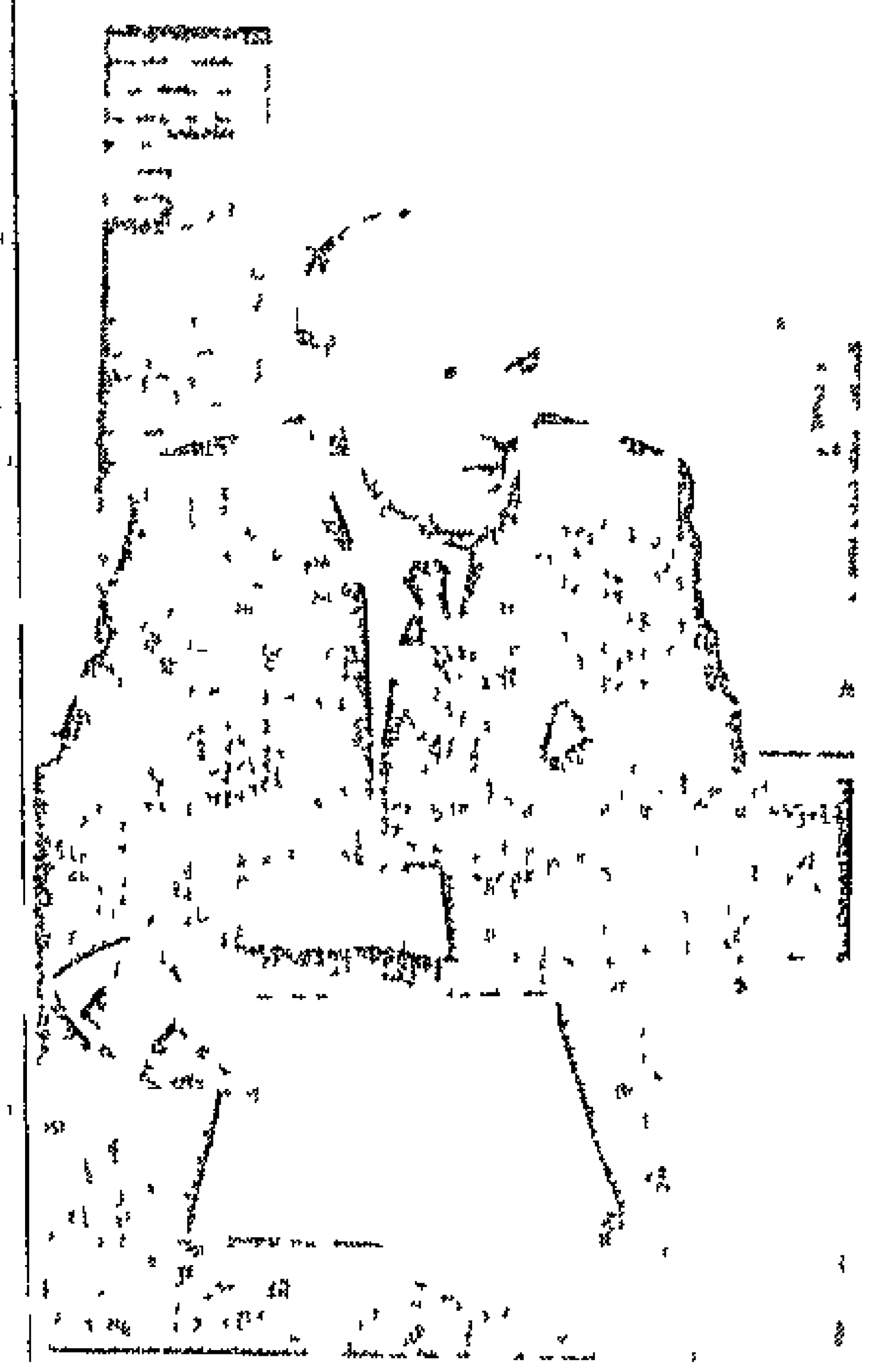
shift to a higher plane of demand is und AECI's announcement this week of ns for a R27m commercial explosives tory in BophuthaTswana, expected to in production by the end of 1981

Executive director Steve Anderson tells FM that after a growth rate of 1-5% most of the Seventies, demand for losives has been running at 10% a year the last two years and AECI is now ing its plans on a projected long- m growth rate.

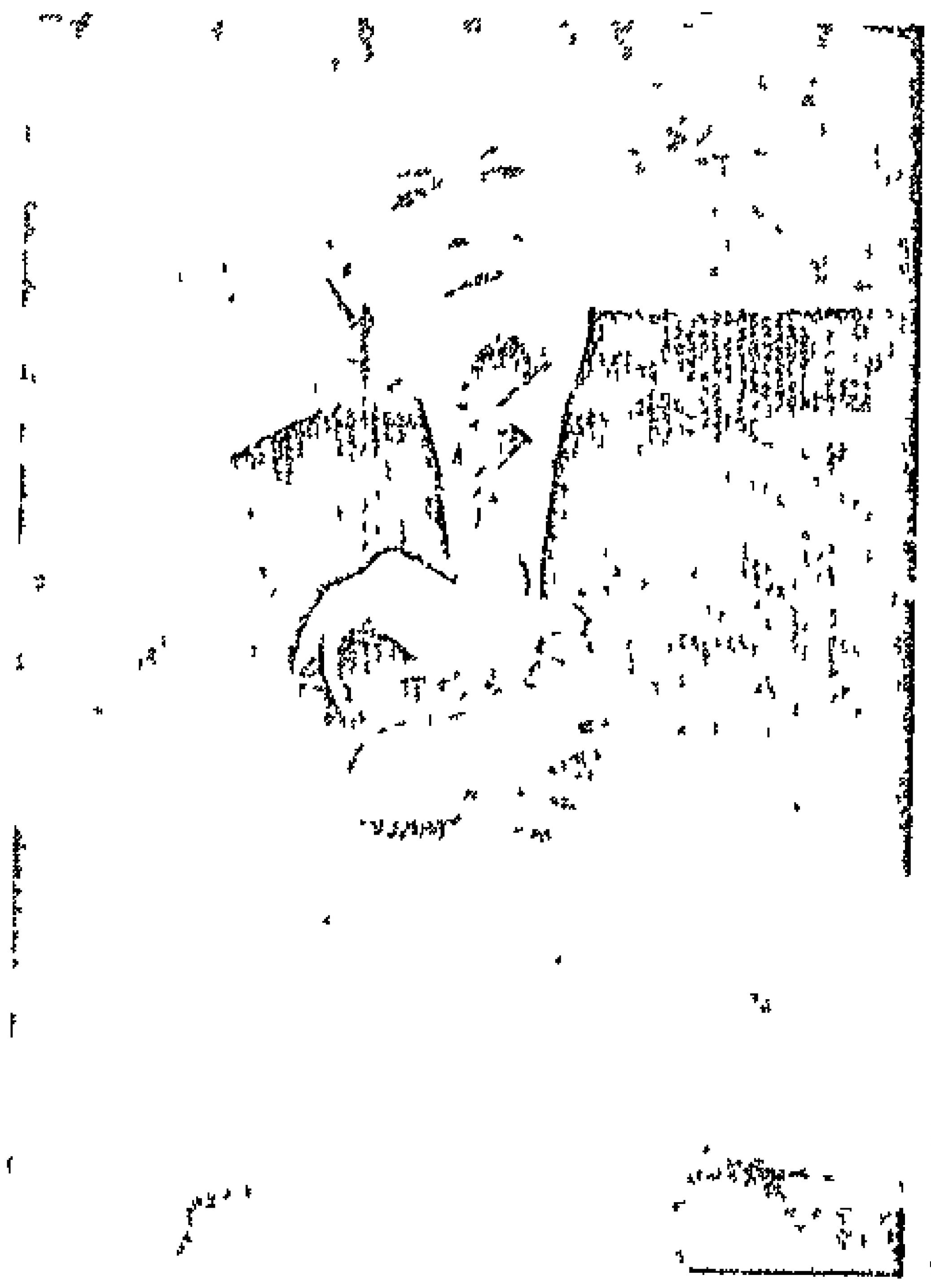
Though gold production is expected to l off for a few years, the grade of ore be dropping so more rock will have be broken to extract the same amount old, he says. Additionally the coal ing industry is expanding rapidly and elopments are taking place in mining ther minerals.

new company, AECI Bophutha- ana, is being formed for the new ect, which is the biggest industrial stment in that country to date. The are is being financed from AECI's resources. Annual production will be 00 t a of Antex, an ammonium nitrate- d powder explosive, and 100m capped s, together worth R30m.

will be AECI's third explosives plant others at Modderfontein, which hes more than 75% of group output Somerset West together produce 00 t of explosives a year. The group



lerson ... breaking more rock
r the same amount of ...



Marvin ... putting the factory close to the market

produces all three major explosives types nitroglycerine, ammonium nitrate and water gel. Present national demand for capped fuses is 300m a year.

Raw materials for the new plant will come from Modderfontein, which already sends 42% of its Antex and 35% of its output of capped fuses to supply the platinum, chrome, tin and iron mines in BophuthaTswana and straddling the border. The mines include the Impala and Rustenburg platinum mines.

Says AECI MD Denys Marvin: "We aim to offer our customers a better service by locating the factory close to a rapidly expanding market. Transport is a significant element in the cost of explosives."

AECI is in the middle of a period of astonishingly rapid growth. A R150m low density polyethylene plant, with a rated capacity of 130 000 t a year, is being built, and additional spinning capacity is being installed at SA Nylon Spinners in the Cape at a cost of R40m.

By the end of the year it is hoped that a decision will be made on the proposed R600m methanol plant which AECI plans mainly for fuel applications — though methanol is also an important chemical building block.

Last year Modderfontein's new 650 t a day nitric acid plant and 900 t a day ammonium nitrate solution plant were commissioned.

Next week a R4m sodium tripolyphosphate (STPP) plant will be opened by Polvtos, a 50-50 AECI joint venture with Samancor. All but 5% of its production will be used for manufacture of detergents and other cleaning materials, and annual turnover will be about R20m.

Clearly, it's not only in the field of detergents that AECI is cleaning up.

Sa	0,1	
xami- hers' iitials		

lotes, pieces of paper or other mate- brought into the examination room idates are so instructed

are not to communicate with other or with any person except the invigi-

h answer book is to be torn out

books must be handed to the commis- o an invigilator before leaving the n

nd to possible exclusion from the

Propan twinned with Twins

RDM 28/6/80 (183) ~~186~~

Financial Reporter

PROPAN, a wholly owned subsidiary of Premier Milling had been merged with Twins Pharmaceutical Holdings, Premier Milling's chairman, Mr Tony Bloom told shareholders at the annual meeting in Johannesburg yesterday.

Premier holds 50,1% of the combined group and Krok Brothers Holdings (Pty) holds 49,9% Mr S Krok and Mr A Krok will be responsible for management of the new group

The price of the acquisition of the Twins assets was based on the identical price offered to the minorities by Krok Brothers Holdings in February

Mr Bloom said the new group should be able to effect substantial rationalisation-benefits and represent an impressive and aggressive force in the pharmaceutical industry.

Referring to Premier Milling, Mr Bloom said that trading conditions had been as buoyant as expected

Twins minorities were offered 225c a share by the Krok brothers in February This placed a value of R14-milion on the assets originally in the quoted Twins group.

Subsequently the Krok brothers bought the assets from Twins at this value and sold the shell to W & A Investment Corporation. The name of this company was changed to Waicor when it became the pyramid company of W & A

The assets bought by the Krok brothers were put into one of their companies, which was renamed Twins Pharmaceutical Holdings

(2?)(222)(183)(157)

Malbak hopes to beat profit record

RDM 30/6/80

MALBAK is confident of achieving further earnings growth in the 1980-1981 year, says the group managing director, Mr Grant Thomas, in the annual report

"Stimulated by exceptional gold sales, abundant liquidity and a growth-encouraging Budget, the business climate in South Africa seems fortunately to be out of step with major Western economies and there appear to be adequate reasons to anticipate that favourable conditions will prevail throughout the forthcoming year All group divisions should benefit from a year of above-average growth "

Having produced record earnings of 50 4c a share in the year to March, the growth target for this year may well be substantially above the historical average of 17,2% compound rate achieved since the group was formed 12 years ago

If a 20% improvement can be achieved, earnings will rise to almost 61c a share and a total dividend of 22c would be possible without disturbing the near 2,8 times cover of last year

One of the past year s features was the 24 6% return on ordinary shareholders' funds This was a 39% improvement on the 17,7% return of the previous year

Although margins within certain group operations came under pressure, the 28,2% rise in turnover to R129-million was not the sole influencing factor in the pre-tax profit rise of 58,2%

Central to the improvement in the position this year was the part played by recent acquisitions, PCI and Maccabee

Other significant features of the accounts include the improvement in net asset value from 204c to 230c and the intact 48,3% ratio of shareholders' funds to total assets in spite of the year's cash-funded acquisitions

Of the five major divisions — all of which are autonomously managed and financed — Bakke remained the single largest source of profit, contributing 42% of the net total This packaging, plastic products and mining supplies division achieved the same profit as last year in spite of higher raw material costs and the greater than expected costs associated with rationalising its two injection moulding companies

There are signs that material costs in the current year will level out and there is little likelihood of supply problems

Maccabee, which became a wholly owned subsidiary and which is now the light-engineering division, accounted for 15% of the profit total The contribution — representing 7,5c a Malbak share — arises from earnings for only nine months, so the current year will be the first in which a full contribution is recorded

The motor retailing division, Malbak Motor Holdings, was influenced by a difficult trading climate, particularly in the first half of the year and thus contributed only 8% of the total profit

Stemming from higher petrol costs and speed restrictions, the structure of the division was reappraised, resulting in the absorption of certain one-off costs associated with the closing of several outlets

The slimmer operation, coupled with expected benefits to flow from the integration of the BMW franchise in the Free State last year, should result in more acceptable profit levels in the current year

Malcomess, the farm machinery division, showed a strong recovery from 1979's profit slump and made up 13% of the total 1980 profits

Certain administrative problems within the division remain to be overcome, but buoyant trading conditions are expected to continue throughout the current year

Group services, embracing the recently acquired process control instrumentation, contributed the 22% balance of total profits

PCI's profits surpassed budget and the company's advantageous position in the instrumentation industry should allow for further operational developments and profit growth

Malbak's pre-tax profit rose to a record R9 100 000 (R5 500 000) and net profit attributable to ordinary shareholders totalled nearly R5 300 000 (R3 500 000) Earnings a share were 50 4c (33,5c) and a total dividend of 18c (13,5c) was paid

(183)

EMBARGO: 1 JULIE 1980 OM 11h

STRICT EMBARGO
Note time and date of

TOESPRAAK GELEWER DEUR SY EDELE DR. S.W. VAN DER MERWE, MINISTER VAN NYWERHEIDSWESE EN VAN HANDEL EN VERBRUIKERSAKE, BY GELEENTHEID VAN DIE AMPTELIKE OPENING VAN DIE POLYFOSAANLEG OP 1 JULIE 1980

MENEER DIE VOORSITTER, DAMES EN HERE

ALLEREERS MY OPREGTE WAARDERING AAN DIE VOORSITTER EN DIE DIREKSIE VIR DIE VRIENDELIKE UITNODIGING AAN MY OM DIE OPENING VAN DIE SPLINTERNUWE POLYFOS[illegible] WAAR TE NEEM.

THE OPENING TODAY OF THIS SODIUMTRIPOLYPHOSPHATE PLANT, OR STPP AS WE KNOW IT, SYMBOLISES A MILESTONE IN MORE WAYS THAN ONE. IT IS ALSO INSEPERABLE FROM THE FEDMIS ACID PURIFYING PLANT. THESE PLANTS TOGETHER COST R8 MILLION AND ARE THE MOST MODERN TO BE FOUND ANYWHERE IN THE WORLD. THE ACID PURYFYING PROCESS IS PROBABLY ALSO THE MOST ECONOMIC OF ITS KIND. IN FACT I AM INFORMED THAT THERE ARE ONLY A FEW FACTORIES OF THIS TYPE IN THE WORLD AND EVEN THE

2/

NITED STATES IS NOW CONSIDERING THIS ROUTE OF RODUCTION.

T CAN ALSO BE SAID WITH CERTAINTY THAT THIS IS THE NLY STPP OPERATION IN THE SOUTHERN HEMISPHERE USING HE WET PHOSPHORIC ACID ROUTE.

ITHERTO, AS IN MANY OTHER PARTS OF THE WORLD, STPP AS BEEN PRODUCED FROM PHOSPHOROUS DERIVED FROM A HERMAL PROCESS. THE CAPACITY OF THE EXISTING PLANT S 20 000 TONS PER ANNUM. IT IS VERY DIFFICULT TO ETERMINE THE SIZE OF THE LOCAL MARKET, BUT FROM THE NFORMATION AVAILABLE TO ME IT IS ESTIMATED TO BE ETWEEN 28 000 AND 30 000 TONS PER ANNUM. THE APACITY OF THE EXISTING PLANT HAS, THEREFORE, BECOME NADEQUATE AND MANUFACTURING CAPACITY HAS HAD TO BE NCREASED. THIS WAS NECESSARY NOT ONLY BECAUSE THE OUNTRY HAS BEEN FORCED TO IMPORT INCREASING UANTITIES OF THIS ESSENTIAL AND EXPENSIVE COMMODITY, UT ALSO BECAUSE MANUFACTURE ON THE BASIS OF THE

EXISTING TECHNOLOGY IS NO LONGER ECONOMICAL. STPP THROUGH THE THERMAL ROUTE IS JUST NO LONGER COMPETITIVE IN THE MARKET. THE NEW PRODUCT IS ALSO QUALITY-WISE BETTER SUITED FOR ITS SPECIFIC PURPOSE THAN THE THERMAL ONE, CONTAINING AS IT DOES LESS IRON.

THIS NEW POLYFOS FACILITY HAS BEEN DESIGNED TO PRODUCE 40 000 TONS OF STPP PER ANNUM, WHICH WILL BE SUFFICIENT FOR THE COUNTRY'S NEEDS FOR THE FORESEEABLE FUTURE, WITH A MARGIN FOR EXPORT FOR A FEW YEARS TO COME. THIS COULD BE IN PARTICULAR AN ECONOMIC SOURCE OF SUPPLY FOR THE NEIGHBOURING COUNTRIES.

THE MAIN RAW MATERIALS OF STPP ARE PHOSPHORIC ACID, PRODUCED FROM FOSKOR ROCK PHOSPHATE, AND CAUSTIC SODA, SUPPLIED BY THE COALPLEX PVC COMPLEX. THIS IS YET ANOTHER LINK IN THE PHOSPHATE CHAIN OF PRODUCTS AND IS A CLEAR INDICATION OF THE CONTINUED PROCESS

4/ ....

F THE SOPHISTICATION OF OUR SECONDARY INDUSTRY AND F THE USE TO WHICH THE COUNTRY'S RICH AND VARIED INERAL RESOURCES CAN BE PUT.

OLYFOS IS A PRIVATE UNDERTAKING, BUT AT THE OTHER ND OF THE CHAIN WE HAVE FOSKOR, A PUBLIC CORPORATION. HIS IS A GOOD EXAMPLE OF THE INTERACTION BETWEEN THE UBLIC AND THE PRIVATE SECTORS IN THE ECONOMIC EVELOPMENT OF SOUTH AFRICA. WHILST IT IS IMPORTANT HAT OUR ECONOMY SHOULD CONTINUE TO BE BASED ON THE REE ENTERPRISE SYSTEM, IT IS THE GOVERNMENT'S UNCTION AND ALSO ITS DUTY TO CREATE THE CLIMATE AND, HERE NECESSARY, ALSO THE OPPORTUNITIES FOR THE RIVATE SECTOR TO DEVELOP. BASICALLY COMMERCE, NDUSTRIES AND THE SERVICES SECTOR ARE ALMOST WITH-UT EXCEPTION OPEN FOR ENTRY BY ENTREPRENEURS OF THE RIVATE SECTOR. IT HAS, HOWEVER, ALWAYS BEEN GOVERN-IENT POLICY THAT THE STATE SHOULD UNDERTAKE THOSE NDUSTRIAL ACTIVITIES WHICH ARE TOO RISKY OR OF SUCH MAGNITUDE THAT THEY CANNOT BE EMBARKED UPON BY

PRIVATE UNDERTAKINGS. A TYPICAL EXAMPLE THEREOF IS THE EXPLOITATION OF PHOSPHATE ORE AT PHALABORWA.

A CRITICAL SITUATION DEVELOPED IN AGRICULTURE AND FOOD PRODUCTION DURING THE YEARS OF THE SECOND WORLD WAR WHEN RAW MATERIALS COULD NOT BE IMPORTED FOR THE MANUFACTURE OF FERTILISER. THE SITUATION DETERIORATI TO THE EXTENT THAT FOOD RATIONING HAD TO BE CONSIDERI THIS IS ALMOST UNBELIEVABLE IN A COUNTRY OF ABUNDANCI SUCH AS SOUTH AFRICA.

THE SITUATION REPEATED ITSELF WITH THE OUTBREAK OF THE KOREAN WAR IN 1951. THE GOVERNMENT THEN DECIDED TO ESTABLISH FOSKOR IN ORDER TO MAKE THE COUNTRY INDEPENDENT OF ROCK PHOSPHATE IMPORTS.

IT WAS NOT PLAIN SAILING FOR FOSKOR FROM THE START. OUR PHOSPHATE DEPOSITS DIFFER FROM THOSE OVERSEAS, SO MUCH SO THE FOSKOR WAS OBLIGED TO DEVELOP ITS OWN NEW PRODUCTION TECHNIQUES. THAT IT HAS SUCCEEDED IS

CLEAR FOR ALL TO SEE. IT NOT ONLY SELLS PHOSPHATE ROCK TO THE LOCAL FERTILISER AND OTHER INDUSTRIES AT PRICES WHICH ARE OF THE LOWEST IN THE WORLD, BUT ALSO PROVIDES THE RAW MATERIAL FOR A LARGE AND LUCRATIVE PHOSPHORIC ACID EXPORT INDUSTRY.

THE EXPLOITATION OF OUR PHOSPHATE DEPOSITS HAS ALSO INDIRECTLY LED TO THE ESTABLISHMENT OF THIS NEW STPP FACILITY. THANKS TO FOSKOR, THIS NEW INDUSTRY IS ASSURED OF A STABLE AND ECONOMIC SUPPLY OF RAW MATERIAL.

THE COALPLEX PVC PLANT IS AS INTERESTING A SOURCE OF RAW MATERIAL. CAUSTIC SODA, THOUGH ONLY A BY-PRODUCT OF COALPLEX, ITS MANUFACTURE WAS NEVERTHELESS ONE OF THE CONSIDERATIONS WHICH LED TO THE ERECTION OF COALPLEX. THIS RAW MATERIAL IS NOW PUT TO GOOD USE IN PRODUCTS SUCH AS STPP.

THESE VERTICAL AND HORISONTAL LINKAGES IN INDUSTRY

FROM PART OF A CONTINUED PROCESS OF GROWTH AND OF THE STRENGTHENING OF OUR ECONOMY.

HIERDIE STPP AANLEG SAL DIE LAND ONGEVEER R20 MILJOEN AAN BUITELANDSE VALUTA BESPAAR. DIS GELD WAT VERDIEN SAL WORD VIR DIE FINANSIERING VAN ANDER NOODSAAKLIKE INVOERE. STPP WORD HOOFSAAKLIK IN DIE DETERGENTE NYWERHEID GEBRUIK. VOLGENS 'N ONLANGSE OPNAME DEUR DIE MINERALE BURO WORD SOVEEL AS 90% DAARVAN GEBRUIK IN DIE VERVAARDIGING VAN WAT IN LEKETAAL AS SEEP-POEIERS BESKRYF WORD. DIE RES WORD IN DIE VERVAARDIGING VAN NYWERHEIDSKOONMAAKMIDDELS ENDIESMEER AANGEWEND.

VIR DIE HUISVROU IS DIT SEKER INTERESSANT OM TE WEET DAT DAAR TWEE TIPES WASDETERGENTE IS; DIE SOGENAAMDE HOË-SKUIM POEIER VIR NIE-OUTOMATIESE WASMASJIENE EN LAE-SKUIM PRODUKTE VIR DIE OUTOMATIESE MASJIENE. HIERDIE LAE-SKUIM PRODUKTE WORD OOK IN INDUSTRIËLE EN INSTITUSIONELE WASSERYE GEBRUIK. EK VERNEEM DAT

.S NUWERWETSE SKOTTELGOEDWASSERS GLADNIE SONDER TPP KAN FUNKSIONEER NIE.

. HET SO-EWE GENOEM DAT SUID-AFRIKA MET HIERDIE ANLEG SELFS VIR AMERIKA VOOR IS. DIT IS SO OM 'N EPAALDE REDE. OORSEE EN IN DIE BESONDER IN NOORD-IERIKA IS DAAR STRENG BEPERKINGS OP DIE GEBRUIK VAN OSFAATHOUDENDE REINIGINGSMIDDELS GEPLAAS. DIT IS EDOEN MET DIE OOG OP DIE BESTRYDING VAN WATERBE-OEDELING. HIERDIE MAATREëLS HET DIE GEBRUIK VAN LTERNATIEWE DETERGENTE AANGEMOEDIG. 'N GROOT VER-KEIDENHEID VAN HIERDIE SAMESTELLINGS IS GEBRUIK, OOS NITROLOTRI-ASETAATSUUR WAT AS GEDEELTELIKE LAASVERVANGER VIR FOSFATIESE MIDDELS GEBRUIK IS. IT IS EGTER BEVIND DAT HIERDIE MIDDEL 'N GESONDHEIDS-ISIKO INHOU EN DIT IS TOE IN 1974 BY WET IN DIE VSA N DIE BAN GEDOEN. ANDER SURROGATE, SOOS NATRIUM-ITRATE EN PIROFOSFATE, WAS DUUR EN ONEFFEKTIEF. HEMIKALIë WAT TANS NOG GEBRUIK WORD, SOOS ALKALI'S N SILIKATE, IS OOK NIE SO EFFEKTIEF AS STPP NIE

EN HET OOK 'N SKADELIKE UITWERKING OP WASMASJIENE EN KLEDINGSTUKKE.

EK VERSTAAN DAT DIE OORSESE LANDE NADAT HULLE 'N LANG PAD MET AL HIERDIE MOONTLIKE EN ONMOONTLIKE SUBSTITUTE GELOOP HET NOU DIE HANDDOEK INGEGOOI HET EN AANVAAR DAT DAAR NIE BEVREDIGENDE PLAASVERVANGERS VIR FOSFAAT IS NIE. HULLE HET OOK BEVIND DAT HULLE BEPERKINGS OP STPP NIE DIE PROBLEEM VAN FOSFAAT IN DIE WATER OPLOS NIE. KANADA EN DIE VSA HET VEEL GROTER EN BAIE MEER STANDHOUDENDE RIVIERE AS SUID-AFRIKA. HULLE IS DERHALWE IN 'N VEEL BETER POSISIE OM BESOEDELENDE STOWWE SO TE VERDUN DAT HULLE ON-SKADELIK IS. HULLE HET EGTER BEVIND DAT DIE TEEN-WOORDIGHEID VAN FOSFAAT IN DIE RIVIERWATERS ONAAN-VAARBAAR HOOG BLY. DAAR IS TOE VASGESTEL DAT HIERDI FOSFORBESOEDELING HOOFSAAKLIK VAN MENSLIKE EKSKRESIE AFKOMSTIG IS. EN DAN IS DAAR NATUURLIK OOK FOSFATE VAN BEMESTINGSTOWWE AFKOMSTIG, PLUS FOSFORSUUR WAT VIR METAALBEHANDELING GEBRUIK WORD. HIER MOET OOK

ONTHOU WORD DAT DIE BEMESTING VAN LANDBOUGRONDE IN NOORD-AMERIKA BAIE MEER INTENSIEF IS AS IN SUID-AFRIKA EN DAT DAAR GEVOLGLIK VEEL MEER FOSFATE VAN DIE LANDERYE AFSPOEL AS BY ONS. AL SOU ALLE FOSFATE UIT DETERGENTE VERWYDER KON WORD SAL DIT MAAR MIN VERSKIL AAN DIE FOSFAATINHOUD VAN DIE DAMME EN STROME MAAK - EEN OF TWEE DELE PER MILJOEN.

DIT IS OOK INTERESSANT DAT DAAR IN NOORD-AMERIKA GEVIND IS DAT BINDMETALE OP DIE BODEM VAN DIE RIVIERE OPBOU. DIT SKEP 'N TOKSIESE TOESTAND WAT DIE SKADE WAT FOSFATE KAN AANRIG VERDER MINIMISEER.

IN SUID-AFRIKA HET ONS NATUURLIK 'N VEEL MATIGER HOUDING TEENOOR DIE BESOEDELINGSPROBLEEM EN STUUR ONS MAATREëLS SOVER MOONTLIK WEG VAN DIE PROHIBITIEWE BENADERING. ONS PROBLEEM IS MISKIEN NOG NIE SO GROOT NIE MAAR ONS VERWAG AAN DIE ANDER KANT IN DIE TOEKOMS NA VERHOUDING 'N GROTER TEKORT AAN BRUIKBARE WATER AS IN DIE NOORDELIKE HALFROND. ONS HET DERHALWE DIESELF-

DE MOTIVERING GEHAD OM NA ORGANIESE SEKWESTREERMIDI
OOR TE SKAKEL SOOS IN NOORD-AMERIKA. HIER TE LANDI
HET ONS DIE BALANS BEHOU EN LIEFS PROBEER OM 'N TEI
VOETER VIR FOSFAATBESOEDELING TE VIND. SOVER BEKEI
IS HIER NIE POGINGS AANGEWEND OM DIE GEBRUIK VAN
ORGANIESE SEKWESTRASIE SURROGATE TE BEVORDER NIE.
DIE KLEM HET GEVAL OP DIE VERWYDERING VAN DIE OORTOLLIGE FOSFATE UIT DIE WATER. IN TEENSTELLING MET
OORSEE WAAR PROBEER IS OM DIE FOSFATE MET CHEMIESE
PRESIPITASIE TE VERWYDER, KONSENTREER ONS HIER OOK
OP BAIE GOEDKOPER BIOLOGIESE PROSESSE. DAAR IS AL
'N PAAR MILJOEN RAND OP NAVORSING GESPANDEER, VERAI
DEUR DIE WATERNAVORSINGSKOMMISSIE. JOHANNESBURG SI
MUNISIPALITEIT NEEM DIE VOORTOU EN HET REEDS GROOT
VORDERING GEMAAK. DIE MIKPUNT IS OM DIE FOSFATE TO
SO LAAG AS EEN DEEL PER MILJOEN TE VERMINDER EN DIE
VOORUITSIGTE LYK ROOSKLEURIG. DIT GAAN NATUURLIK '
PROBLEEM AFGEE MET DIE OUER RIOOLWERKE WAT NIE MAKI
BY DIE BETROKKE PROSESSE AANGEPAS KAN WORD NIE, MAA
DIT SAL WEL MET DIE TYD REGGESTEL KAN WORD. HIER I

...SNOOTS OP CHEMIESE PRESIPITASIE TERUGGEVAL WORD.

...DANKS AL DIE KOMPLISERENDE FAKTORE VAN DIE ...DERNE DETERGENTE NYWERHEID KAN DAAR NIE TERUGGEKEER ...ORD NA DIE OU MANIER VAN SEEPKOOK VAN DIEREVET EN ...YTSODA NIE. DIE PROBLEME MET DAARDIE SOORT SEEP ...AS DAT DIT MEERMALE ôf 'N TE SWAK REINIGINGSMIDDEL ...AS ôF DAT TE VEEL BYTSODA GEBRUIK IS WAT WEER DIE ...LERE GEVREET HET.

...N DIE OU POLYFOSAANLEG IS DIE FOSFAATGRONDSTOF DEUR ...IDDEL VAN 'N TERMIESE PROSES VERVAARDIG. DIT WAS ...GTER 'N DUUR PROSES WAT NIE MEER MEDEDINGEND WAS ...IE. MAAR DIE PRODUKSIE IS STEEDS WAARDEVOL EN DIE ...OOGWAARDIGER MATERIAAL VAN DAARDIE AANLEG WORD VIR ...IE VERVAARDIGING VAN BELANGRIKE SPESIALITEITSPRODUKTE ...ANGEWEND WAT TOT DUSVER OOK TEEN GROOT KOSTE INGE...OER MOES WORD. DIT SLUIT GRONDSTOWWE VIR DIE VER...VAARDIGING VAN NOODSAAKLIKE KATALISATORS VIR SASOL

IN, WAT BETEKEN DAT OPPOTTING VAN DAARDIE MATERIAAL GESTAAK KAN WORD. DIT WYS NOU OOK MAAR WEER HOE SELFONDERHOUDEND ONS NYWERHEIDSGROEI REEDS IS - DIE EEN PROJEK LEI TOT DIE ANDER.

EK VERSTAAN DAT TERMIESE AANLEGTE EEN NA DIE ANDER SLUIT AS GEVOLG VAN DIE HOë ENERGIEKOSTE OORSEE. HIERDIE EEN VAN POLYFOS KAN BINNEKORT EEN VAN DIE ENKELES WEES WAT IN DIE WêRELD OORBLY EN MET ONS GUNSTIGE ENERGIEKOSTE SITUASIE KAN DIT NOG IN 'N WAARDEVOLLE UITVOERNYWERHEID ONTWIKKEL VIR SOVER DIT DIE BEMARKING VAN FOSFORDERIVATE AANBETREF. EK VERTROU DAT POLYFOS DIE POSISIE GOED SAL DOPHOU MET DIE OOG OP DIE UITVOER VAN SY PRODUKTE SODRA DIT LONEND WORD. DIS NET EENVOUDIG NOODSAAKLIK DAT DIE PLAASLIKE VEREDELING VAN ONS GRONDSTOWWE VOOR UITVOER STEEDS HOë PRIORITEIT MOET GENIET EN DAT DIE VERVAARDIGING VAN NYWERHEIDSPRODUKTE STEEDS OPGESTOOT MOET WORD OM DIE MAKSIMUM EKONOMIESE GROEIKOERS TE BEREIK EN TE HANDHAAF.

ELUKKIG IS SAMANCOR OOK GOED BEDREWE IN DIE TEGNIEK AN DIE UITVOERMARK. WAAR DIE KORPORASIE HIER EN IN IE BUITELAND BEKENDHEID VERWERF HET AS EEN VAN DIE ROOTSTE PRODUSENTE VAN FERROLEGERINGS EN 'N BETROU-ARE LEWERANSIER DAARVAN, BESTAAN DAAR OOK GEEN WYFEL NIE DAT DIE TOEKOMS VAN POLYFOS MET DIE UGSTEUN VAN SAMANCOR EN AFRICAN AXPLOSIVES AND HEMICAL INDUSTRIES, BEVEILIG IS.

GAINST THIS BACKGROUND IT IT NOT SUPRISING THAT HEN THE NEW TECHNOLOGY BECAME AVAILABLE FOR THE ORE ECONOMIC PRODUCTION OF STPP, POLYFOS ACCEPTED HE CHALLENGE AND DID NOT MERELY SIT BACK AND LEAN ON THE GOVERNMENT FOR INCREASED PROTECTION ON THE LESS ECONOMIC PRODUCTION FACILITY, AS IS EXPERIENCED FROM TIME TO TIME. THIS IS PRAISEWORTHY AND POLYFOS DESERVES ALL THE SUPPORT FROM LOCAL INDUSTRY.

IT NOW GIVES ME GREAT PLEASURE TO FORMALLY OPEN THIS NEW POLYFOS PLANT.

ISSUED BY THE DEPARTMENT OF FOREIGN AFFAIRS AND INFORMATION AT THE REQUEST OF THE MINISTRY OF INDUSTRIES AND OF COMMERCE AND CONSUMER AFFAIRS

PRETORIA
1 JULIE 1980

RAND DAILY MAIL, Wednesday, July 2, 1980

R20m saving on detergent base

(183) RDM 2/7/80.

By SIMON WILLSON
Industrial Reporter

CHEMICAL imports worth R20-million would be made unnecessary by a new phosphate factory at Meverton, said Mr Ted Smale, executive director of AECI, at the opening of the factory yesterday

The R4-million factory is to be run by Polyfos a joint venture between AECI and Samancor, and is on the Samancor site It was officially opened by the Minister of Industry, Commerce and Consumer Affairs, Dr Schalk van der Merwe

Mr Smale said the 40 000 tons of sodium tripolyphosphate (STPP) produced annually at the plant would knock R20 million off South Africa's annual chemical import bill of R925-million

STPP is a fine white powder which forms the base material in most commercial detergents and washing powders, and the conventional thermal manufacturing process used in SA produces 20 000 tons annually against demand of about 30 000 tons

The shortfall was made up by imports, but the new acid purifying manufacturing process at Meyerton is more economical and more productive

At this stage, without economies of scale, the cost of STPP from this process, at about R650 a ton, is at a disadvantage to the world price of about R600 a ton

But protective duties, based on the anti-dumping floor price formula, cancle this out

Mr Smale said "Without Government assistance and protection, new ventures of this kind could not be launched If we didn't have the duty we d be in trouble "

The "big three" local detergent chemical buyers, Colgate, Lever and Henkel, would account for about 25 000 tons of the plant's annual production Other consumers would take about 5 000 tons, leaving an exportable margin of 10 000 tons, he said

With the lower world price, overseas imports were unlikely at this stage, but Polyfos representatives had been sounding out demand patterns for STPP in other Southern African countries notably Zimbabwe, Zambia and Malawi, where a market for 6 000 tons of the chemical was possible

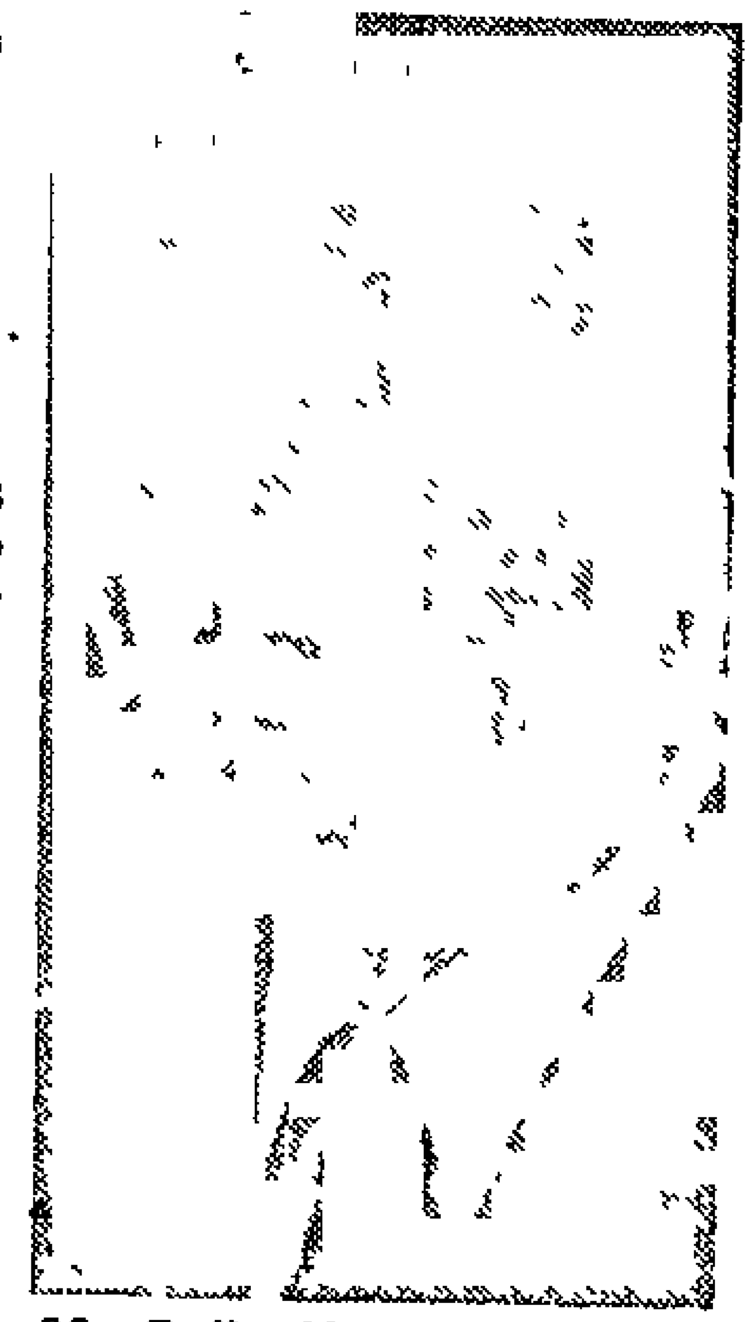
Dr Van der Merwe said the new plant was a good example of the interaction between the public and private sectors in the development of South Africa

'Polyfos is a private undertaking, but at the other end of the chain we have Foskor, a public corporation

While it is imporant that our economy should continue to be based on the free enterprise system, it is the Government's function and also its duty to create the climate and where necessary, also the opportunities for the private sector to develop " he said

Commerce, industries and the services sector were, almost without exception open for entry by entrepreneurs of the private sector

'It has, however, always been Government policy that the State should undertake those industrial activities which are too risky or of such a magnitude that they cannot be embarked upon by private undertakings " Dr Van der Merwe said



Mr Colin Hall has joined the board of Field Industries.

SECTION C

RAND DAILY MAIL, Wednesday, July 2, 1980

R20m saving on detergent base

183

RDM 2/7/80.

By SIMON WILLSON
Industrial Reporter

CHEMICAL imports worth R20-million would be made unnecessary by a new phosphate factory at Meyerton, said Mr Ted Smale, executive director of AECI, at the opening of the factory yesterday.

The R4 million factory is to be run by Polyfos, a joint venture between AECI and Samancor, and is on the Samancor site. It was officially opened by the Minister of Industry, Commerce and Consumer Affairs, Dr Schalk van der Merwe.

Mr Smale said the 40 000 tons of sodium tripolyphosphate (STPP) produced annually at the plant would knock R20 million off South Africa's annual chemical import bill of R925-million.

STPP is a fine white powder which forms the base material in most commercial detergents and washing powders, and the conventional thermal manufacturing process used in SA produces 20 000 tons annually against demand of about 30 000 tons.

The shortfall was made up by imports but the new acid purifying manufacturing process at Meyerton is more economical and more productive.

At this stage, without economies of scale, the cost of STPP from this process at about R650 a ton is at a disadvantage to the world price of about R600 a ton.

But protective duties based on the anti dumping floor price formula cancle this out.

Mr Smale said: "Without Government assistance and protection, new ventures of this kind could not be launched. If we didn't have the duty we'd be in trouble."

The big three local detergent chemical buyers, Colgate, Lever and Henkel, would account for about 25 000 tons of the plant's annual production. Other consumers would take about 5 000 tons, leaving an exportable margin of 10 000 tons, he said.

With the lower world price overseas imports were unlikely at this stage, but Polyfos representatives had been sounding out demand patterns for STPP in other Southern African countries, notably Zimbabwe, Zambia and Malawi, where a market for 6 000 tons of the chemical was possible.

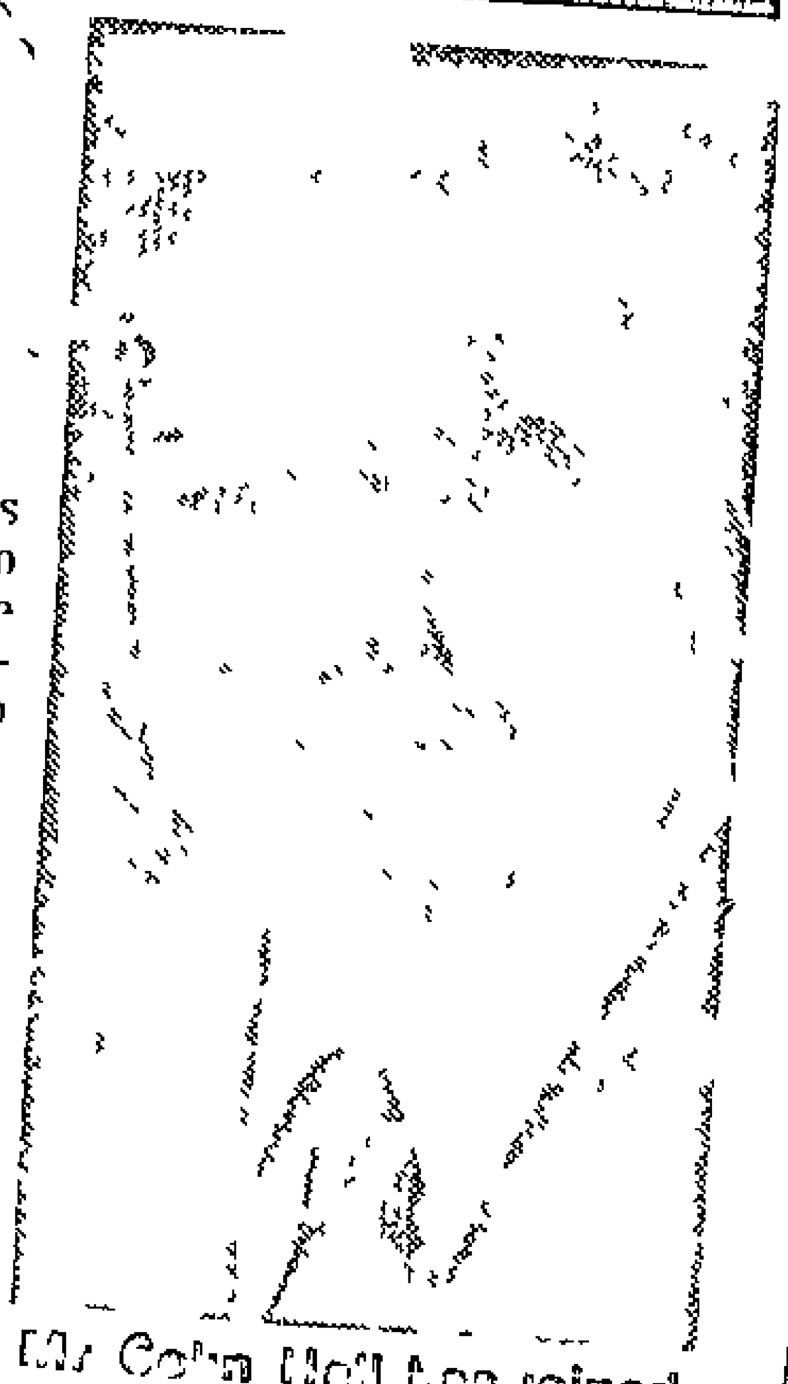
Dr Van der Merwe said the new plant was a good example of the interaction between the public and private sectors in the development of South Africa.

"Polyfos is a private undertaking, but at the other end of the chain we have Foskor, a public corporation.

"While it is imporant that our economy should continue to be based on the free enterprise system, it is the Government's function and also its duty to create the climate and where necessary also the opportunities for the private sector to develop," he said.

"Commerce, industries and the services sector were, almost without exception, open for entry by entrepreneurs of the private sector.

"It has, however, always been Government policy that the State should undertake those industrial activities which are too risky or of such a magnitude that they cannot be embarked upon by private undertakings," Dr Van der Merwe said.



Mr Colin Hall has joined the board of Field Industries.

...BER 1978

...te for which ..., B Sc) B.Comm

...omics II

...heading on the Examination Paper)

...heading on the Examination Paper)

Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

...ach page and in column (1) ...s cover the number of the ...swering

... must be used for written ...of a ball point pen is accept... ...h ink may be used only for ...hasis or for diagrams, for ...also be used

...inted on each separate sheet ...) where sheets additional to ...(s) are used

4 Do not write in the left hand margin

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

PHOSACID PRICES FM 4/7/80 (83)

Good cheer for Louis

Negotiations with Brazilian buyers on the July/December phosacid prices have resulted in substantial price increases for SA manufacturers Fedmis and Triomf.

The *FM* learns Fedmis has concluded a deal whereby "for just under $480/t" it will sell "125 000 t 54% grade phosacid." This represents $35/t increase on the price which applied to the end of June.

Triomf's price for roughly 220 000 t 54% grade phosacid is said to be $477,80/t. Triomf's price to end June was said to be roughly $450/t.

The market in Brazil still has on offer 150 000 t phosacid produced by the major US producer Occidental Petroleum, which already sold 236 000 t to the Brazilians at an average price $465/t.

Projections made earlier this year that phosacid prices were likely to hit a high of $500/t in the second half of 1980 appear to be unrealistic at this stage.

With the current $30/t increase in the price of imported sulphur as well as the higher value of the rand, which means lower net rand proceeds, phosacid profitability in the second half of 1980 is marginally down compared with the first half.

FM 4/7/80 183

PAINT

A new coat

There's a new look at Prolux Paint Holdings The AECI subsidiary, which has a turnover exceeding R100m a year, has been renamed AECI Paints, a move which will strengthen the corporate image of AECI

With sales 40% up this year, AECI Paints is spending R7m by the end of 1981 to increase its capacity

"We deal in the widest possible market spread, from the heaviest to the lightest end of the trade," says MD Klaus Dienst "We are a multi-market company with a single product The expansion will consolidate our strength right across the board"

AECI's 38% of the R290m-a-year paint market (with brand names including Duco, Rockgrip and Dulux) is exceeded only by Plascon-Evans (owned by Barlow-Rand) with 52% Some 60 small companies fight for the remaining 10%

The broad spread of markets helps to iron out fluctuations in demand, says Dienst "When the property industry is depressed, the motor industry might be booming," he says "Except for one year, when growth was flat, we never really felt the recession, We have also increased our market share from 27% in 1970"

Some of the growth came from acquisition, and some by capturing market share from smaller companies Return on capital, says Dienst, is 30%-35%

Overall paint demand in volume terms is 18% higher in the first half of 1980 than it was in the same period of last year

The whole market is 60% decorative and 40% industrial AECI supplies four out of every five litres sold to the automotive market, which in turn accounts for 40% of the industrial segment

Dienst notes two trends taking place in the industry towards water-based paint, and towards more efficient methods of application Oil-based paints are more durable than the water-based paints (such as used to paint walls of buildings) but technologists are discovering ways of producing tougher water-based paints Users would prefer them because they are easier to work with

Among new developments in application is the technique of coil coating which allows sheet metal to be worked (even folded back on itself) after it has been painted — without damaging the paint Less paint is required, but the compensation is that coil coating is capturing a bigger share of the sheet metal market

Sun POST 6/7/80

Bosses invite union to help

(183)

SUNDAY POST Reporter

THE management of Natal Cane By-Products has invited the Chemical and Allied Union (CAU) to help solve the grievances of their black workers.

Mr S K B Kikine, general secretary of the Durban-based South African Allied Workers' Union, told SUNDAY POST that talks were held on Wednesday between their affiliation (CAU) and the directors of the factory

Most of the 100 black workers at the factory are CAU members Last week they met and decided to approach management for more pay and better working conditions. Mr Kikine participated in the negotiations.

He said the management asked his union to make a written statement of all the demands and to forward it to the Durban branch of Natal Cane By-Products "We were promised an answer on Monday."

The directors could not be contacted for comment

Flu is good news for SA Druggist

By DAVID CARTE
Deputy Financial Editor

AFTER FALLING short of his 1980 earnings forecast by 15%, the chairman of SA Druggists, Mr W L du Plessis, is bold enough to forecast only "a satisfactory profit increase" in the annual report

While he forecast earnings of 32c a share last year, they turned out to be 27,1c. This was nevertheless a 22% improvement on last year's annualised earnings of 22,2c

Annualised sales rose 30% to R183 193 000, pre-tax profit 18% to R11 535 000 and taxed attributable profit 23% to R3 050 000. The dividend was raised 18% to 13c

These results were achieved in spite of a R1 200 000 loss at Lebethien's intravenous solution plant and at surgical needle and syringe maker, Medispo. These companies are both expected to show "modest" profits in the current year. This suggests a R1 200 000 tax-free improvement in the current year, even if all other operations stand still

The managing director of SA Druggists, Mr B T O'Donnell, told me that the current cold and flu epidemic would be of "enormous" benefit to this year's profit. Sales of cold, cough and flu remedies and of antibiotics were booming, and some lines were turning over millions

The chairman cites other factors making for a "good deal of optimism" for the future, among them

Solution of the problem of supply shortages at CGR and Surgicare

A new streamlined and cost-efficient method of drug distribution in the pharmaceutical wholesaling division

The opening of new premises at Bloemfontein, which will rationalise the group's Johannesburg and Port operations

The success of SA Druggists' LINK chain of retail pharmacies

Good prospects for Lennon, the group's largest manufacturing division

The "exceptional" results of a duodenal ulcer remedy called Ulsanic

The relocation of Lennon Petersen to Isando, which will permit growth for Lennon Petersen, Alpes and PS Amalia

Progress on the medicinal forms, which should start yielding profits in the 1982/1983 financial year

Good progress with the introduction of products in the surgical medical, electro medical and X Ray equipment division

Continuing progress in the dental division and, following the sale of the veterinary wholesale division, "good" profit prospects in the "lucrative" veterinary division

The report gives relatively little information and does not give a meaningful divisional breakdown of profit, showing only that 85% of profits came from pharmaceutical manufacturers and distributors and 15% from surgical and medical equipment, X-ray equipment and supplies

At 183c, SA Drug yields 7,1% on the new dividend, which by the end of the current year will be historical. With so much going for it, it looks good value, but the market might take some time to forgive the company for falling short of its earnings target

Govt studies drugs report

STAR 8/7/80 183

By Josie Brouard

The exposure of monopolistic malpractices in the pharmaceutical trade — affecting all consumers in South Africa — was under consideration following a report of the Competition Board, a Government spokesman has said

Mr T F van der Walt, secretary to the Minister of Industrial Affairs, Dr S van der Merwe, said the Minister was presently considering the recommendations of the report, originally undertaken by the Board of Trade Industries way back in 1975

After an investigation into the supply and distribution of pharmaceutical products in South Africa the board (now known as the Competition Board) published its findings and recommendations in a Government Gazette notice on June 20 this year

The board found that the supply and distribution of pharmaceutical products were monopolistic and not "in the public interest" and further found that

- Wholesalers (through the National Wholesale Drug Association) maintained a standard profit of 17,5 percent on all medicines regardless of the original cost of the product
- Manufacturers of pharmaceutical products tendered for business with identical price quotations
- Retail pharmacies were compelled to buy more than 50 percent of their stock from wholesalers who granted them financial aid.
- Retail chemists (through the SA Retail Chemists' and Druggists' Association) boycotted suppliers who did not sell to them exclusively
- Manufacturers and suppliers withheld supplies from wholesalers who did not join the NWDA
- PSSA Contracts — medical scheme of the Pharmaceutical Society of South Africa — restricted a pharmacist's membership to other medical schemes
- PSSA Contracts members were compelled to have their dispensing done by PSSA Contracts suppliers only.

The board recommended that in terms of the Regulation of Monopolistic Conditions Act, the above practices be prohibited

Mr van der Walt said today that the recommendations might be implemented — and could be before the next sitting of Parliament — but that any Government steps would not be taken "for a month at least"

He admitted that a long time had elapsed since the malpractices in the industry had been uncovered, but explained the delay for the board's report

He said a 1977 commission of inquiry into the pharmaceutical trade in general had run parallel to the former Board of Trade and Industries' investigations so that probings by the board had been shelved temporarily

The board's report said as far as most pharmaceutical products were concerned, competition was imperfect The selling price — and therefore the profits — were generally higher than under perfect competition

COSMETIC INDUSTRY

Beauty unlimited

Things are looking beautiful in the R200m a year cosmetic and toiletries industry. Real growth this year is estimated at 5%, and with more and more black and white consumers becoming health- and beauty-conscious there is no saturation point in sight.

But indications are that department stores are not capitalising on the boom. An estimated 72% of all cosmetics are sold in pharmacies, 20% in discounters and less than 10% in departmental stores.

Between R65m and R70m is spent annually on cosmetics alone — treatments, colour make-up and fragrances — a figure which in some views puts white SA consumers second only to the Germans in their use of skin care products.

It certainly signals a growing awareness of cosmetic needs among men and women. Although colour cosmetics for men are unlikely to sell locally, there is a marked swing towards greater use of moisturising balms, pre- and after-shave products and even colognes.

One of the keys to greater use of skin care products, says Helena Rubinstein GM William Gemmill, is the ageing of the population.

Revlon, market leaders with an estimated 30% share, predicts sales will grow by a third this year — some won from other houses. Best-selling items vary from region to region, but it is fragrances which have been measuring greatest growth, says MD Bob Steel.

It all started, he says, when Revlon's new perfume, Charlie, firmly established a trend to "lifestyle fragrances" which don't have to be made in France. There has been, he says, a trend towards closer alignment of the fashion and cosmetic industries, and lifestyle fragrances support it.

Coty, said to be third in the market with

LOCAL BEAUTY

Without the vast capital available to the international cosmetic houses for glossy advertising, local manufacturers have gone the direct sales route to market their products

Avroy Shlain, recognised as the leader among local houses, says "We're in the top 10 now and within 10 years I expect to be in the top three " Current annual turnover tops the R3m mark and Shlain is now exporting goods to Australia and Israel and negotiating with Chile and Sri Lanka Annual growth has been in the region of 80% a year

Shlain believes per capita spending on cosmetics is high but says at least some of that is accounted for by the relatively high cost of local cosmetics

Most of the local houses buy international formulas and raw materials and manufacture locally. One of the reasons for success, says Shlain, is that his company adapts formulations to fit the needs of SA women specifically, particularly those living on the highveld

Shlain says the men's market is close to R20m a year Consumer studies have shown, he says, that between 20% and 25% of one of his skin rejuvenating creams is used by men "They either buy unobtrusively or dip into their wife's jar," he says

Reeva Forman, who heads Reeva Beauty Products, says local companies have to become growth conscious and must want more than a "nice income" if they want a greater share of the market The international companies are used to those problems and set up a good second line management South Africans have to become more orientated to spending larger amounts on advertising, she says

Forman believes competition within the industry is vital in keeping costs down and quality high At present, she says, local companies — among them Vanda, Justine, Violet Kuny and Cosmetic E — account for 20% of all direct sales of cosmetics and maybe 20% of goods sold through retailers

With Twins Pharmaceuticals now controlling Mary King cosmetics, it could become one of the few local brands competing against the big names for a share of the retail market Marketing manager Mike Fischer says Twins are aiming at a 350% turnover increase in four years Although they are working from a small base they could end up with a sizeable market share if they reach their target

Cosmetics . . . looking good

an 11% share, is also strong in fragrances GM Maurice Kilduff tells the *FM* that its skin care lines, though good, are incidental Kilduff says the industry hasn't experienced much real growth in a number of years because of price increases

The fashionable "natural look" has not adversely affected the market As the head of a local cosmetic house, Reeva Forman, puts it "The natural look is an illusion "

Toiletries have outstripped every market other than food, says Steel "Ten years ago many South African men wouldn't wear a deodorant or shampoo their hair regularly," he says Now things are different The middle priced toiletries have fallen away and the cheap product market is diminishing "People aren't buying shampoo by the bucketful anymore Consumers are demanding that products perform as advertised," he says

Disregard for the price of an article, if the quality stands up, is also emerging in the cosmetic lines Says Gemmill "We've experienced exceptional growth in our higher priced products" — particularly one line which ranges between R18 and R50 per item Growth for HR is about 50% so far this year, he says He adds that cosmetics have proved to be relatively recession resistant If a woman needs cheering up, a lipstick is a lot cheaper than buying a dress

With about 32 brands catering to the needs of what amounts to only about 4,5m people, one would expect a degree of over trading, and perhaps some need for rationalisation

Steel believes there is over trading but that rationalisation within the Revlon lines has come at brand level He also believes that stricter policing of the industry will put sub-standard operators out of business Cosmetics are absorbed through the skin into the body, says Steel, and should be controlled as strictly as pharmaceuticals

The long term view is that the black consumers provide the market of the future But unlike America, where "Black is Beautiful" has been the marketing approach for special ranges, local cosmetic houses take the view that they will be promoting beauty in women, while providing some special products to cater for problems which darker skinned women have

Triomf zooms 356%, to split shares

(183) RDM 11/7/80

By HOWARD PREECE

TRIOMF Fertilizer Investments has reported a 356% rise in pre-tax profit to R14 701 000 for the six months to June 30 and has announced a two-for-one share split.

Mr Louis Luyt's now-booming group had a turnover of R189-million in the first half of this year, R59-million up on the 1979 equivalent

A maiden interim dividend of 30c has already been declared and Mr Luyt is predicting a final of 60c

Triomf has a 51% stake in Triomf Fertilizer (Pty), the operating company which makes fertiliser, phosphoric acid, crop chemicals and farm implements

AECI has the the other 49% and highly delighted it must these days with its investment

The outside shareholders' interest in Triomf's interim figures was more than R6-million

Phosphoric acid is what Triomf is all about When the world price slumped a few years back so did Triomf — and it was touch and go whether Mr Luyt would be able to keep control of the group

But he did, with some help from Info, and with phosphoric acid prices booming Triomf is now right up in the big league

The group still has huge tax credits from past losses, but with profits surging these will soon be eaten away — although they will be bolstered by investment allowances from new expansion — and R2 056 000 deferred tax has been provided for out of total tax of R2 331 000 in the first half of this year

Turnover last year was R334-million Watch it hit R500-million this year

Net profit, after the outside shareholders' contribution, was R6 264 000 at the halfway mark, equal to earnings of 44,7c a share (Previous R1 895 000, 13,5c eps)

Mr Luyt says he intends that the dividend cover for the year should be about 1,6

On a dividend projection of 90c that suggests earnings of around 145c or an attributable profit in the R21-million mark

Mr Luyt says "Satisfactory results were obtained in both the local and export markets

"The only detrimental effect on profits was the increase in the prices of railage, sulphur and potash It goes without saying that representations will have to be made to the authorities for alleviation in this regard

"Export profits cannot be utilised to subsidise price increases in the local market

"There was no provision during 1977 in the local fertiliser pricing to accomodate the huge export losses suffered during that year"

COMMENT: Triomf shares have moved up 50c this week to 900c.

The share split will increase marketability and this can sometimes, illogically really, give a real boost to the share price.

At 900c Triomf is on a prospective dividend yield of 10%, or maybe more. Mr Luyt would obviously like to exceed the forecast.

That yield is remarkable in the present bull market and must be attributed to doubts arising from the difficult period a few years ago.

But if the share market is to keep firm, Triomf must surely have some upward potential left.

Longer-life batteries hit sales

183

RDM 11/7/80

Financial Reporter

CHLORIDE HOLDINGS expects only modest growth in replacement battery sales, but is counting on radical marketing reorganisation and higher battery sales to mines and to industry for further sales and profit growth in the current year, says the annual report.

In the year to the end of June, Chloride pushed up sales 17% to R39 065 000, pre-tax profit 35% to R4 598 000 and taxed profit 30% to R3 164 000 Earnings a share rose 31% to 70,3c (1979 53,8c) and the dividend 15% to 30c (26c)

Because competition in the replacement market is fierce and modern batteries are lasting longer, sales in the important replacement market, which accounts for 70% of vehicle battery sales, are expected to underperform the economy, says the chairman, Mr Ken Hodgson

In an attempt to bolster replacement sales, the automotive products division was rationalised during the year Chloride reduced the number of its branches from 18 to 10 and appointed 47 specialist distributors

Last year Chloride lost a contract to supply SA's biggest motor manufacturer on price considerations This reflected the company's determination to hold its margins in a competitive market Last year pre-tax margins were raised from 11,5% to nearly 13%

With vehicle sales booming, the company is looking for improved original equipment sales in the current year

Prospects are bright for batteries for motive power in industry as well as the mines and Chloride is encouraged by the progress of its experimental Silent Karrier electric delivery vehicle

The new lead smelter at Berlin, near East London, was a "significant profit producer"

After being heavily borrowed a few years ago, the company believes it is undergeared and is on the lookout for acquisitions which would "harmonise" with its existing operations Auto electrical businesses or those using lead are regarded as particularly desirable

The volatile lead price has been a problem, soaring from £350 to £700 and back to £350 again in the course of a year The lower price will not necessarily translate into far higher profits, as a lead-price surcharge above £400 has fallen away

The tax rate rose from 29% to 31% It may rise further, but probably not materially, says the financial director

Chloride's forecasting has traditionally been conservative and in the current year it is budgeting for no more than "a further increase in sales and profit"

It would be surprising if earnings are not hoisted 20% in the current year to 84c and, assuming constant dividend cover, the dividend is not raised to 35c On the current share price of 600c, this gives a prospective yield of 5,8% That's low and suggests the price is a full one

AECI dynamite truck . . . horses for courses

EXPLOSIVES FM 18/7/80

Patent anger 183

Another salvo been fired in the continuing legal battle between AECI and US-based chemical giant Du Pont

Bone of contention is Du Pont's application to amend its Tovex watergel explosive patent (manufactured by a Du Pont licensee in SA), and its emulsion slurry explosive patent

Du Pont's SA patent, which describes the form of watergel slurry (Tovex), was granted in 1968 In 1971, Du Pont applied for a "patent of addition" concerning emulsion explosives, manufactured elsewhere in the world but not in SA

AECI, major manufacturers and suppliers of explosives to Chamber of Mines member mines, applied in April 1977 for revocation of both patents The reason cited was that the Du Pont patents were unduly and unfairly restrictive and could prejudice AECI research developments

After the AECI application, Du Pont applied to the Registrar of Patents for permission to amend the patents which had already been amended in Canada and the US in 1973 AECI opposed this application

In a judgment handed down recently, AECI's application to prevent patent amendment was overruled in regard to the emulsion slurry Judgment has not been given with regard to the patent amendment on watergel slurry Nor have the courts decided on the validity of both patents

The surprising feature of the judgment is that applicant AECI was granted full costs And the judge ruled that although AECI's application had been overruled, it had been within its rights to object to Du Pont's application to amend its emulsion patent

In the meantime, Oliver Hill's Tovex test trials, as an alternative explosive on Chamber of Mines member mines, commenced But indications are that mine response to Tovex watergel slurry is lukewarm at best

In terms of AECI's historic arrangement with the Chamber of Mines, AECI is sole supplier of explosives to the major part of the mining industry The total explosives and accessories market is worth in excess of an annual R200m, 60% of this coming from explosives

In terms of the arrangement, mines can test alternative explosives manufactured by competitors, providing AECI is informed of any claimed technical advantages of the competitive product and given a chance to match these with their own product range

Tovex trials started at the beginning of 1979 and have been completed or are in progress in five underground gold and platinum mines, three collieries, one open-cast iron mine and two quarries At this stage, says Chamber of Mines manager Peter Bosman, five mines have decided not to continue testing Tovex after completing some of the trials The reason seems to be there were no significant technical advantages in using Tovex

Test runs are still being conducted on three mines Two have indicated there are positive advantages in using Tovex In the next testing stage, AECI will be given a chance to match Tovex results with their own watergel slurry, Sinex

One of the features of watergel slurries mentioned by the mines testing Tovex, says Bosman, is a lower incidence of headaches because of the absence of volatiles and noxious fumes generated by conventional nitroglycerine-based explosives like dynamite

Bosman denies media reports that on mines testing Tovex, absenteeism dropped to 1,5% from the historic 4% level

AECI claims demand for watergel slurries is increasing following the growth of open cast mining operations Demand for these explosives (AECI has manufactured a watergel slurry since 1967 when demand was minimal) is currently topping 20% of total SA explosive market needs — compared to 12% in the US

Says an AECI spokesman "It's not a question of one type of explosive being better than another It's a question of horses for courses"

55?

Though demand indicates that prices will increase, consumer resistance can also develop rapidly as happened in 1977 when the price last rose significantly. At that time, France, for example, did not fertilise its crops for a full year.

On the local scene, Luyt says that manufacturers will seek higher controlled prices to compensate for price increases in transport as well as in raw materials such as sulphur and potash.

At the same time he believes that the export and local markets should be sepa-

Louis Luyt . . . who's laughing now?

rated for pricing purposes so that export profits do not subsidise a poor year in SA. Luyt adds that no provision was built into the local pricing structure in 1977 when huge export losses were being made.

As part of a programme to alleviate the effects of rising costs, he points out, the group is tending to increase the amount of nutrient in fertiliser — effectively producing a more concentrated product — to offset higher freight rates.

On expansion, Luyt says that the cost of adding 50% to existing productive capacity would be in the region of R100m — as much as the original plant cost in the first place. What he would rather see, he says, is a "de-bottlenecking" of plant which would allow a greater return on fixed assets. The Richards Bay plant, he points out, has recently been expanded but at very low capital outlay.

Though the company reaffirms the annual report earnings forecast of 110c for the current year, the interim results suggest a total of 145c is more likely.

This would allow a 60c final dividend on top of the maiden 30c interim covered 1,6 times. At the current share price of 965c this offers a prospective yield of 9,3%.

Concurrently with the results, the company has proposed a share split on a two-for-one basis, which should aid marketability. Also coming up is a change in major shareholdings.

Lanchem holds 33,1% in Triomf, which in turn owns 51% of operating subsidiary Triomf Fertilizer (AE&CI owns the other 49%). Now, however, Lanchem is to take up a further 2,2m Triomf shares from LLG Group Investments to increase its holding to just under 50%.

To fund the purchase, Lanchem will make a rights issue and will, at the same time, also split its shares on a two-for-one basis. Currently the share trades at 525c — up from 70c at the beginning of 1979 — and yields a meagre historic 2,3% following a 12c dividend payment last year.

Though prospects for Triomf, Lanchem's major source of income, look good, the holding company seems overpriced and must rank second to a hold in Triomf.

Scott Hawker

TRIOMF FM 18/7/80

Spreading growth (183)

Though Triomf's profit history has been patchy, when things do go well in the phosphoric fertiliser business, performance can really take off. In the six months to end-June, sales rose by 46% from R129,6m to R189m, while attributable profits rose 236% from R1,9m to R6,3m.

These results, based on an average increase in the price of phosacid of about $100/t over the last year, are particularly creditable, coming as they do in the face of increased competition in traditional markets.

Following the US boycott on sales of phosphate fertilisers to Russia, American producers switched their attention to the important Brazilian market, forcing SA to seek outlets elsewhere. Australia, among others, compensated handsomely.

The group has made a provision for taxation amounting to R2,3m for the half year despite the fact that it has some R50m in tax losses still to offset against profits. Further tax allowances are available from exports which comprise about 66% of sales.

The future of phosacid prices is the key to forecasting Triomf's performance, but chairman Louis Luyt points out that costs of manufacture and, particularly, railage, can cause havoc with price predictions.

NDIDATE MUST enter in
he number of each question
the order in which it has
ed); leave columns (2) and

Internal	External
(2)	(3)

Exa
pages
be u
given f
colum
of the q
ritten a
ptable.
r unde
pencil m
separate sheet
additional to
examination book

er or other materia
nation room unless
nunicate with other
except the invigilator.
is to be torn out
handed to the commis-
efore leaving the exam-

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

183 FM 18/7/80

TRIOMF FERTILIZER INVESTMENTS LTD.

DIRECTORS Louis Luyt (Executive Chairman), J J Becker (Managing), Dr D H Craven, Dr C P Goosen, Mrs A M M Luyt, J G Norton, L F Pereira

INTERIM PROFIT DECLARATION

The unaudited, consolidated results of the Company for the six months ended 30th June, 1980, with comparative figures, are as follows

	Six months 30 6 80 R000's	Six months 30 6 79 R000's	Year 31 12 79 R000's
Group Turnover	R188 984	R129 580	R333 660
Consolidated Trading Profit	14 701	4 125	25 099
Less Loss on sale of fixed assets	—	—	10
	14 701	4 125	25 089
Less Taxation (See Note 3)	2 331	—	399
	12 370	4 125	24 690
Less. Interest of outside shareholder in profit of subsidiaries	6 106	2 230	12 447
	6 264	1 895	12 243
Add Extraordinary foreign exchange profit	—	—	397
Nett profit attributable to shareholders of Triomf Fertilizer Investments Limited	R6 264	R1 895	R12 640
Earnings per share	44,7	13,5	90,3

HIGHLIGHTS

1 The Board wishes to announce a consolidated net profit before tax of R14 701 000 for the 6 months ended 30th June 1980 This profit represents an increase of R10 576 000 (356%) compared with the corresponding period in 1979

2 After providing for minority shareholders' interest and taxation, the profit attributable to shareholders of Triomf Fertilizer Investments Limited amounts to R6 264 000, which represents earnings per share of 44,7 cents The pre-tax earnings represent 52,2 cents per share

3 Although the Group still has a considerable tax credit, the Board has decided to provide for R2 056 000 (7,5c per TFI share) deferred tax for the current 6 months

4 Group Turnover amounted to R188 984 000, which represents an increase of R59 404 000 (46%) compared with the corresponding period in 1979

5 Satisfactory results were obtained in both the local and export markets The only detrimental effect on profits was the increase in the prices of railage, sulphur and potash
It goes without saying that representations will have to be made to the authorities for alleviation in this regard It is still the opinion of the Board that the contribution of the export and local markets should be assessed separately, therefore, export profits cannot be utilised to subsidise price increases in the local market There was no provision during 1977 in the local fertilizer pricing to accommodate the huge export losses suffered during that year

6 The Company succeeded in expanding its Richards Bay plant at a very low capital outlay The success in the export market, coupled with the expectations of the local market, has the concomitant effect that profit predictions remain in line as forecasted by the Chairman in the 1979 annual report

7 Unless circumstances beyond the control of the Company have a detrimental effect on the operations of the Group, a further dividend of 60 cents is forecast

By order of the Board

L LUYT
Chairman

J G NORTON
Director

11 July, 1980

Registered Address
Triomf House
37 Stanley Ave
Braamfontein Werf
Johannesburg 2001

Postal Address
PO Box 31755
Braamfontein
2017

Transfer Secretaries
Central Fertilizer
Corporation (Pty) Ltd
6th Floor Triomf House
37 Stanley Ave
Braamfontein Werf
Johannesburg 2001

CHLORIDE FM 18/7/80 (183)

Charging the mines

Activities: *Largest manufacturer of rechargeable batteries in SA, marketed under trade names Exide, Oldham, Chloride Also manufactures and distributes battery-related systems Chloride UK holds 70% of the equity*
Chairman: *K R T Hodgson*
Capital structure: *R4,5m ordinaries of 50c Market capitalisation R27,5m.*
Financial: *Year to 31 March 1980 Borrowings long- and medium-term, R722 000, net short-term, R4,2m Debt equity ratio 29,3% Current ratio 1,9 Net cash flow R2,9m Capital commitments R722 000*
Share market· *Price 610c (1979-80 high, 750c, low, 370c, trading volume last quarter, 44 000 shares) Yields 11,4% on earnings, 4,9% on dividend Cover 2,3 PE ratio 8,8*

	'77	'78	'79	'80
Return on cap %	25 1	21 7	19 0	22 3
Turnover (Rm)	28 1	30 3	33 4	39 1
Trading profit (Rm)	4 3	3 9	3 9	5 1
Gross margin %	15 5	12 9	11 1	12 9
Earnings (c)	53 8	57 2	51 3	69 6
Dividends (c)	20	23	26	30
Net asset value (c)	256	296	331	371

Western economic slow-down and rising oil and commodity prices, had both positive and negative implications for Chloride last year On the one hand, the use of private and commercial transport was affected by increased fuel costs, and the group's important auto battery replacement market declined 8,4% But against this, there was a strong upward trend in the mining sector to which Chloride is also a major supplier

On balance, however, earnings per share rose from 51,3c to 69,6c, from which dividends totalling 30c (26c) were declared Pre-tax profits were up 35% to R4,6m on a turnover advance of only 17% to R39,1m Chairman Ken Hodgson ascribes the improvement to better material use, labour efficiency and the containment of fixed expenses

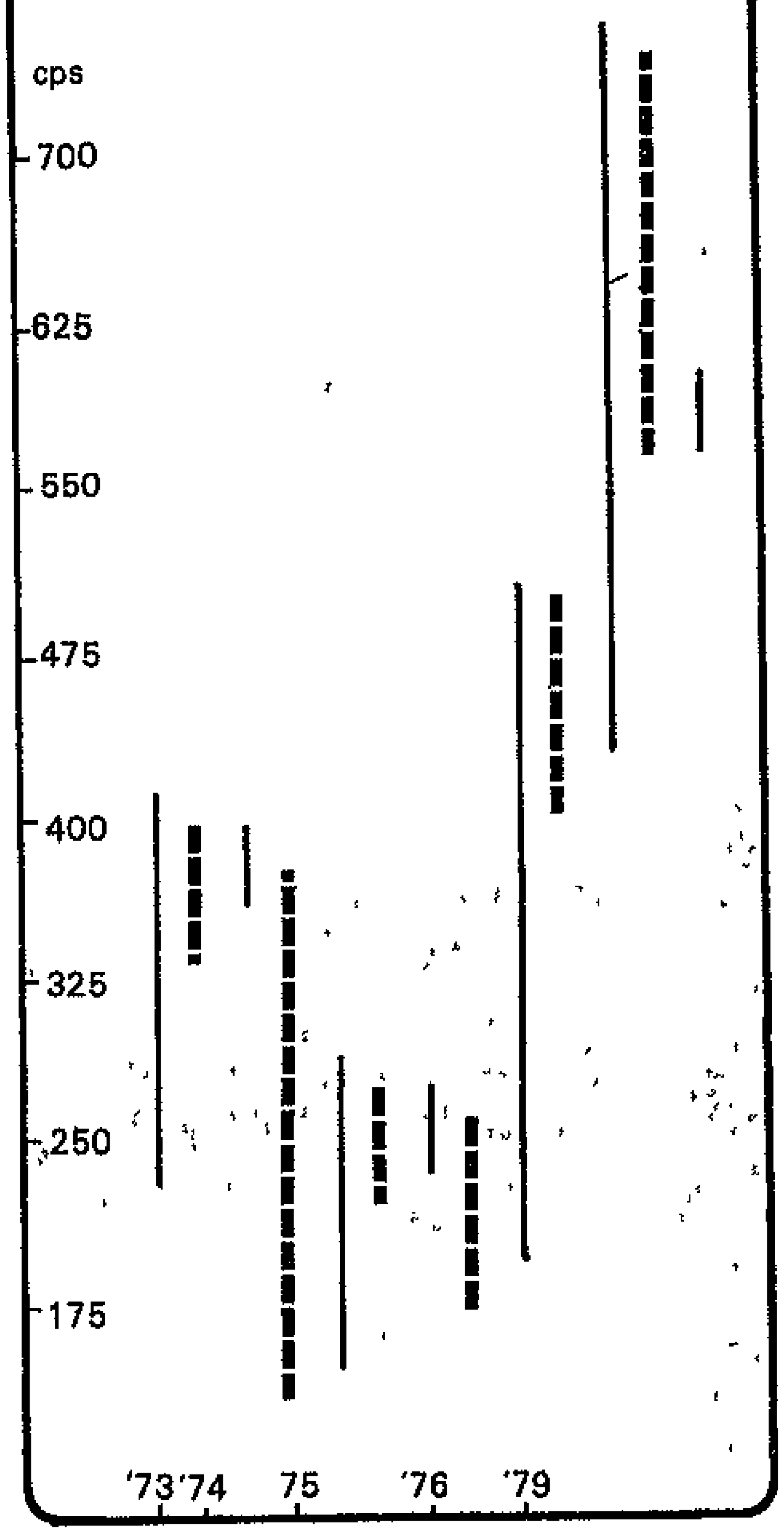
As far as the balance sheet is concerned, gearing was reduced to 22,5% (30,8%) and shareholders' funds were up 12% to R16,7m (R14,9m) Return on equity consequently improved to 18,8% (15.5%)

According to financial director Peter Kett, the majority of last year's sales increase represented higher selling prices and not an improvement in sales volumes Of the total, R11,7m was attributable to the private vehicle market (new and replacement), R16,3m to industrial and commercial sales, and R11,1m to mining

In the industrial sector there was a strong demand for battery-powered fork-lift trucks and, according to manufacturers, 70% of enquiries towards the end of last year were for electrical rather than diesel powered units

Also on the positive side in this sector, Chloride obtained valuable contracts for the supply of Alcad nickel-cadmium cells to the SAR, the GPO and Sasol 3 In the mining market, the sharp rise in the gold price sparked off major extentions to mining activities, which resulted in increased sales of miners' cap lamps

CHLORIDE Losing power



Kett attributes the 8,4% decline in the automotive replacement market to the increased price of fuel which, he feels, has caused many buyers to shelve plans for second cars, and also to the development to "long life" batteries

Changes in the marketing organisation saw a network of distributors appointed to handle automotive batteries across the country This process was started last June but is still not complete Nevertheless, the new system has already had an impact on market penetration

Last year the Berlin scrap lead smelter, which provides most of the group's lead requirements, was once again a significant profit producer It was updated by the installation of a rotary furnace, replacing a reverberatory unit, which has not only increased throughput, but will allow the use of lower grade scrap

With expansion and modernisation programmes at the Benoni and East London factories now complete, the group has the facilities to handle increased volumes as the economy grows The board expects Chloride to do substantially better in 1981 than in fiscal 1980, but does not quantify that expectation

David Zietsman

DATES TO REMEMBER

Last day to register dividends:

Friday July 25: Advance 4c, F S Development 25c, Masonite 14c, National Trading 8c

Meetings:

Monday July 21: Metal Box

Tuesday July 22: Huletts Aluminium (Pietermaritzburg)

Wednesday July 23: Common Fund (Cape), Wesco

Thursday July 24: Boland (Paarl), Ergo

Friday July 25: Hosken, IGI, Placor, Plate Glass, Quincor (Cape), Tongaat (Tongaat)

All meetings are in Johannesburg unless otherwise stated

FM 18/7/80

(183)

SA DRUGGISTS

Sterility blow

Activities: *Manufactures and distributes pharmaceuticals, and manufactures hospital components Also has photographic, TV and Hi-fi subsidiaries.*
Chairman: *W L du Plessis*
Capital structure: *40m ordinaries of 26c; 1,4m 55% prefs of R2. Market capitalisation R76m.*
Financial. *Year to 31 March 1980. Borrowings. long- and medium-term, R23,6m; net short-term, R22,1m. Debt·equity ratio 128,9%. Current ratio 1,4. Net cash flow· R6,2m Capital commitments R2,3m*
Share market: *Price. 190c (1979-80 high, 210c, low, 145c, trading volume last quarter, 446 000 shares). Yields. 13,5% on earnings, 6,8% on dividend Cover· 2,1 PE ratio. 7,1.*

	'76	'77	*'79	'80
Return on cap %	22,7	18,0	†19 2	19 3
Turnover (Rm)	108 4	117 4	152 5	198 2
Pre-tax profit (Rm)	9,7	7 4	9 9	12 2
Gross margin %	10 8	8 5	8 9	8 3
Earnings (c)	27,2	20 1	36 8	26 9
Dividends (c)	10 5	10 5	17,5	13,0
Net asset value (c)	112	120	107	117

* 19 months to March 31 † annualised

Last year's results were disappointing Though taxed income was R8,1m compared with R10,1m for the previous 19-month period, return on capital was virtually unchanged at 19,3%

This is attributed to losses totalling just over R1,2m in subsidiaries Labethica and Medispo Labethica was hit by technical problems at its intravenous solution plant, (which was closed when it was discovered the solutions were not sterile) Chairman Willem du Plessis points out that the problem is not unique and that international companies have experienced similar setbacks

Medispo, which manufactures disposable hypodermic needles and syringes as well as intravenous fluid administration sets, experienced production difficulties Du Plessis says that corrective action has been taken and that the plant is now operating smoothly Management is confident that, with the elimination of these problems, the future can be viewed with "optimism "

Gross margins dropped from 8,9% to 8,3% According to Du Plessis this is partially because the Link chain of pharmacies dropped prices to compete with supermarkets and losses in subsidiaries

In September last year, the company moved into Leyland's old Elandsfontein premises on a leaseback arrangement, and Du Plessis reasons that this will further the rationalisation of the group's Johannesburg and Reef operations through consolidation Also on the positive side is the fact that pharmaceutical companies Lennon and Peterson, Manel distributors, E I Rogoff (chemicals), the dental division of Taylor & Horne together with garment weavers Superweave, have all done relatively well

The chemical manufacturing unit, Fine Chemicals, has developed world-wide export markets and, again on the development side, Continental Ethicals discovered a new drug for duodenal ulcers This, coupled with a new blood nutritional product, is expected to boost sales Innovative projects underway on medicinal farms near Rustenburg also provide reason for optimism They include steroid production from the dioscorea plant, and the extraction of codeine from the papaver or poppy plant

Surgery on the group's veterinary business (sale of wholesale operations) leaves it concentrating on the marketing and distribution of medicines The division has also moved strongly into the animal feed additive area

Natim-Peterhouse is expected to do better in the current year, having ventured into the audio-visual field with agencies for Marantz and Ortophon

So, though SA Druggists has been a conspicuous laggard in a year when most industrial shares have sprinted ahead, Du Plessis feels the internal developments augur well for the company this year

After the R15m expansion programme which saw Alumina bought for R12,4m and the American Hospital Supply complex swallowed for R3,5m, shareholders would welcome a good year

David Zietsman

Midnight shift goes on strike

RDM 183

19/7/80

Own Correspondent

MARITZBURG — At least 300 labourers downed tools to dispute a salary grading system at the Masonite (Africa) factory in Estcourt yesterday, according to police.

The factory's "graveyard" shift refused to pick up tools when their shift began at midnight on Thursday. When colleagues arrived for the 8am shift yesterday, they were persuaded to join the strike, according to a Durban spokesman for the company.

He said the strike was was caused by a 'misinterpretation' of the grading system that was introduced recently.

Management held meetings with a labour liason committee most of yesterday.

"I think it's a storm in a teacup," he said. "We like to think that we do more than average for our workers."

A black personnel manager persuaded the labourers to go back to work and the factory day shift is back to normal.

RDM 21/7/80 (183)

Blaze destroys Edenvale factory

By ROB TAYLOR

THOUSANDS of Edenvale residents turned out yesterday afternoon to watch firemen fight a losing battle against a blaze which completely destroyed a plastics factory

The fire, at Mocom Plastics in Edendale Road, was spotted by a security guard from a neighbouring factory at about 3pm

The Edenvale Fire Department arrived within minutes and with the help of a number of civilians, had the fire under control by 5pm

A dense pall of black smoke could be seen from as far as the centre of Johannesburg, and police and traffic officials cordoned off the area from the crowd as firemen battled to prevent the fire from spreading.

A small boy who was watching the blaze was attacked by a police dog but his father, who asked not to be named, said he had not been seriously hurt

Edenvale's chief fire officer, Mr B J Pretorius, said that by the time his men arrived at the scene, the blaze had already destroyed half the factory.

He said nobody had been injured in the blaze

The cause of the fire and the extent of the damage are not yet known

Children say they started R2-m fire

STAR 22/7/80

183

By Lucille McNamara

Two children appeared in the Edenvale Magistrate's Court yesterday in connection with the R2-million weekend blaze which gutted a plastics factory in this East Rand town.

The boys, aged eight and 10 years old, appeared before Mr Paul Engelbrecht, charged with arson.

The children told the court that they had entered Mocom Plastics in Edendale Road, Eastleigh, through an open door.

They found a box of matches, and set fire to some plastic. When the material started blazing they tried to stamp out the flames. When they failed they ran away

Mr Engelbrecht found that neither of the children could have foreseen the results of their actions and entered a plea of not guilty.

The case was postponed to Thursday The eight-year-old has been placed in the care of his parents while the 10-year-old boy was referred to a place of safety

● Mr Norman Kyndt, production manager at the factory, said one part of the factory was still running and the burnt-out section was to be rebuilt.

SA beats a foam problem

(183) RDM 22/7/80

Industrial Reporter

SOUTH Africa's dependence on imports of protein-based fire-fighting foam compounds, used in combating major flammable liquid fires on both land and sea, will be reduced through an agreement signed in Johannesburg.

In terms of the agreement signed by Chemical Services and Chubb Fire Security, Chubb's Plus F Fluoroprotein foam is to be manufactured in South Africa, along with a range of other standard Chubb protein foams

Chemical Services already manufactures synthetic fire-fighting foam compounds and the addition of the Chubb range of protein foams will give South African users a locally-produced alternative to imported products.

Distribution agreements have already been signed between Chubb Fire Security and Chemical Services for the marketing of Chubb's range of fire-fighting foam equipment and its range of fire-fighting foam compounds.

Future research and development of new fire-fighting foams, including the production of an alcohol-resistant foam, will be handled as a joint venture by the research laboratories of both companies.

183 182

Eight quit over 10 percent offer

EIGHT workers yesterday walked out of a paint factory in Industria North, Johannesburg, rather than accept a 10 percent pay increase.

The eight, half the black staff at Imperial Paint Products, earn between R26 and R47 a week.

The men say they went to the company's managing director, Mr Ronnie Lawson, and asked him for an increase.

"He told us that whoever is not satisfied with his pay must go," one of them said "And as we were leaving he said he would give us a 10 percent increase"

They say that Mr Lawson did not even give them a chance to say how much they wanted: "We had intended asking for a R15 a week increase."

The eight have been working for the company for between three months and eight years.

Mr Lawson told **POST** that he was prepared to negotiate, but he would not be intimidated.

"I told the men that their pay would be reviewed on Thursday, but there would be a minimum increase of 10 percent Those who warranted it would get merit increase over and above this 10 percent"

Mr Lawson said those who would not accept this were told to leave.

themselves and others (c) National communication extent to which national communication and educational channels are used to present the problems and aspirations of the group to the general public
(ii) [illegible] The broad variety of resources which facilitate self-actualisation may be included here (insofar as they are not already included above) (a) Entertainment availability of theatres, cinema, music, opera, ballet, etc,
(b) Cultural availability of libraries, museums, adult education centres, hobbies and specialised interest groups (c) artistic art galleries, art schools, artistic associations (writer's groups, photography societies, etc), (d) Natural resources availability of public and private gardens, parks, game parks, natural environments (mountains, lakes, seas, wilderness), (e) Travel availability to the group of national and international travel opportunities [illegible] Congenial urban and rural environment for living (general quality of built and natural environment, and access to animal life (pets, zoos, farms, wildlife reserves) and 'green places' [illegible] We list these separately because of their special relation to the goals and fulfilment of the group
(a) Access to meeting houses, churches, etc, (b) access to information, and opportunity to meet, others of same persuasion or of different views (c) resource uses associated in other ways with religion e g sacrifices, or philanthropic uses of resources

We have now considered the four major components of resource use The two subsidiary components considered next are needed to make a complete accounting scheme possible

5) <u>Organisation</u> Resources are used in setting up, maintaining and re-organising the institutional and organisational structure which is the framework in which all the other activity takes places Included in this component are organisational uses not considered in the other components at this level
(i) *Community organisation* Use of the group's resources for organisational purposes enabling the other resources to be deployed effectively, but not accounted for in other components (time and expense involved in committee meetings, employment of policy makers, planners, legal draughtsmen, managers, administrative officers, secretaries inspectors, etc, keeping organisational

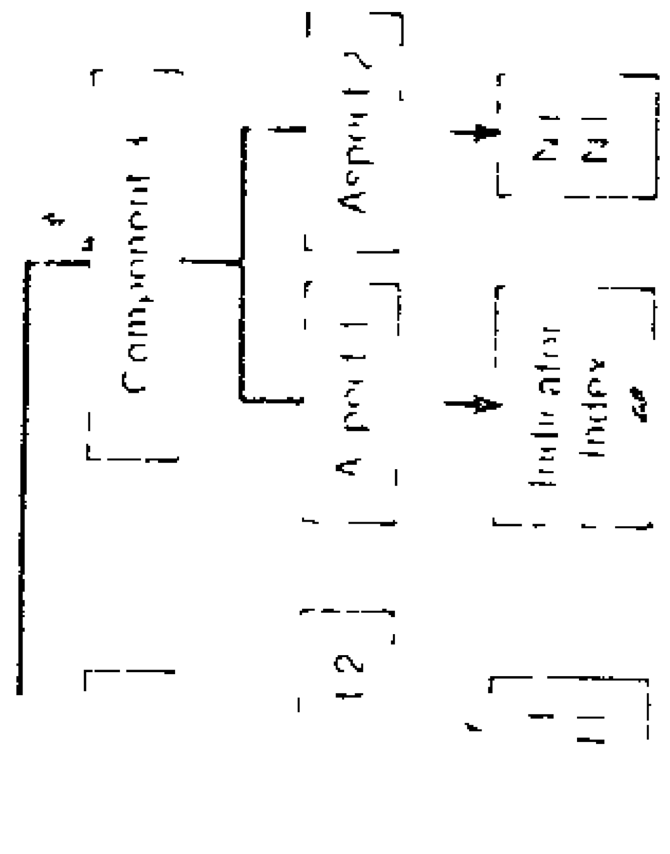
It's back to work!

Post 183 23/7/80

NONE of the 150 employees at the gutted Edenvale Mocom Plastics factory will lose their job, a spokesman said yesterday

Mr Norman Kyndt production manager at the factory, said one part of the factory was still running and the burned out section was to be rebuilt

The 150 employees — mostly blacks — would be put to use on shifts and would draw their normal wages They included operators, drivers and workers in the finishing department.



At each level of welfare, the indicator for each aspect of a component of welfare determines a (normalised) index These aspect indices can be combined to form component indices, which can in turn be combined to form a level of welfare index Some aspects or components may be unquantifiable (marked "N I ", for "no indication"), some may be quantifiable but the data may not be available, and these are then marked "N A " (for Data Not Available)

Coal-base gives AECI bright second-half look

By Colin Campbell
Deputy Financial Editor

After such a handsome profit advance in the six months to June — pre-tax profit up 69 percent at R85,3m, net attributable profit 81,2 percent higher at R54m — where does AECI go in the second six months?

The answer is forward still The reasons: the sound and solid structure, the fact that the group is plugged into the right areas, and the general, well founded, belief that the SA economy still has some bright days ahead.

On the back of half-time net earnings of 36,2c a share (20,1c a share previously, and 51,5c for the previous full financial year) this chemical giant has raised its dividend from 12c to 18c a share Clearly there will be a respectable rise in the final dividend as well

The profit advance is partly explained by a R7,8m dividend receipt from Triomf Fertilizer, but also because there has been good sales growth virtually across the board The fruits of earlier very heavy capital investments are now beginning to be felt, and control of costs and sound financial management are now bringing home rewards

Because the economy looks good, managing director Denys Marvin feels he is on firm ground in suggesting that second half results will be "significantly" higher than those earned during the corresponding period of 1979

Coalplex traded at a profit in the half-year under review, and all sections of the group are doing well. Inflation is still very much a problem, which is why there is no need for an apology for what seems like such a massive profit advance As the managing director stresses, unless profits are generated, there can be no funds to invest in the industry and in the country, which in turn spills over to secure jobs and create work opportunities

PRICE REDUCTION

Faced with such profit figures, Mr Marvin was asked when group prices will be reduced. "We will cut prices when we can afford to against the background of the economic climate. But first we have to make adequate returns, and we must have money to invest in the future," he replied.

Because of the strength of the balance sheet and the group, there is a good cause to regard the dividend cover on this share as largely "academic" A more important factor to bear in mind is that AECI was one of the earlier groups to think about the attractions and possibilities of coal Today roughly 30 percent of its assets are coal-based, which, because of the recent developments on the oil front, make AECI a particularly solid share

An interim balance sheet would be a welcome addition to next year's interim report — a practice which more and more companies are adopting — but total borrowings to shareholders' funds at June 30 are understood to be 33 percent. The nervous can be assured that the group has good security, and that all plants are insured

AECI has a respectable track record, and its future is bright The current dividend yield of 4,2 percent, based on latest interim and previous final dividends, does not overestimate prospects

Coalplex and Triomf help AECI surge

183

~~232~~

~~245~~

RDM 24/7/80

By DAVID CARTE
Deputy Financial Editor

A MAIDEN profit at Coalplex, the resumed dividend from Triomf and a better performance by all major divisions lifted AECI — South Africa's biggest chemical group — to an 80% earnings increase in the six months to the end of June.

The interim report shows group sales up 40% to R551 200 000 and pre-tax profit 69% ahead at R85 300 000 Thanks to a tax rate that dropped from 35,5% to 32,5%, taxed attributable profit soared 81% to R54-million Earnings a share were 80% better at 36,2c (20,1c). Profits are struck on the conservative lifo method of stock valuation

The interim dividend was lifted 50% to 18c (12c)

The report says all major sectors contributed to the improvement, but growth in agricultural nitrogen, industrial chemicals, paints, plastic pipes and vinyl products was "particularly noteworthy"

At a news conference at which the results were released yesterday, AECI managing director, Mr Denys Marvin, said the improvement at Coalplex had been "very material" to the group first-half improvement

The R7 800 000 resumed dividend from Triomf was another important factor This added 5,2c a share to earnings Without this, the earnings improvement would have been 54% to 31c

AECI forecasts that profits in the second half will be significantly higher than those earned in the second half of last year

Asked if earnings could still be 80% at the yearend, Mr Marvin said "That would be nice, but there will not be another dividend from Triomf in the second half, so it's not likely"

But "the ship's in good shape and we don't see a downturn for quite a long time"

Reporting on development projects, Mr Marvyn said AECI was not rushing into the methanol project Much appraisal work remained to be done With the best will in the world, there would be no go-ahead until 1984

The R40-million expansion programme at SA Nylon Spinners was on schedule and would come on stream in the second quarter of next year, and the polythene plant would open in 1981

While these results were gratifying, he stressed that profits were not excessive Returns on AECI's huge investments had been less than acceptable during the recession and on a current cost accounting basis, the group was earning only about 5,8% after tax on its investments compared with a "reasonable" return of 6,5% Pre-inflation the current return was more like 21%

Mr Marvin said Coalplex still depended on PVC exports It had exported 25 000 tons of PVC and expected to export 55 000 tons this year Recession in the West had put pressure of export prices and the hardening rand was another problem Coalplex would be more solidly and permanently in profit when the South African market took more of its production

Mr Marvin expected all Coalplex's production to be sold in SA by 1984 to 1985

Only after this was a second Coalplex, with Sentrachem this time the major shareholder, likely Because capital spent extending an existing plant was four times more cost effective than capital spent on a green-fields plant, it was possible the existing plant would be extended first and Sentrachem offered a bigger stake as this happened

Mr Marvin revealed that AECI was considering entering a technical agreement with an American chemical company in terms of which AECI would give the American company technical knowledge on coal gasification in exchange for the US company's expertise on coal liquefaction

The US company was building a coal liquefaction pilot plant which was planned to come on stream in 1985

He said "The future is coal and AECI is unique among diversified world chemical companies of its type in having 30% of its assets coal based"

Mr Marvin saw the skilled labour shortage as one of the most formidable bottlenecks threatening the group, but said recruitment efforts in the UK had been successful

Asked about security, he said all AECI plants were insured, and as far as was practicable, were well protected and designed to avert catastrophes

It seems a safe bet that AECI will improve yearend earnings 50% to 77c While dividend cover at the interim was raised to 2 from 1,7 at the yearend, this was probably because of the Triomf contribution and it would be no great surprise, given the quality of these earnings, if the dividend also rose 50% to 45c This puts the counter, at the new high of 850c, on a prospective yield of 5,3%

It might look expensive, but this is a counter with a vested interest in rising oil prices, which makes its coal-based chemicals ever more competitive

Star 25/7/80

183

Sentrachem in R110m expansion

The chemical giant, Sentrachem, has announced expansion plans totalling R110m

New plants and expansions for this amount would be commissioned within the next two years, the managing director of Sentrachem Mr D J Marlow, said at a news conference in Johannesburg

He said the investment would make a substantial contribution to the country's foreign exchange earnings The R110m did not include Sentrachem's Afprene project for the manufacture of a synthetic substitute for imported natural rubber, nor its ethanol and ammonia projects which were in various stages of investigation and planning, he added

The Sentrachem announcement comes a day after the other South African chemical giant, AECI, announced half-year earnings to June 30 which were up by 80 percent on the first half of last year.

A statement by Sentrachem says the chemical industry is preparing itself for a boom period which is "unequalled in its history"

Capital expenditure amounting to many millions of rand is being planned to provide for buoyant demand, it adds.

Mr Marlow said a significant feature of the Sentrachem group's development programme was the fact that it provided for expansion in many fields of chemical production, reflecting the group's faith in the future of the local industry.

"Growth in local and export markets is such that major expansions which can earn the country valuable currency and substitute for imports, become viable for South African chemical companies," Mr Marlow said

It was also important to note that Sentrachem's new expansion plans were based to a large extent on local raw materials and technology which had been developed by the group itself, Mr Marlowe said.

"Some of the projects are aimed at the backward integration of chemical raw materials to reduce the industry's dependence on imports

According to Mr Marlow, part of the Sentrachem expansion programme entailing 12 projects, at a cost of R75m is progressing well

In addition to this phase, which should be completed towards the middle of 1981, the Sentrachem board has now approved another eight projects at a cost of R35m. — Sapa

Senchem to spend another R35m

RDM 25/7/80

183

By DAVID CARTE
Deputy Financial Editor

SENTRACHEM, South Africa's second biggest chemical group, yesterday announced plans to spend another R35-million on expansion and development, bringing its firmly planned capital expenditure to more than R300-million

In announcing the R35-million expenditure, Mr Dave Marlow, managing director of Sentrachem, said that if the group decided to go ahead with an ammonia plant, its capital spending could rise further by "hundreds of millions"

These figures exclude Sentrachem s involvement in General Mining's prospective Springbok Flats oil-from-coal plant and any possible spending on ethanol plants

The eight projects on which the R35-million is to be spent include

- A R12-million granulation plant for nitrogen-phosphates-potash mixtures at Fedmis' Sasolburg factories This will increase capacity 30% and be completed by January 1982
- Doubling of Karbochem's xanthate capacity for R6-million Xanthates are used in the recovery of base metals and are in short supply worldwide.
- A R6-million, 50% expansion of capacity at Aquachlor s HLH swimming-pool chemical plant
- A R4-million second production train for KOP s chlorinated paraffin plant
- A R3-million energy-saving evaporator at NCP's Umgeni plant in Durban
- Doubling of Karbochem's disulphide plant capacity at a cost of R3-million
- A third reactor at the Synthetic Latex Company at Sasolburg, which will increase capacity 50%
- Expansion of capacity of Orchem's MBT plant costing R1-million

Most of these expansion plans were designed to replace imports, said Mr Marlow Some would actually convert net import into net export situations

Most of Sentrachem's new technology was based on coal and as the coal-based chemical industry developed, more raw materials were needed and became available This should ensure growth in the chemical industry for some time to come, he said

Mr Marlow gave no details on how these projects were to be financed He said the group financial plan "easily covers the funding of the new projects and substantial facilities are available for those projects which will not be financed from internal cash generation"

Rights issues would not be needed

Sentrachem was still investigating the economics of ethanol for fuel production and that although the Government's subsidy for ethanol as a petrol additive on its own was not an adequate incentive, some of the associated products, including single cell protein, had sustained the company's enthusiasm for the project

He would not comment on General Mining's oil-from-coal plans

Mr Marlow said a methanol unit might be built as part of Fedmis' ammonia project, when and if this was launched

Mr Marlow did not think the current steep drop in rubber prices in the United States affected the viability of Sentrachem's R150-million rubber-from-coal project

Rubber prices were dropping because of the US recession, which was devastating the vehicle industry, because of the switch to smaller vehicles and the switch to radials — things that were not applicable to or had happened in South Africa

Four EL factory workers detained

DD 3/8/80 (183) (3DR) (WM)

EAST LONDON — Four employees of Raylite Batteries here have been detained by Security Police and are expected to appear in court soon

This was confirmed by the head of Security Police here, Colonel A P van der Merwe, yesterday

Colonel Van der Merwe did not have the names of the men, but added that they had been arrested for a criminal offence

The men were detained on Monday night, he said

Meanwhile, the managing director of Raylite Batteries, Mr David Saunders, said production at the plant was back to normal

Speaking from Johannesburg, Mr Saunders could not give details of how many men had returned but said he had been informed that enough had returned to get production back to normal

A spokesman for the South African Allied Workers Union, Mr Sisa Njikelana, said only a few union members had returned to work

They would not return before management recognised the union, he said

Workers objected to the detention of their leaders, Mr Njikelana said, as it affected their means of communicating with management — DDR

Star (183) 6/8/80 (4A)

Natal gas plant to cost R7m

A major new development is to take place in the R100 m-a-year gas industry, Afrox is to build a large gas producing plant at Maritzburg.

Mr Hoffie Hofmeyr, Afrox's general manager, gases, said the new plant — costing nearly R7 m — will also be the first of a new generation to produce exceptionally high yields of oxygen, nitrogen and argon.

"Initially, the output will be 70 tons of liquid a day, but as the demand in Natal grows production can be increased to more than 200 tons a day of either oxygen or nitrogen. From the outset, the plant will be fitted with an argon side column, capable of producing up to 3,5 tons a day of crude liquid argon," he said

This new facility is in addition to that of Afrox's branch at Maydon Wharf, which is the company's headquarters for Natal At Maydon Wharf, Afrox produces hydrogen and limited quantities of oxygen, and distributes a full range of industrial and medical gases.

"The Maritzburg plant will be used to supply the whole of Natal with oxygen, nitrogen and argon," said Mr Hofmeyr. "This in itself, is a major development as most of Natal's present needs for these products are met by large scale haulage operations"

7/8/80 · DD

183 139

Police disperse 200 workers

EAST LONDON — Police used quirts to disperse a group of 200 workers after they downed tools at a car battery plant here yesterday.

The police public relations officer, Lieutenant P .C Pretorius, said the workers had been dispersed because they were holding an illegal gathering

Twenty five men were treated for injuries in the incident at the factory on Settlers Way

The managing director of Raylite Batteries, Mr David Saunders, said the workers refused to work yesterday morning after a dispute over trade union recognition the day before

"We were approached by the South African Allied Workers' Union on Tuesday, who had requested a meeting to discuss the appointment of a workers' committee," Mr Saunders said

"They stated that most of the workers were signed up union members, but had no proof of this "

He asked them whether they had a copy of their constitution, but they could not show him one

"We could not negotiate with these people because they were not a registered union

"The union representatives gave the names of what they called the Raylite Workers' Committee But how can they expect us to deal with a committee represented by an outside body'" he asked

Later on Tuesday workers asked for an indication of management's feelings towards the union and the committee

"I told them we had no evidence of the stature of the proposed committee and could not recognise the union

"Anyone who disagreed with this had the right to leave

The workers went back to their jobs, he said, but refused to work yesterday morning

"I had to ask them to leave the plant," Mr Saunders said

Not all the workers left, but the 90 or so who stayed on were told to leave "for their own safety"

Mr Saunders said the workers would be reinstated if they went back today — except the 19 union members elected for the workers' committee

Those who did not return would be paid off

The police were called in at 8 30 yesterday morning when the workers gathered in the canteen

Workers alleged they had been called in by Mr Saunders, but he disputed this yesterday

"I had nothing to do with the police and I didn't see them here," he said

Lieutenant Pretorius said the workers had been given a certain time to move away, but when they wouldn't go the police went in

Workers said they were in the factory canteen waiting to talk to management when police arrived

"One of the men told us our trade union was illegal and the meeting we were holding was also illegal," a worker said

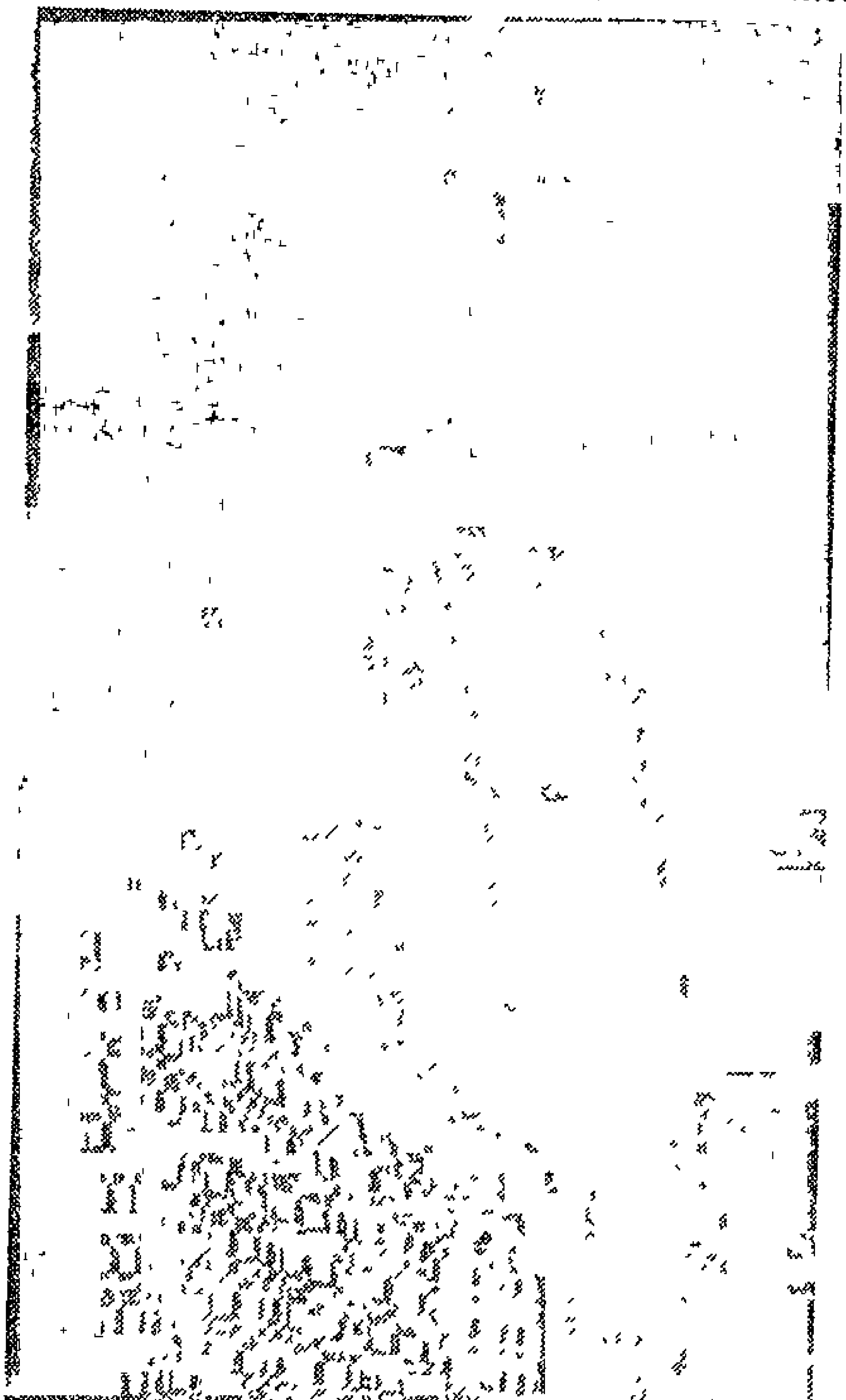
The police had then called in the trade union secretary, Mr Sisa Njikelana, and asked him to answer "yes or no" whether the trade union was legally recognised

"Mr Njikelana said 'No' and when we asked him why he was saying 'No' the policeman told him to leave," the worker said

They were then told they were being given ten minutes to disperse He said the police then left and came back after ten minutes and forced them out of the factory canteen

Several workers suffered weals and wounds from quirts, batons and sticks

Workers emphasised they had told both management and police they were not on strike — DDR



Mr Moruti Letela shows second degree burns on his arm He said he was pushed against an urn containing boiling water during a scuffle in the canteen when police dispersed workers yesterday.

POST, Thursday, August 7, 1980 Page

Cops use 'force' to disperse EL strikers

POLICE used force to disperse workers who downed tools at an East London battery factory, Raylite, yesterday morning.

The Divisional Commissioner of Police for Border, Brig J H du Plessis, confirmed that the police used force to disperse the strikers for holding an illegal meeting" but did not know whether they used batons or quirts

Most of the strikers said the police used batons and sticks. A large number sustained cuts and weals all over their bodies They were treated at the surgery of a Mdantsane doctor

The trouble started when factory management refused to recognise union committee members elected by factory workers who are members of the South African Allied Workers Union

The workers refused to go to work in the morning but assembled on the factory premises and demanded to see the management.

The management gave them an ultimatum to either go back to work or leave the premises The workers did neither and the police arrived on the scene and dispersed them.

The managing director of the factory, Mr D Saunders, said the workers refused to return to work in the morning because management refused to accept a works committee which had been nominated outside the premises

"The workers were asked to leave the premises Some left and I gather others were forced to leave the premises, but I did not call the police"

He said it was made clear to workers that the factory gates would be open to them at the normal time and they would be re-engaging or recruiting staff

Brig du Plessis said workers refused to go to their work and congregated illegally on the premises Police ordered them to disperse or go to work They refused and were dispersed by the police

Strike figures disputed

EAST LONDON — Thirty per cent of the workforce involved in the sit down strike at Raylite Batteries here has returned to work the firm's managing director Mr David Saunders, said yesterday

The plant's key areas were operating he said, and there had been no incidents

This followed police action at the plant on Wednesday when workers allegedly held an illegal gathering

Staff at the South African Allied Workers' Union office here disputed management's figure however, and said none of the workers had gone back

The union's general secretary, Mr Sam Kikine, issued a statement explaining the union side of the story after phoning Mr Saunders yesterday

None of the workers had returned to work and none of them was likely to until the union was recognised by management

Two union representatives, Mr Thozamile Gqweta and Mr A Njigilana, visited the factory yesterday but had not returned to the union office by 7 pm last night

Mr Saunders said all those who returned to the factory would be reinstated if they wanted to work - there would be no discrimination against union members

The dispute centred around a work committee which the union tried to impose on management - DDR

8/8/80

'Workers recruited'

Own Correspondent

JOHANNESBURG — About 40 percent of the strikers at an East London battery factory, Ray-Lite Batteries, have returned to work, the company's managing director, Mr D G Saunders, said last night

New workers were being recruited to replace those who had not returned, he added

However, the South African Allied Workers Union last night denied that workers had begun returning and said they had decided not to return till the union was recognized

The workers staged a "sit-in" strike on Wednesday after management had refused to deal with a worker committee elected under the auspices of the SAAWU

The union said that management would not deal with it because it was not registered.

EL strikers get deadline

DD 9/8/80

183

EAST LONDON — Striking workers at Raylite Batteries here have been given until Monday to return to work

The firm's managing director, Mr David Saunders, said more than 300 people stood at the firm's gates yesterday asking for work

However, only limited recruiting was done to give strikers a chance to return

Nearly 45 per cent of the workers involved in Wednesday's sit-down strike had returned yesterday, Mr Saunders said

A spokesman for the South African Allied Workers Union repeated the union's claim that none of the workers had gone back and denied management's claim that they had tried to impose a worker's committee at the plant

"We were there at the workers' request to submit a list of names to management," the spokesman said

"We did not at any stage impose anything "

He also said none of the workers would go back until the unregistered union was recognised by management — DDR

Calan earnings up 30%

By DAVID CARTE
Deputy Financial Editor

WITH SUBSIDIARIES Omega-Barfel and Litecor, turning in "sparkling" performances, Calan, the plastics, rubber and electrical conglomerate, pushed up earnings 30% in the year to end June

Turnover rose 24% to R183 360 000, pre-tax profit 53% to R11 331 000 and, with the tax rate up from 24% to 28,5%, taxed profit 44% to R8 092 000

The minorities slice more than doubled to R951 000, but, with last year's loss-making Conti-Calan now sold, the associated companies' contribution rose 94% to more than make up Taxed attributable profit was 45% ahead at R8 210 000

With the number of shares in issue up 11% following the takeover of Dick Whittington Shoes, earnings per share rose 30% to 100c (77c) The final dividend was raised 5c to 29c a share, making a total of 40c for the year, a 21% increase on 1979's 33c

Managing director, Mr LR Tollemache, told me that excellent results from plastic crate and container maker, Omega-Barfell and electrical subsidiary, Litecor, offset a sluggish performance by tyre and rubber maker, Natyre, once the group's biggest profit maker

Mr Tollemache said Natyre did not benefit by the upturn in the motor sector as it supplied the replacement and not the original equipment market It would take a year for today's boom in motoring to start benefiting Natyre

The company was profitable, however, and improving

All other subsidiaries were trading at record levels and, although he expected the tax rate to move up to roughly 30%, Mr Tollemache said there was "no reason to be pessimistic" about the immediate future

Balance sheet ratios, had improved, he said, with debt equity down from 100% to 94% and taxed return on equity up from 17,5% to 19%

Calan had its eye open for acquisitions but was concentrating expansionary effort within existing operations Capital expenditure of R10-million was planned, R1 500 000 of which was earmarked for a PVC compounding plant at Omega

COMMENT. With Viannini and Conti-Calan sold and Dick Whittington bought, the group has changed, apparently for the better Calan is unashamedly a conglomerate and although it is mainly in plastics and rubber, it has such unrelated businesses as Encyclopaedia Brittanica

Its interests are so diversified, prospects cannot be judged by reference to one or two markets or industries This and troublesome subsidiaries in the past, have hurt the rating At 525c the share yields 7,6%, well above its conglomerate rivals, Rennies, Protea and Abercom

Calan has the gearing to run with them in earnings growth over the next year or two but lacking an identifiable, exciting profit centre, will continue to trade at a discount to the others

AECI to get 56% of Chemholding

Deputy Financial Editor

AECI IS to acquire 56% of Chemical Holdings from De-Beers Industrial Corporation for the issue of 1 725 000 new shares

The deal was based on the relative share prices of AECI and Chemhold on Wednesday but at yesterday's AECI closing price of 940c, the deal was priced at R16 215 000 — equivalent to 534c per Chemical Holding share

Immediately the transaction was announced, the Chemhold share price rose above this price to close on 550c last night It started the week on 500c

A press release said Debincor recently acquired its 56% interest in Chemical Holdings from 'associates' Stock brokers were convinced this meant Anglo which they believed had held control for some time through various nominee companies

AECI says the consideration represented fractionally more than 1% of AECI's issued share capital and the transaction would not affect the earnings or net asset values of either AECI or Debincor

Other than appointing Messrs EJ Smale and GM Thomas to the board of Chemhold, AECI did not intend making management changes at Chemhold Mr Smale will replace Mr Bill Hefer as chairman of Chemhold

OO 14/6/80

Safe to return strikers told

1644 153

EAST LONDON — Security Police visited 58 workers from Raylite Batteries at their homes in Mdantsane this week to tell them it was "safe" to go back to work

The head of the Security Police here, Colonel A P van der Merwe, said it was the first time his men had used this tactic, but it had given "amazing results"

More than 200 workers downed tools at the plant last week after a dispute over trade union recognition.

Colonel Van der Merwe said "My men visited 35 people in key positions and 23 others, and told them there would be no more intimidation of workers at the plant."

"The people were convinced it was safe to return, and 80 per cent did so "

Colonel Van der Merwe said the workers were "very thankful to be able to go to work in safety"

"I feel the visits were successful and it was a good move for our economy "

The South African Allied Workers Union disputed Colonel Van der Merwe's figures

A spokesman for the union, Mr Sisa Njikelana, said 14 men had complained about the visits, and a number of others had "let it be known" that they were unhappy

Mr Njikelana claimed management at Raylite was being selective in the reinstatement of workers who walked out

"Three union members who went back earlier this week were told to leave and given their pay," he said

"But others were allowed to restart even after management's deadline on Monday "

The personnel officer at Raylite, Mr B. A Fawcett, referred all inquiries to the firm's managing director, Mr David Saunders, who is in Johannesburg

Mr Saunders could not be contacted last night. — DDR

Leaders of growth

(183) FM 15/8/80

Between them, they represent in microcosm much of what is best in South African industry Joe Stegmann, the Afrikaner technocrat who heads a state-owned company dedicated to private-enterprise principles Denys Marvin, the urbane Englishman standing as a symbol of economic co-operation between British and indigenous enterprise and Dave Marlow, nuggety bilingual English-born South African running an Afrikaans business venture

Stegmann is MD of Sasol, Marvin of AECI, and Marlow of Sentrachem, the three pillars of the fast-growing chemical industry, which plans to lay out an estimated R4 billion in capital expenditure in the next five years

The chemical industry is a growth leader in SA Between 1972 and 1978, for example, while the physical output of the whole manufacturing sector rose by 15,7% (less than 3% a year), that of industrial chemicals rose by 31,7% and that of other chemical products by 32,7% (nearly 5% a year)

Rapid growth in chemicals is a characteristic of a country at this stage of its economic development, but the re-emergence of coal-based technology in SA has injected a fresh dynamism This opens up a whole new field for expansion which offers the industry the opportunity of stable growth without the debilitating effects of arbitrary price leaps at the whim of Arab oil producers

Import substitution has been and still is the main generator of growth for the industry But with its rapid expansion, it is now entering a period of structural change in which organic growth and exports play a greater part Because of the large production units necessary, the industry is characterised by alternating periods of over and under-supply during which it is necessary either to make up demand through imports (as is happening with low density polyethylene) or export a production surplus until local demand catches up with supply This year, for example, 55 000t of PVC will be exported

But building a long-term export base is another matter which can only occur says Marvin, if the domestic industry provides a foundation

'The only way you can export is by having a profitable domestic base You can export on a marginal cost basis and make a contribution to overheads This is what we did with Coalplex, though since the oil price hardened we have made a greater contribution from our exports '

Marvin is a man with considerable clout in the industry He came to AECI from ICI Fibres in Britain with a reputation as a tip-top fibres man He was the pioneer of Crimplene, the bulked speciality yarn which was all the rage during the Sixties Additionally, he spent 10 years with ICI s plastics division, three years with the explosives industry during the war and had extensive experience in international textile trading

He has little doubt that growth will be fast "We believe the chemical industry will grow 1,6 times as fast as the gross national product, with even faster growth in more sophisticated products like plastics he says "That is the factor which has applied in Europe and the US in the past But now the industry there is maturing and hence slowing down

'Here it s different This country could be the economic miracle of the Eighties provided the gold price holds up reasonably well and politics don't interfere The economic fundamentals are in favour of growth No other country in the world has the opportunity to be independent of imported energy by the end of the decade We also have enormous unsatisfied consumer demand to tap

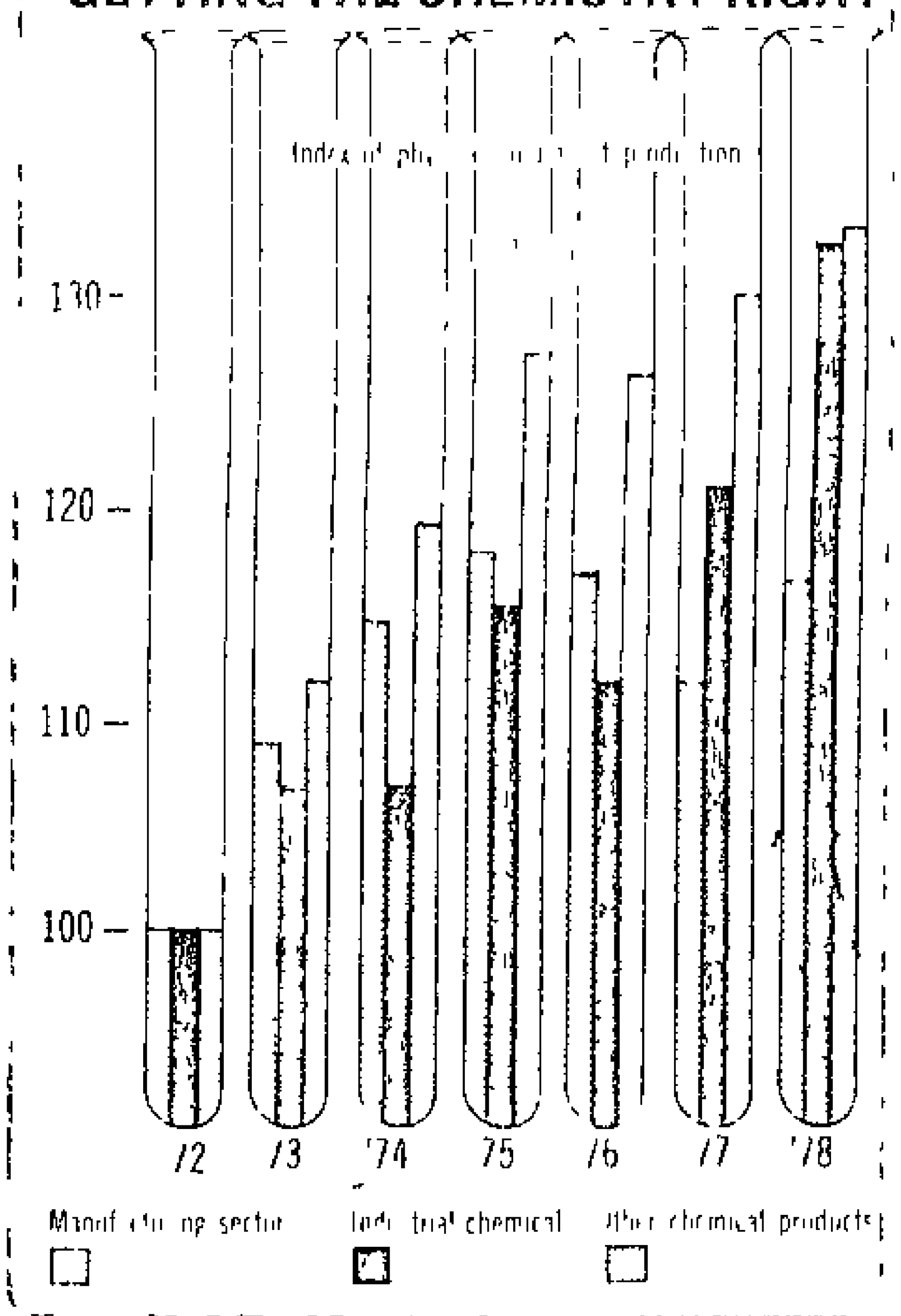
In textile consumer terms, we say the SA purchasing power is equivalent to a European nation of 11m people This means that if people had money in their pockets the market would be twice as big as it is

Though the three chemical companies are competitors, they are, whether they like it or not inextricably bound together Sasol quite apart from being a synfuels producer, is a major source of numerous raw materials which are the building blocks of the chemical industry

Heavy organic chemicals account for 80% of its output and major bulk products it supplies to downstream chemical producers include ethylene, propylene, butadiene ammonia tar products sulphur and a host of other chemicals Sales of chemicals this year are expected to reach R210m, which makes it the smallest of the three in the chemical field but its role will become even more important when Sasol 2 and 3 come on stream at Secunda

AECI and Sentrachem and their associated fertilizer companies Triomf and Fedmis, are major customers for Sasol raw materials, and the pricing of these materials particularly ethylene, is still an issue Present ethylene, produced by Sasol from oil, is priced on a formula based on European ethylene prices Once Sasol is producing coal-based ethylene at the Secunda plants, it wants to retain the pricing link with oil, even though coal-based production costs may be different

GETTING THE CHEMISTRY RIGHT



Confident

Sasol MD Stegmann, who insists Sasol must make good profits, feels strongly about this 'I am confident that by 1985-86 we will have turned Sasol 2 and 3 into fully commercial units, he is on record as saying 'But we cannot do so in an environment of product prices which are frozen while costs continue to escalate

"We need to have the assurance that our fuel product prices will be able to follow what we regard as an inevitable upward trend in international oil prices Without modest protection and this assurance on prices, I would not have felt free to invite the public into this venture

As well as being customers of Sasol, AECI and Sentrachem are also fully integrated chemical producers on their own accounts, and indeed, it is quite on the cards that AECI may go into production of ethylene on its own

AECI is far and away the giant, and it intends to stay that way Says Marvin ' We intend to make whatever investment is necessary to maintain our dominant position

It started as an explosives manufacturer, and it still controls this market But explosives last year accounted for only 20% of its R896m turnover Plastic polymers and related products accounted for 41%, agricultural and inorganic chemicals for 20% and chlor-alkali and organic chemicals for 18%

Sentrachem, for its part, obtained 23% of its R237m turnover last year from

DD 19/5/88 (183)

Rehiring wasn't selective — firm

EAST LONDON — The battery firm hit by a strike here nearly two weeks ago had not been selective in rehiring workers, the company's managing director, Mr David Saunders said yesterday.

He was replying to claims by three former employees that they had not been allowed to resume their jobs when they returned early last week.

They claimed management was discriminating against them because they were members of the South African Allied Workers Union.

Earlier, management said the strike followed their refusal to acknowledge a workers' committee made up of union members.

Mr Saunders replied: "There has been no discrimination at all.

"We have had to do a certain amount of rehiring to get production going — we can't wait forever for these people to come back."

A large number of workers had been rehired, he said, including some of the union members elected as committee members and shop stewards.

After checking the records, Mr Saunders found the three men concerned, Mr Dambile Sikepu, Mr Dilili Shwalaka and Mr Lennox Veyeke, had been replaced early last week.

This had happened to some of the other workers who tried to return after last Monday's deadline, he said. — DDR

2 die in Armscor missile blast

STAR 21/8/80 (183)

By Mike Cohen, Crime Reporter

Two Armscor employees died in a missile explosion at a Potchefstroom armaments factory yesterday afternoon.

A senior Western Transvaal police spokesman said today that the possibility of sabotage had been excluded.

He said that the explosion happened at 3 pm yesterday at the Naschem factory while two young employees were working with the explosives

The two dead are Mr Malcolm Berry (19) of Market Street, Promosa, Potchefstroom, and Mr Kenneth Edgar Botha (20) of Block N, Eldorado Park

There were no other casualties, according to the police spokesman, but there was extensive damage to the buildings

Security police and Naschem officials cordoned off the area and an intensive investigation began shortly after the blast

Mr Botha is believed to have been working at the factory for only a short time He was married with one child.

The police spokesman said an investigation by officials from the office of the Chief Inspector of Explosives would begin today.

They are to be assisted by the South African Police.

It is believed there will be an official inquiry later.

It was originally suspected that mortar bombs had exploded but police said they had established that two missiles were involved

C-Times 21/8/80

SA firm recognizes unregistered union

JOHANNESBURG — A subsidiary of a major South African company has recognized an unregistered black trade union, becoming one of the first locally-owned companies to do so

It is AECI Paints (formerly Prolux Paints), a subsidiary of the giant AECI group, which has recognized the SA Chemical Workers' Union at its Alrode plant, near Alberton The union is affiliated to the Consultative Committee of Black Trade Unions

It was also disclosed this week that Rennies Bulk Terminal, which is owned by the locally-owned Rennies Group, is in the process of negotiating a recognition agreement with the unregistered Transport and General Workers Union at Durban harbour

4 000 members

Although more than a dozen companies have signed recognition agreements with black unions, few have been locally-owned and the fact that two major companies are dealing with black unions may have a significant influence on labour relations

AECI Paints' decision to recognize the union was disclosed in a statement issued by the SACWU, which has a membership of more than 4 000

The union said that the agreement entailed the recognition by the company of union shop stewards and the union's right to access to company premises at Alrode A grievance and disciplinary procedure had also been agreed

The union represents about two-thirds of the 200 workers at the plant

Although the SACWU applied for registration last December, it has not yet been registered In the statement, it said it was "anxiously waiting" for registration

SACWU's general secretary, Mr Dan Tau, said yesterday that the AECI agreement was the first formal recognition agreement the union had signed

He added, however, "We have informal arrangements with a number of companies and are hoping to formalize these soon"

Founder member

The union was formed in 1972 and was a founder member of the Consultative Committee It is based on the Witwatersrand but is planning to organize black workers in Durban and Port Elizabeth

A spokesman for AECI paints, Mr John Russel, this week confirmed that the union had been recognized at the Alrode plant

The fact that the union was not yet registered had not been a stumbling-block to recognition, although the company hoped SACWU would gain registration.

"The negotiations were very constructive and mature. There was no animosity," he said

In Durban, the managing director of Rennies Bulk Terminals, Mr John Trathern, confirmed yesterday that his company was negotiating a recognition agreement with the TGWU, a Fosatu affiliate.

The union claims to represent 148 of the company's 168 workers at the Durban docks The two parties have signed an agreement which gives the union limited facilities at the company

Mr Trathern said that "negotiations have advanced to the stage where we now tacitly recognize the union"

Deductions

Talks designed to lead up to a recognition agreement were under way, and the two parties had discussed the form of "stop order" facilities whereby the company would deduct union dues from the pay of union members

"An agreement may take some months to conclude but it is highly unlikely that the talks will not lead to an agreement The union does represent the vast majority of our workers," Mr Trathern said

A union spokesman confirmed yesterday that a preliminary recognition agreement had been signed and said that talks were also being held with other employers at the docks in an attempt to conclude a harbour-wide agreement

The Star

Thursday August 21 1980

CLASSIFIED ADVERTISEMENTS INSIDE

SA fir[...] fail th[...] lead te[...]

STAR

In 1973, it was estimated that working conditions were unsafe in 75 percent of South Africa's battery plants and in 40 percent of the other lead-using industries. CRAIG CHARNEY analyses the progress since then in the industry . . . and what it says about Government's ability to enforce industrial health rules.

21/8/80

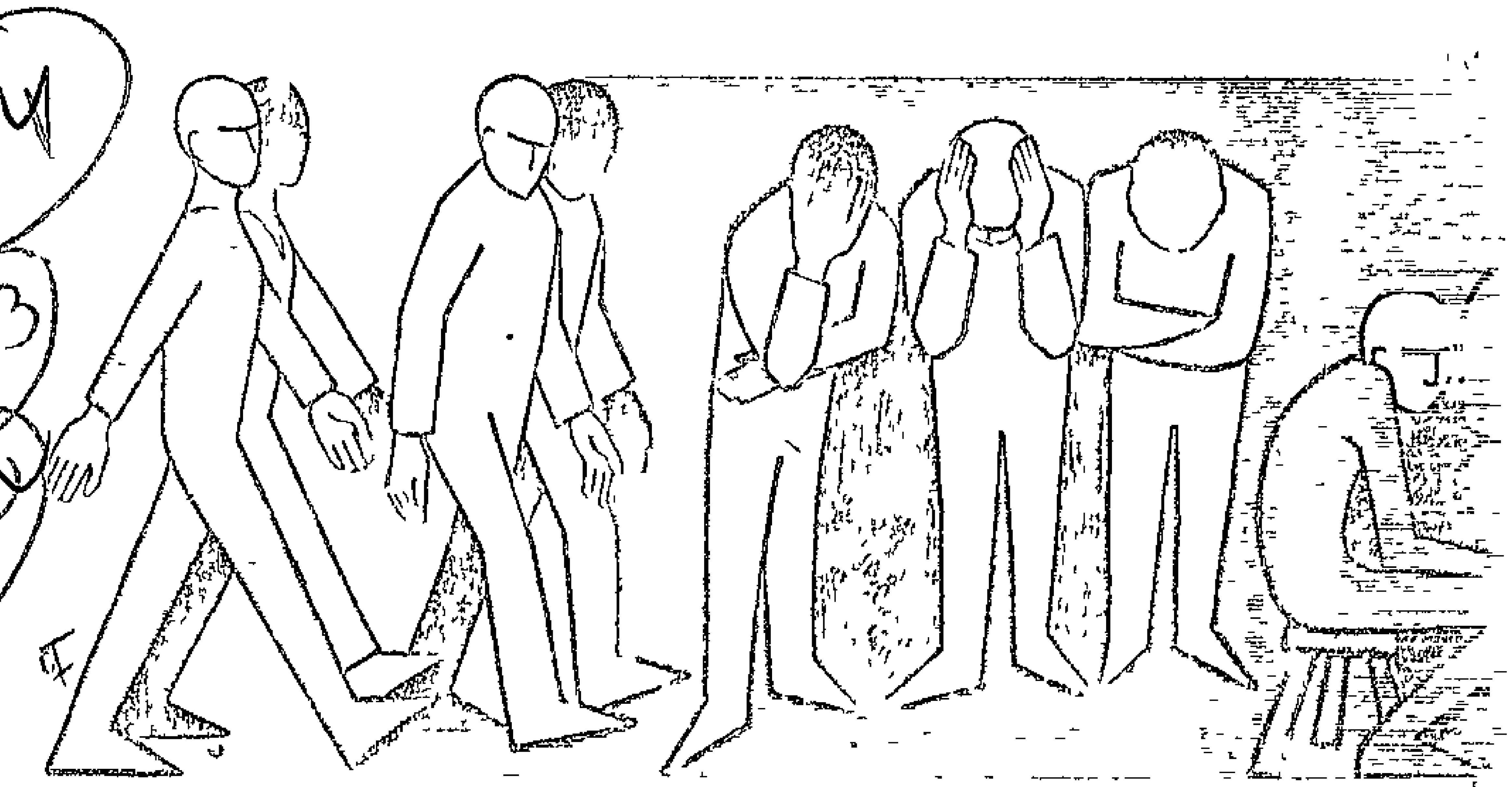
TOMORROW:

The killer dust that threatens 40 000 workers

VAN

183

AVA



A firm where more than half

"When the National Research Institute for Occupational Diseases was founded we were told by our colleagues 'that lead was not a problem in this country," said Professor Ian Webster, the Institute's Director, in 1973.

He continued: "Our findings indicate that not only does this country have such a problem, but that the incidence of lead adsorption is far too great for any industralised country and that urgent measures are needed."

At the same seminar Dr S J Levy of the Chamber of Mines Hospital described a plant where "conditions of almost medieval alchemy prevailed" and more than 50 percent of the African workers suffered from lead poisoning.

Poisoning

Three years later, the Erasmus Commission on Occupational Health reported that an investigation of 60 lead-handling factories by the Government had found that 36 percent of their workers had lead poisoning in various stages.

Faced with findings like these, lead-using firms had to act. Many instituted or stepped up monitoring of lead in factory air and workers blood, improved ventilation systems, and supplied respirators to workers handling lead directly.

One battery firm estimates that industrial hygiene has claimed 35 to 40 percent of capital spending recently, while a smelting plant put the figure at 40 to 50 percent.

One of the industry's acknowledged leaders in industrial health is Haggie Rand, where molten lead baths are used to anneal and quench metal wires. Its industrial health programme began in earnest in 1975 after the alarming results reported in research on annealing and other lead-using firms.

Now Haggie monitors the lead in air regularly and that in workers' blood at three to four month intervals, publishing the results. There is a health and safety committee in each factory, with trained industrial health staff sitting in. Processes have been changed to cut lead emissions as well.

As a result, few workers have blood lead above 60 micro grams a 100 cc, the US maximum for lead workers. Those who do are withdrawn from lead exposure, as they would be in the US, and retrained in safe working procedures.

While few firms have gone as far as Haggie, those who do monitor insist they have almost no workers with blood leads over 80 micro-grams a 100 cc, the previously recognised threshold for [...]

overt lead [...] However, [...] research h[...] that worke[...] danger at [...] low as half [...]

Survey

The US [...] Safety and [...] ministration [...] that worke[...] to lead [...] tained below [...] microgra[...] blood) t[...] material [...] health. "It [...] finding afte[...] hearings i[...] witnesses, [...] experts on [...] fects of lead [...] the world [...]

firms the test

THIRTEEN of 18 lead-using firms surveyed by The Star failed to meet industrial health standards [illegible]

[illegible]

The companies surveyed included battery works, paint factories, smelters, plumbing [illegible] and [illegible]

[illegible] at least five, [illegible] lead [illegible] could [illegible] of [illegible]

A pain in their [illegible]

For [illegible] black workers at an East Rand battery plant, lead is not just a problem they read about. [illegible]

[illegible] their [illegible] us [illegible] they [illegible] to [illegible]

[illegible] their [illegible] symptoms [illegible] and [illegible] headaches [illegible] lead poisoning.

"[illegible] powders every day for headaches," said one.

Another said: "When entering the house, I feel [illegible]"

[illegible] alf the black staff h[illegible]

A CARE [illegible]

overt lead poisoning. However recent medical research has suggested that workers are still in danger at lead levels as low as half that.

Survey

The US Occupational Safety and Health Administration concluded that workers' exposure to lead must be maintained below this level (40 micrograms a 100 cc blood) to prevent material impairment of health. "It reached this finding after exhaustive hearings involving 80 witnesses, including 15 experts on the health effects of lead from around the world.

However, some South African lead-using firms surveyed by The Star had a majority of their employees in the 60 to 80 microgram range, and few have most of their workers below 40.

Mr David Saunders of Ray-Lite, one of the best battery firms in industrial health terms, warned there was no reason to be worried when most of a firm's workers were over 40 micrograms.

These findings become more alarming in view of the lack of progress which has occurred in a significant number of firms.

According to a researcher who analysed the data presented to the [illegible] Commission four years ago, "certain factories had improved a lot but I couldn't be surprised if there is still a large number of factories who are still getting the sort of levels we found in the study."

Monitoring

Four out of five paint firms contacted by The Star did not even monitor their workers' blood lead levels though all used red lead in their plants. And a spokesman for the Federation of South African Trade Unions said that "in certain paint manufacturing plants, the lead is so thick it col-

BRIEFING

○ Four plants failed to monitor blood lead levels at all, while three did not do so often enough to satisfy overseas experts.

○ Three did not provide separate changing facilities for work and street clothes

The firms surveyed were in some of the most important — and most hazardous — lead-using industries. The ones which failed to meet overseas standards employed more than 1 750 workers

All told, about 150 000 workers are employed in plants where lead is used in South Africa, according to an estimate supplied by the Erasmus Commission on Occupational Health, while 14 000 workers work directly in contact with the metal.

When it reported four years ago the commission found that "Exposure (to lead) in the Republic is so inordinately high that if the (lead-using) factories which the investigations were carried out had been located in the USA or Sweden they would have had to close"

The situation had not changed much by 1978, according to Professor Ian Webster, Director of the National Centre for Occupational Health.

Surveys by his centre between 1971 and 1974 in several lead-using factories revealed that 24 percent of the workers suffered from abdominal pains, 10 percent from constipation, 25 percent from unusual fatigue, and eight percent from hand tremor — all lead related symptoms

...k ... and back ... and shoulders ...

Classical lead poisoning involves damage to blood production, the nervous system, kidneys, coma, and eventual death While this is no longer frequently encountered in South African industry, the lead levels prevalent in many firms have been linked to subtler, "sub-clinical" lead poisoning

The recent progress claimed by many employers would probably have only a limited impact on the proportions of workers suffering lead-related symptoms, according to research from the National Centre for Occupational Health, and overseas findings support this

At lead levels often present in South African firms

○ A US study found more than one-third of a group of workers suffered from anaemia

○ Another American study reported impaired nerve function in 56 percent, and joint pain in 39 percent, of a group of workers, many exposed to lead for less than a year Similar findings were reached by a study which even US lead industry spokesmen called "immaculate"

○ An American professor said at least one in 10 of a group of lead workers had developed serious kidney disease

○ Other research has suggested a link to reduced sperm counts in male workers, and increased miscarriages among their wives

○ Most alarming, a UK study — recently confirmed by American workers — found the death rate from cardio vascular disease three to five times above normal among workers with blood lead levels often found here

Even with non-fatal illnesses, much of the damage attributed to lead is believed irreversible

...is lead poisoning ...

lects around the inlets of ventilators"

When companies do practise monitoring, some do not do it often enough or properly, according to Mr M Bulley, former head of the Department of Health's Air Pollution section

Despite the numerous inadequacies in their precautions, all but one of the problem firms questioned by The Star in this survey was medium to large, while the vast majority of lead-using firms are small outfits where conditions are probably worse At one small plant The Star contacted, batteries were repaired by three men working without respirators or safety equipment of any kind and with no monitoring of either air or blood lead levels

Even with the right technology, Mr Bulley warns, sloppy working practices can result in the over-exposure of employees to lead

"Pliny and Hippocrates knew more about the clinical manifestations of lead than the majority of people working with it today," added an authority in the field

Enforcement

The nub of the problem is enforcement The Department of Manpower Utilisation, charged with keeping factories safe, has just one inspector for each thousand firms

The Department does try to get to each lead-using plant once a year, according to Mr I Mulder, Assistant Chief Inspector

Plant air is usually found to meet the South African threshold (three times the comparable American standard)

However, the firms generally have notice of the inspector's visit, and they may clean up specially for it, he concedes, though officials of his division do not think this occurs

One expert said, however, that was exactly what happened in his experience. "If you think industries are complying with the threshold — not by a long bloody chalk. If the Opposition could read this, they'd kick up a hell of a row in Parliament"

Another insider, familiar with conditions in plants in recent years, said, "some were excellent, others were horrible"

"A lot of things have still got to be done" to eliminate the lead threat to workers, admits the spokesman for one paint plant

183

Post 22/8/80

Chemical workers win recognition

THE South African Chemical Workers' Union broke through this month when it reached a recognition agreement with an Alrode-based pharmaceutical company.

By KINGDOM LOLWANE

SACWU, which is still awaiting the outcome of an application for registration under the Industrial Conciliation Act, reached an agreement with AECI Paints — one of the few South African companies to recognise a black trade union

A spokesman for SACWU said this week that the agreement entailed:

- Recognition of the union's shop stewards, and
- Grievance and disciplinary procedures.

The union, which claims paid-up membership of more than 4 000, was established in 1972 It is founder member of the Consultative Council of Black Trade Unions.

Meanwhile other unregistered black trade-unions are making slow progress in their struggle for employer recognition, according to Mr Alec Erwin, president of the Federation of South African Trade Unions (Fosatu).

The unions wanted formal written agreements with management, entailing recognition of shop-stewards, stop-order arrangements for the payment of dues and fixed disciplinary and grievance procedures.

Some employers had been quick to reach such agreements with unregistered Fosatu affiliates, Mr Irwin said.

He welcomed the recent decision by the managements of Putco and the Durban-based Ennie's Bulk Terminal to negotiate recognition agreements with the Transport and General Workers Union (TGWU).

But too many employers were still "hiding behind demands for union registration," he said.

"This aggravates frustration in an already strained situation, and increases the potential for conflict," he commented.

Another "blocking device" used by employers, Mr Irwin said, was an acceptance of a trade-union presence at Industrial Council level only, rather than on individual shop-floors.

The need to talk to representative worker bodies had also been brought home to South African management by the unfortunate consequence of a hardline approach in the Frametex and Johannesburg municipal strikes.

STAR 26/8/'82 (183)

Fertiliser report ready soon

The report of the Committee of Inquiry into the cost structure of the Fertiliser Industry should be ready by the end of September, says Professor C Pistorius, head of the committee

"We received more evidence than we expected Although the report probably won't be very big, we have gone very deeply into the matter," Professor Pistorius said

The Competition Board, which has also been investigating the fertiliser industry for the last 18 months has still not completed its task, but is expected to do so by the end of the year

Anglo-Shell link up in giant fuel probe

Bstu 183 Rom 28/8/80

By DAVID CARTE
Deputy Financial Editor

A MAMMOTH plant in South Africa costing more than R650-million which would produce 1 000 million litres of methanol a year — and take the country a long way from dependence on imported diesel fuel — is to be investigated.

It was announced yesterday that the investigation will be undertaken jointly by AECI, Anglo American Coal and Shell SA.

The announcement, by the Anglo American Corporation — parent company of AECI and Anglo American Coal (Amcoal) — said the plant, if built, would be only the first phase of "a major methanol manufacturing and distribution project"

The methanol would be used mainly as a replacement for diesel fuel — but also as a chemical feedstock for AECI

South Africa's total diesel consumption is classified information, but experts say the plant — if built — would make tion to the country's diesel needs

AECI and Anglo American Coal have expressed interest in a methanol plant for some time, but a major stumbling block had been the question of marketing and distributing it.

Fuel companies have been reluctant to distribute other fuels because they could pose a threat to their own sales. The involvement of Shell as a partner in the project overcomes this obstacle.

Mr Denys Marvin, managing-director of AECI, said a decision to go ahead with Phase 1 of the scheme would be taken in 12 to 15 months.

Mr Graham Boustred, chairman of Amcoal, said AECI already had the technology to make methanol from coal. The major technical problem still remaining was to make the methanol useable in conventional diesel engines.

He said research into this was already advanced, but the next six months would be crucial.

Mr Marvin said the plant should not cost significantly more than the R450-million originally estimated by AECI and Amcoal. However, Mr Boustred said that though estimates had not been completed, it could cost "quite a bit more than this".

The estimates exclude the cost of a new coal mine to produce two million tons of coal a year — which would be required for the scheme.

Coal industry sources said this mine alone would cost R150-million to R200-million.

Amcoal's major coal deposits are in the Bethal and Witbank regions of the Eastern Transvaal, and these were cited as the most likely locations for the plant.

Mr Marvin said the trio of companies were ideally qualified to get the project off the ground. AECI had the technology, Amcoal had the coal reserves, and Shell had 75 years of fuel marketing and distribution experience in South Africa — as well as considerable fuel and lubricant technology.

One of the major questions still to be resolved, said Mr Marvin and Mr Boustred, was the price the Government would allow the fuel to be sold at, and the excise duty it would levy.

"Before going ahead," Mr Marvin said, "we would have to be satisfied with the return we would get on our capital."

R650-m methanol plant will end the diesel crisis

STAR 28/8/80

(183) (EN)

By Jaap Boekkooi

Joint plans by three industrial giants for a R650-million methanol plant on the Eastern Transvaal highveld will finally rid South Africa of its five-year-old diesel crisis.

The plan's first phase, announced today, joins AECI, Shell and Anglo American in the venture to produce 1 000-million litres of methanol, a diesel oil replacement.

The plant's capacity, one-tenth of liquid fuel output of Sasol 1, 2 and 3 combined, will be able to wipe out the imbalance between demand for diesel and that for petrol.

Although information is classified, it is known that in the past South Africa had to import extra crude oil supplies to meet the demand for diesel — and had to export excess petrol.

The demand for diesel, compared with that for petrol, is still rising, mainly because of greater use of agricultural machinery and road transport.

In a report earlier this year the Energy Research Institute at the University of Cape Town named methanol as the most energy-efficient, and least expensive, of petrol and diesel substitutes.

After unique research in South Africa methanol can now be used to power diesel engines.

AECI chemical engineers have fired diesel engines on methanol by so-called citane improvers, a breakthrough chemical component which improves the octane rating of the fuel.

PLASTICS (183) FM 29/8/80

Prices come tumbling down

Prices of some plastics, which were raised as recently as April in response to soaring international naphtha prices, were chopped by 8%-10% this week as naphtha dipped sharply

Safripol dropped high density polyethylene (HDPE) prices by around R125/t to an average of R1 490, and polypropylene (PP) by R150 to R1 320 (In April, HDPE went up by R225 and PP by R175) AECI, meanwhile, is to cut low density polyethylene (LDPE) prices by R55/t on September 1 to an average of R1 230/t

AECI plastics division manager Mike Sander notes that the LDPE price did not go up so sharply earlier in the year, so the reduction now is smaller

"We went up at the beginning of the year by R80/t " says Sander "We were expecting the ethylene price to peak as it has, and we agreed to hold the LDPE price down and recover interim higher costs by another route — by using the money being generated in the import pool to subsidise the LDPE price "

Safripol GM Roy Pithey explains the price fluctuations "After the overthrow of the Iranian government last year, oil stocks were built up rapidly," says Pithey "These large stockpiles, combined with the downturn in the US and European economies and a decline in US petrol consumption have eased demand pressures on oil and pushed naphtha contract prices down from $351 in the second quarter of the year to $329 in the third quarter, and Rotterdam spot prices from $400 at the beginning of the year to $250 " (Some 10%-15% of naphtha transactions are on the spot market)

The prospect now, says Pithey, is for some stability in oil prices — as long as political events don't upset the applecart again

Much of the ethylene feedstock in SA

Pithey oil stockpiles have pushed naphtha prices down

plastics production still is produced from naphtha, a petroleum by-product, and not until Sasol 2 is on stream with its 180 000 t/a output of coal-based ethylene can the industry hope to be independent of oil price fluctuations

However, the plastics producers and Sasol are still at loggerheads over the pricing of this ethylene, which Sasol wants to relate to oil prices

The lower plastics prices should provide an additional boost to the already booming demand Sales have risen between 9% and 23% this year, while plastics producers are expanding capacity on virtually all fronts

Demand for LDPE is running at 90 000 t/a says AECI director Ted Smale Existing production capacity is 74 000 t, the balance being imported until the 75 000 t/a first stage of AECI's R150m Polythene 2 plant using the Union Carbide low pressure process comes on stream towards the end of 1981 (The existing LDPE process is a high pressure one, which has a narrower product application)

Polyvinyl chloride (PVC) output in the first half of 1980 was 20% higher than in the same period of last year, says Smale "and we expect something similar next year

With its major PVC expansion, Coalplex (owned 60-40 with Sentrachem), still spanking new AECI has a surplus of PVC capacity and expects to export 55 000 t this year Together with AECI's older Midland and Umbogintwini oil-based plants, capacity is 142 000 t/a

And although it is eventually planned to build a mirror image Coalplex, with Sentrachem holding a 60% share debottlenecking of the present plant could expand its capacity by 20 000 t/a first

Because only half the PVC sold in SA at present is oil-based (and each ton of PVC requires 0 5t of ethylene), there are no plans at present to reduce the price of PVC following the world naphtha price fall "The reduction would only be about R20/t anyway, says Sander "We'll compensate by not raising prices so quickly next time naphtha goes up "

The HDPE market is also looking healthy says Pithey, with demand up more than 15% in the first eight months of the year (compared with the same previous period)

Some R13m is currently being spent on raising capacity, which will reach 80 000 t/a by early next year and later 100 000 t/a against current annual demand of 61 000 t-63 000 t

PP demand, now about 33 000 t-34 000 t/a, has risen by well over 20% in the past year prompting Safripol to consider a major expansion of its present 44 000 t/a capacity

ISCOR

Like reports of Mark Twain's death, Iscor's steel exports and sales (*Business* August 22) were vastly exaggerated Exports for 1979-80 were 1,7 Mt Total sales for 1980-81 are expected to reach 5,5 Mt Local sales should increase in 1980-81 to 4,0 Mt Exports will drop to 1,5 Mt

THE PLASTICS SCENE

POLYMER	PVC	HDPE	LDPE	PP	PS
PRODUCER	AECI (with Sentrachem)	Safripol (Hoechst-Sentrachem)	AECI	Safripol	Styrochem (Sentrachem-Shell)
CAPACITY (annual t)	142 000	60 000	74 000	44 000	15 000
DEMAND (annual t)	85 000	63 000	90 000	34 000	15 000+
EXPANSION PLANS (annual t)	—	80 000 early 1981	75 000 late 1981	Substantial mooted	12 000 late 1981
USES	Pipes, cables & wire, bottles, records	Pipes, film, injection moulding, bottles	Packaging — bags, film, etc	Textiles, carpeting, packaging	Packaging insulation

SENTRACHEM (183)

Merger benefits

FM 29/8/80

With Fedmis consolidated for the last six months of the year to end-June, Sentrachem boosted its turnover by 82% over 1979, and pre-tax profits by 101% A more accurate assessment of growth, however, is the 62% gain in earnings per share which, being calculated on a weighted average basis, takes into account the increased asset base of the group during the January-June period

The improvement in earnings is way short of AECI's 81% advance for the six months to June 30, but this was distorted by the resumption of dividends from the group's 49% interest in Triomf Fertilizer (Pty) Excluding the Triomf dividend, it appears that the attributable profit increase from AECI's own operations was around 55%, in which case Sentrachem looks to be a few percentage points ahead in the growth stakes

The group also exceeded its own expectations, with earnings of 66,2c almost 7% ahead of the 62 1c forecast in the merger document in January Even this understates the true position as this forecast was based on a theoretical consolidation of the two companies for a full year and the beneficial effect on Sentrachem earnings was thus exaggerated

As far as dividends are concerned, shareholders were warned that cover would be increased, and although the 33c total (after a 19c final) is 1,5c more than forecast, the growth in distribution, compared with 1979's 23c, is only 43,5% The payment is now covered twice, compared with 1,8 times previously

Apart from the Fedmis takeover, results benefited from the improved performance of Coalplex, in which Sentrachem has a 40% interest on an asset-sharing basis Over the full year, however, this benefit was probably in the form of reduced losses (estimated at around R18m pre-tax in 1979), despite the AECI interim report indication that this joint venture had turned the profit corner during the latest six months

Sentrachem points out, however, that there are considerable differences in the accounting policies of the two groups, especially with regard to depreciation Also, Sentrachem financed its share of Coalplex with loans whereas AECI used mainly equity-generated funds So after taking into account finance charges it is by no means certain that Sentrachem received a positive contribution from this operation even during the second half As usual, however, the company is not prepared to comment on the exact position, let alone give any figures

For the current year, the distorting effect of the Fedmis takeover and the enlarged share capital will affect results in the first half The company therefore warns that although "significant" pre-tax and distributable profit growth is expected, this will not be matched by the improvement in earnings per share

Even so, the forecast that the company merely expects to maintain this year's dividend increase above the rate of inflation looks very conservative In fact, as rationalisation benefits from the merger flow through, it would be surprising if dividend growth does not match that of the year just completed A 46c total payout would offer a 5% prospective yield at the share s current 910c That is low for the industrial market but reasonable for a company with the glamour image of the chemical sector

Brian Thompson

---

s a whole
isregard t
ibconscio
eriorates,
to "wha
t", etc \
inization
critical
accordi
des of oi
hat time
, dictate
le are d

the att
implem
nships
ple ma
ormal c
essary
consid
i outp
if that
night v
nd tha
fierce
organi
whole
ween
ter like the
, or a severe
n the morale
ve can sense
s tell us how
y to declare
hat problem
y to express
members of

s of organi-
interview",
to the same
interviewee
s innermost
his feelings

eople The
out of the
express his
not afraid of
the possible

interview all
we therefore
l interviews
ve as a basis
estionnaire".
quently dis-
ization The
probing in
is a more
much more
organization.
spond to the
eir personal
at individual
ther member
ntity of the
The questions
hat a respon-
e-established
wo examples
an attitude

PLEASE CHECK THE CATEGORY WHICH MOST NEARLY APPLIES TO YOUR FEELINGS WITH REGARD TO EACH OF THE FOLLOWING QUESTIONS·

All things considered, how satisfied are you working for the organization?

—Very satisfied
—Satisfied
—Dissatisfied
—Very dissatisfied

Do you feel that your job responsibilities and what is expected of you are clear?

—Very clear
—Clear enough
—Not clear enough
—Definitely not clear

East London workers vote to stay out

RDM

Strike

By STEVEN FRIEDMAN
Labour Reporter

MORE than 2 000 workers from three strike-hit East London factories resolved this week not to return to work until the companies had recognised their unions.

The unions are the South African Allied Workers' Union and the African Food and Canning Workers Union.

At a mass meeting they also demanded that the companies recognise worker committees elected under the auspices of these two unions.

The workers were drawn from three factories where recent stoppages have not yet been settled. They are Ray Lite Batteries, Collondale Cannery and National Converter Industries.

The meeting is further evidence of the rapid growth of worker militancy in East London, which is fast becoming an important centre of black worker action.

There have been several strikes in the area in recent months and both unions report a "dramatic" growth in union membership. Their claims of substantial worker support have been confirmed by employer sources.

Most of the strikes in the area have been caused by employer refusal to recognise the SAAWU or AFCWU and worker rejection of the Government's liaison committee system. Some strikes have followed allegations that worker leaders have been dismissed by employers.

According to a SAAWU spokesman, Mr Thozamile Gqweta, most of the workers have been reinstated following union intervention. He will meet management today to take up the case of those workers who had not been re-hired.

This week's mass meeting, the first to be called by the two unions since the Government's ban on public meetings expired, is a sequel to the strikes at the three factories.

Management at the three plants have said that the strikers have been replaced and that production is almost back to normal.

Yesterday, however, Mr Gqweta disputed this. He conceded that there was "desparately serious unemployment" in the area which enabled management to replace strikers.

But he claimed that many of the dismissed strikers were skilled workers who could not be easily replaced and said that the three factories had not managed to replace the striking workers.

The growing union movement in East London has also attracted considerable attention from the authorities.

Mr Gqweta and four workers who belong to SAAWU are facing trial on charges under the Riotous Assemblies Act and Mr R P Mouche, an official of the AFCWU, is in detention under security legislation.

Several other union members have also been detained briefly and then released. Recently 128 National Converter Industries workers were convicted under the Riotous Assemblies Act. The union is appealing against this verdict.

This week, a small company, manufacturers' agents Turner Brothers, became the latest to be affected by strike action.

All 27 of the company's black workers downed tools after the chairman of their worker committee had been dismissed. They allege he was fired after he was delegated by workers to discuss an increase in overtime with management.

Big Asea stake for Amic

By HOWARD PREECE

ANGLO American Industrial Corporation is to become "a large shareholder" — minimum 20% — in Asea, makers of transformers and high voltage equipment in a deal costing about R10-million with the parent company, Asea AB of Sweden

Amic will also make a 505c a share offer to all other share holders — but that might not look so attractive with the price yesterday bounding up to 620c on the Johannesburg Stock Exchange

The Asea share price rose 60c yesterday and 20c on Wednesday and a JSE inquiry seems called for

A statement last night said that subject to all the relevent approvals Amic would become a large shareholder in Asea with Asea AB retaining a 25% holding

Asea AB now holds about 45% of the South African company

The statement said Amic would acquire its shares from Asea AB at 505c and that a similar offer would be extended to all shareholders

A second interim dividend of 7c a share would be paid as part of the proposals

COMMENT There are 11 500 000 issued ordinary shares in Asea and if all the outside holders, including the Industrial Development Corporation, were to accept Amic's offer that would cost Amic well over R40-million

But with the offer well below the market price it would be surprising if more than a handful accepted

However, Swedish companies are under severe pressures within their own country over financial links with South Africa and it may well suit Asea AB to stay quiet and let Amic, with its passive co-operation, have de facto control of Asea South Africa.

It is not clear whether Asea AB will be paid out through the financial rand market

If so it will have to take its cash at a hefty discount — 38% at yesterday's rate

That could be another reason against a complete sell-out at this stage

Asea South Africa managed a rise in taxed profit of only 10% to R2 760 000 for the half-year to June 30

The chairman, Mr D L Keys, said last month when announcing this profit that there had been "satisfactory increases in group turnover and orders received"

He added that "working capital requirment have increased further"

Workers want unions recognized

Own Correspondent

JOHANNESBURG — A mass meeting of over 2 000 workers from three strike-hit East London factories resolved this week not to return to work until the companies had recognized their unions — the South African Allied Workers Union and the African Food and Canning Workers Union.

They also demanded that the companies recognize worker committees elected under the auspices of these two unions.

The workers were drawn from three factories where recent stoppages have not yet been settled. They are Ray Lite Batteries, Collondale Cannery and National Converter Industries.

The meeting is further evidence of the rapid growth of worker militancy in East London which is fast becoming an important centre of black worker action.

This week a small company of manufacturers' agents, Turner Brothers, became the latest to be affected by strike action.

All 2[illegible] of the company's black workers downed tools after the chairman of their worker committee had been dismissed. They allege he was fired after he was delegated by workers to discuss an increase in overtime with management.

According to a SAAWU spokesman, Mr Thozamile Gqweta, most of the workers have been reinstated after union intervention. He will meet management today to take up the case of those workers who had not been re-hired.

The growing union movement in East London has also attracted considerable attention from the authorities. Mr Gqweta and four workers who belong to SAAWU are facing trial on charges under the Riotous Assemblies Act and Mr B P Nani, an official of the AFCWU, is in detention under security legislation.

British firm accused of race bar

RDM 11/9/80

By STEVEN FRIEDMAN
Labour Reporter

CONTROVERSY could face a well-known British firm after a black worker claimed this week that the company had refused him a job because he is black.

But a spokesman for the company, Boots Pharmaceuticals, which is a household name in Britain and other parts of the world, said that it was company policy to hire workers on merit only.

Like all British companies operating in South Africa, Boots are expected by the British Government to adhere to the European Economic Community's code of labour conduct, which commits companies to eliminate race discrimination in their plants.

The allegations have been referred to a black trade union, the SA Chemical Workers' Union, and may focus new attention on labour codes. The codes have been subject to strong criticism by black trade unions, who complain that companies are not forced to abide by them.

This week, Mr Magoleng Selepe claimed that he had been told by the company's Isando warehouse manager that he could not apply for a job as an assistant warehouse manager because he is black.

Mr Selepe says he applied for the job after reading an advertisement in the Press which did not say that the job was open to some race groups only.

He is a matriculant who says he has four years' experience in similar types of work.

"I was referred to the warehouse manager by the company's Isando factory manager. The warehouse manager told me this particular job was not open to black people and I could therefore not apply," Mr Selepe said.

A spokesman for Boots said that he would be "surprised" if the warehouse manager had said that the job was not open to blacks.

"I suspect the allegation is unfounded. But if he did say this, I would take strong action against him," the spokesman said.

He said that Boots, as a British company, was compelled to stipulate, in its advertisements that all jobs at the company were available to South Africans, regardless of race or sex. It was therefore company policy to hire workers on merit only and if a member of Boots management had indicated that blacks were not eligible, he was contravening this policy.

He confirmed that the job had not yet been filled, but said that had nothing to do with racial stipulations.

"The job we are advertising requires a highly qualified man and there is a shortage of good staff at present. We simply haven't been able to find someone with the right qualifications," he said.

Protea revises its budget

(1533)

RDM 16/9/80

Deputy Financial Editor

AFTER reporting a 58% earnings increase in the half year to June yesterday, Protea Holdings has traded so well in recent months it is to revise it budgets for the rest of the year, says the managing director, Mr Aidan Beard.

The group's forecast in the annual report to be published early next month will be based on these budgets.

With all of its many divisions reporting better profits, it increased pre-tax profit 55% to R28 274 000 on a 29% increase in sales, which were R276 532 000.

Thanks to a lower tax rate and a 44% rise in associate earnings taxed attributable profit rose 60% to R16 349 000.

Earnings per share at 54,6c (1979 34,5c) were 58% better.

The final dividend was increased to 16c, making 24c for the year, a 41% improvement on 1979's 17c.

The latest results mean that Protea has achieved a compound annual growth rate of nearly 20% over the past five years. The 20-year growth record is an equally impressive 19,3%.

Even though earnings fell in 1976 and 1977, dividends have never been cut during the 20-year period.

According to Protea, management is more concerned with long-term performance than growth in any particular year and this is why its planning periods are over three-year spans.

Mr Beard says the electrical and electronic divisions turned in excellent performances with chemicals only slightly less impressive. The consumer products division increased profits.

The lower tax rate was brought about by turnarounds in several companies.

COMMENT: At 370c, Protea yields 6,5% in a market with an average industrial yield of less than 5%. Considering that the dividend is likely to rise by at least 25% in the year ahead and this suggests a prospective yield of 8,1%, the share is underpriced.

DRG's solid profit

EPM (183) (183) RDM 26/9/80

By DAVID CARTE
Deputy Financial Editor

DRG (SA) the packaging, stationery and plastics group that was listed on the JSE in November last year, achieved solid profit growth in the six months to June 30

The interim report released today shows pre-tax profit up 43% to R4 381 000 on a 61% increase in turnover, which was R45 089 000 With the tax rate up slightly and the minority slice down, earnings were 51% better at R2 319 000

This was equivalent to 19c a share, on which an interim dividend of 8c was declared The company says the reconstruction of DRG's capital base makes earnings and dividends incomparable on a per share basis

According to the report, John Dickinson Stationers, Sparro Wholesale Stationers and Tension Envelope improved results in a competitive market Palladium Business Stationers has opened five new "service centres", while DRG Flexible Packaging and DRG Plastic Moulders benefited by improved demand

DRG Sacks has maintained a satisfactory performance and DRG Sellotape has moved into a new factory at Isando and will soon be ready to penetrate new markets

COMMENT: The second half is traditionally better and the company expects year end earnings to be more than double the interim 19c. Earnings of 42c should be no sweat. Last year the dividend cover was 2,1 and the prospectus said it would be roughly 2. This suggests a total dividend for the year of about 20c. At 270c, the shares yield an interesting 7,4%

Milestone union deal by SA firm

183

RDM 20/9/80

By STEVEN FRIEDMAN
Labour Reporter

A SUBSIDIARY of a major South African company has recognised an unregistered black trade union, becoming one of the first locally-owned companies to do so

It is AECI Paints (formerly Prolux Paints), a subsidiary of the giant AECI group, which has recognised the SA Chemical Workers Union (SACWU) at its Alrode plant near Alberton. The union is affiliated to the Consultative Committee of Black Trade Unions

It was also revealed yesterday that Rennies' Bulk Terminal, owned by the locally-owned Rennies Group, is in the process of negotiating a recognition agreement with the unregistered Transport and General Workers Union at Durban harbour.

Although over a dozen companies have signed recognition agreements with black unions, few have been locally-owned and the fact that two major companies are dealing with black unions may have a significant influence on labour relations.

AECI Paints' decision to recognise the union was revealed yesterday in a statement issued by the SACWU, which has a membership of over 4 000

The union said that the agreement entailed the recognition by the company of union shop stewards and the union's right of access to company premises at Alrode. A grievance and disciplinary procedure had also been agreed

The union [illegible] about two-thirds of the 200 workers at the plant

Although the SACWU applied for registration last December, it has not yet been registered. In the statement, it said it was "anxiously waiting" for registration

SACWU's general secretary, Mr Dan Tau, said yesterday that the AECI agreement was the first formal recognition agreement the union had signed

He added, however: "We have informal arrangements with a number of companies and are hoping to formalise these soon."

A spokesman for AECI Paints, Mr John Russel, yesterday confirmed that the union had been recognised at the Alrode plant

"The negotiations were very constructive and mature. There was no animosity," he said

In Durban, the managing director of Rennies Bulk Terminals, Mr John Trathern, confirmed yesterday that his company was negotiating a recognition agreement with the TGWU, a Fosatu affiliate.

The union claims to represent 148 of the company's 168 workers at the Durban docks. The two parties have signed an agreement which gives the union limited facilities at the company

Mr Trathen said yesterday that "negotiations have advanced to the stage where we now tacitly recognise the union".

A union spokesman confirmed yesterday that a preliminary recognition agreement had been signed and said that talks were also being held with other employers at the docks in an attempt to conclude a harbour-wide agreement.

Omnia in reverse takeover of Columbus

(183) RDM 21/9/80.

By HAROLD FRIDJHON

OMNIA Holdings has done a reverse takeover of Columbus Holdings, a company controlled by Mr Peter Gain.

Shareholders in German African Finance Corporation will be allotted 9 305 200 shares in Columbus German African with 35,2% of the capital is one of the major shareholders in the Omnia Group which is involved in the production and marketing of dry and liquid fertilisers

Among the conditions for the deal are:

- Columbus consolidates its shares with one new for every two old shares, reducing the capital to one million new share from two million old
- Columbus will acquire sufficient shares in Omnia so that its holding will be not less than 50,1% but with the right to accept 52,6% Columbus will issue a further 3 947 000 shares — with a maximum of 4 623 876 shares, increasing the Columbus issued capital to between 13 252 600 and 13 929 076 shares

The board will be reconstituted without Mr Gain.

The effective date of the transactions will be October 1 1980 and Columbus will participate in the final dividend to December 1980 This will result in Columbus shareholders receiving a dividend of not less than 2c a consolidated share.

A transmuted listing statement is being prepared and shareholders should await that before taking any action

R1 000m programme to reach into new chemical age

Sentrachem to double expansion

Sun Times (B.T.) 28/9/80

183

By ELIZABETH ROUSE

SENTRACHEM plans to boost its 10-year expansion programme by a further R500-million, thereby lifting the group's total spending to a massive R1 000-million over a decade, chairman Hennie Smit reveals in the annual report.

Many new projects are being considered for continued expansion in the areas of agriculture, coal and other minerals The capex figure of R1 000-million includes the previously announced Fedmis ammonia plant, possibly coupled with methanol production, and planned Safripol expansions.

Sentrachem shareholders are assured that profit and dividend growth will not be affected as current financial resources are more than adequate and no difficulty is expected in funding the development programme within the constraints imposed by sound balance sheet ratios

Sentrachem's plans stretch into the next age for chemicals, using new material sources, such as algae, as raw material bases The group's objective remains the use of coal and other locally based raw materials to the maximum extent possible, says Mr Smit.

Three agricultural chemical plants are in an advanced stage of construction Two are for the production of important herbicides, while the third is for a major fungicide

Mr Smit says research and development continues on the use of ethanol derived from agricultural materials as a raw material for industrial chemicals, as well as in liquid fuels

Research programmes are also underway on the use of by-products from fermentation processes, particularly high-protein residues for incorporation in animal feeds, and carbon dioxide for the production of proteins via algae cultivation

Particular attention has been devoted to the utilisation of coal as a raw material for the chemical industry

However, Mr Smit sounds a warning note about the cost of developments in a highly inflationary climate Fixed costs have escalated substantially while the capital cost of new manufacturing facilities continues to rise

"Under these circumstances and despite the economic revival and the prevailing favourable trade balance, assurances will be required from Government regarding

● To Page 3

Sentrachem to double expansion

● From Page 1

the protection of local manufactures against unreasonable competition from imports, if the South African industry is to expand its capacity"

According to Mr Smit, South Africa must expand its industrial capacity but shareholders will not normally invest without the incentive of acceptable profits, including cover against short-term fluctuations on the international scene

Mr Smit also discloses in his review that the first ion exchange resin manufacturing plant in South Africa is nearing completion In addition to the more conventional resins, the plant will produce a new type of high-density resin which was developed locally This product will be marketed worldwide

A substantial number of new capital projects were approved in the past year and he expects the return on these developments, which entail integration with existing manufacturing facilities and product ranges, to be particularly good in comparison with grass roots projects

Grass roots projects usually take a number of years before profitability is obtained

On dividend prospects Mr Smit says he expects the dividend increase for next year to outstrip the inflation rate while dividend cover will be held at about the 1980 level

In due course shareholders will benefit significantly as a result of the Fedmis acquisition and Sentrachem's association with Gencor

In spite of the diluting effect of the increase in share capital to 89 5-million shares from 56,6-million shares after the Fedmis and Gencor deals Sentrachem's earnings per share rose by 62% to 66,2c from 1979's 41c, while a dividend cover of 1,9 was maintained

The dividend total of 33c was up 43 5% on the previous year's 23c

Sentrachem moved onto a new plateau in the past year with its assets up at R583 8-million from R320,1-million and net sales outside the group up at R430,1-million from 1979's R236,5-million