MANUFACTURING - CHEMICALST PRODUCK

1988

JAN - Dec

R29m in paint for for Sats

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SOUTH Africa's biggest paint manufacturer, Plascon-Evans Paints, has won a R29-million order to supply paint and thinners to SA Transport Services.

The order, which will run over three years, is believed to be the biggest ever awarded to one supplier, says Plascon-Evans group marketing director Neville Marks

The deal covers about 4,6-million litres of paint and 600 000 litres of thinners

The contract includes the supply of a new generation of waterborne semi-gloss emulsion paints which have been perfected after 10 years' research by Plascon-Evans research and development team director Fritz Weber and senior chemists Tommy Coetzee and Charles Rielly.

DAILY DISPATCH, THURSDAY, JANUARY 14, 1988

General. 183

Agent Orange in Natal

DURBAN — A weed killer used in Natal was a major constituent of Agent Orange, a defoliant used by the United States army in Vietnam to kill all living plants.

Symptoms which appeared in American soldiers exposed to Agent Orange, such as skin cancer and deformed offspring, are now occurring in Natal.

The weed-killer is 2,4-D, which made up 50 per cent of Agent Orange. Used extensively by farmers on Natal's sugar belt, 2,4-D has replaced the old method of hoeing out weeds.

Initially blamed for an unexplained increase in foetal abnormalities encountered in the Camperdown-Richmond area, 2,4-D now stands accused of disturbing the whole ecology of the region — and more specifically killing off a large proportion of Natal's vegetable crop.

The biggest problem confronting researchers is to find out how 2,4 D transports from the sugar-cane fields to the vegetable fields, the chief co-ordinator of Department of Agriculture's research programme on hormone herbicide damage said.

Although the other ingredient in Agent Orange, 245-T — which kills trees — is no longer produced, 2,4-D is still widely used as a broad-leaf weed killer.

Since the US Army evacuated its forces from South Vietnam more than a decade ago, Agent Orange has been blamed for numerous diseases and ills experienced by the Vietnam.

Although the veterans complained of a multitude of ills, varying from painful skin diseases and cancer to deformed offspring, researchers in the United States insisted that the only definite effect on human beings appeared to be a skin disease called chloracne, which involves painful pussy sores under the skin.

However, in 1979 the United States government banned the use of Agent Orange after a determined campaign by a group of environmentalists in the state of Oregan, an area where the chemical had been used to clear forest floors.

They reported a tragically high rate of miscarriages after the spraying. — DDC

1988

B/Day 14/1/88 (183)

Ativan 'is monitored adequately'

REINIE BOOYSEN

THE local manufacturers of the tranquilliser Ativan — at the centre of a dispute between addicted consumers and manufacturers Wyeth Laboratories in the UK — say their product is adequately monitored in SA.

Expressing surprise at the news that a number of British patients intend taking their grievances to court, a spokesman for the SA branch of Wyeth Laboratories said he could not see why British consumers had been uninformed about the drug's addictive properties

"Doctors are clearly advised that the drug is only to be prescribed for a short term — one to two weeks," said Wyeth MD Francois du Toit "The World Health Organisation has known about this drug's addictive properties for some time,"

A spokesman for Rolab, manufacturers of Tran-qil — a product which contains lorazepam, the same active ingredient as in Ativan — said all tranquillisers were potentially addictive

In SA, manufacturers are obliged by law to keep tranquillisers such as Ativan and Tran-qil under lock and key, in separate storage They also have to keep a record of the final destination of every tablet they produce

ITED

Central banks step in to stop dollar's slide

LONDON — Leading central banks, including the US Federal Reserve Board, intervened in currency markets and bought the dollar to rescue it from a new slide yesterday

Dealers said the Fed, West Germany's Bundesbank, the Swiss National Bank, the central banks of the Netherlands, Italy and Austria all hit the markets with snap dollar purchases. The Bank of [illegible] dollars during the earlier

morrow would be bad had caused the new dollar retreat, which followed a rally last week which was also helped by concerted central bank intervention

Pharmaceutical firms have left

'SA must find own medical raw materials'

GERALD REILLY

SA MUST urgently examine the options open to the country following the withdrawal of four well-known international pharmaceutical companies, deputy National Health Minister Dr M H Veldman said yesterday

Opening a head office complex in Sandton for French based Servier Laboratories, Veldman said it would have to be determined what materials were essential for the continued production of medicines and medical products

This would be necessary in the event of international sanctions being extend to medicines, Veldman said.

Assurances had been given that sanctions would not be extended to include medicines but recently four international pharmaceutical companies had withdrawn from SA.

Steps would have to be taken to ensure continuity of supply of essential pharmaceuticals. A possible source of many of the raw materials might be found locally

"We as a country must be well prepared for any eventuality as one cannot but wonder where it will all end," he said

SA should urgently but carefully consider which raw materials would be essential for the continued production of medicines and medical products, and what would have to be done to make certain that supplies of essential materials were not cut off

"Cognisance should be taken of the fact that a possible source of many of the raw materials required may be found in products and by-products of the local Sasol organisation," he said

He said SA stood accused, judged and sentenced by the international community because of its apparent shortcomings

Facts and the principles of fairness were often ignored, as were rationality and objectivity, resulting in emotional and sometimes also hysterical outbursts of condemnation

The country had to cope with divestment, disinvestment, boycotts and sanctions and threats of further similar action "if we fail to bow to international pressure".

"The importance of a company such as Servier Laboratories perhaps now become apparent to you," Veldman added

□ Meanwhile executive director of the Pharmaceutical and Chemical Manufacturers Assocation of SA John Toerien said it was wrong to conclude that because the four international pharmaceutical companies withdraw from SA their medicines would not be available

The change of ownership in fact could be a key element ensuring continuity of supply

8 Day 15/1/88 (3) general

NEWS

Natal 'agent orange' sparks health fears

(183)

Business Day Reporter

THE SA Sugar Association has embarked on new research into possible dangers to health and the ecology of a weedkiller being used in Natal, following reports that it contains 50% of "agent orange", a defoliant used by the US Army in Vietnam to destroy plants

In a statement yesterday, the SASA said it hoped to come to firm conclusions before the start of the 1988 summer spraying season

The weed-killer is 2,4-D, which is used extensively on Natal sugar farms, replacing the old method of hoeing out weeds

Initially blamed for an unexplained increase in foetal abnormalities encountered in Natal's coastal sugar-growing areas, 2,4-D has also been blamed for damage to the ecology, and killing off a large proportion of Natal's vegetable crop.

SASA general manager Rex Hudson said this week the association would "go along with" a total ban on 2,4-D if government research presently being conducted into the effects of "spray drift" provided enough proof that the herbicide was directly responsible for crop failures in the Tala Valley.

"But there are still too many unanswered questions," he said

"We are very concerned about the problems produce farmers are experiencing but there are so many factors involved — one can't attribute each and every symptom to hormonal damage"

Hudson represents the sugar industry on an eight-member committee appointed by Agriculture Minister Greyling Wentzel last October to research the effects of 2,4-D spray drift

In its statement yesterday, the SASA said an attempt would be made to involve all other agricultural sectors using herbicides in the research, in view of the fact that the sugar industry used less than 25% of all herbicides in SA.

"In addition to urgently examining work already under way internationally, the research team will commission prime research locally," the statement said

Meanwhile, working through the SASA experiment station at Mount Edgecombe, it would re-emphasise the importance of proper application This could include further research into application procedures and a renewed education programme

The biggest problem confronting researchers is to find out how 2,4-D gets from the sugarcane fields to the vegetable crops, says the chief co-ordinator of the Department of Agriculture's research programme, Dr Louis van Dyk

Although the other ingredient in "agent orange", 245-T — which kills trees — is no longer produced, 2,4-D continues to be used widely as a broad-leaf weed killer

"Agent orange" has been blamed for numerous diseases and ills experienced by US war veterans and civilians in Vietnam.

Although the veterans complained of a multitude of ills, researchers in the US insisted that the only definite effect on human beings appeared to be a skin disease called chloracne, which involves painful sores under the skin

In 1979 the US government banned "agent orange" after a determined campaign by environmentalists

For sugar farmers, the chief advantage of 2,4-D is that it is relatively inexpensive and extremely effective Nevertheless, some feel there could be disastrous long-term problems

Says Dering Stainbank, who farms at Eston near Tala Valley "You can spray this stuff up to five or six miles away — you can't see it, you can't smell it, but you look at the trees and plants in direct line with the way the wind is blowing and see how they are distorted".

Herbicide used widely beyond Natal's borders

B/Day 18/1/88 General

(183)

REINIE BOOYSEN

THE WEED-killer blamed for extensive damage to Natal's vegetable crop is also used extensively by maize and wheat farmers in the Transvaal and Free State.

The weed-killer has also been linked to "agent orange", the controversial "kill-all" defoliant used by the USA in Vietnam Veterans returning from the war claimed "agent orange" caused a wide range of diseases

Natal's sugar cane growing areas, where opposition to the herbicide called 2,4-D has been concentrated, use only 25% of the country's total output of all herbicides.

Maize triangle

As a broad leaf herbicide 2,4-D is suitable for use as a weed-killer on grass crops such as sugar cane, maize and wheat

2,4-D is used extensively by farmers in the maize triangle stretching from the Free State to the western Transvaal, said an Agriculture Department spokesman. It is also used by wheat farmers in these provinces.

He said he had no knowledge of 2,4-D being used in the eastern and western Cape

Besides the Natal coastal strip, sugar cane is also grown in a smaller area in the eastern Transvaal, stretching from Nelspruit to Komatiepoort, where 2,4-D is also used.

E Merck expands activities

HELENA PATTEN

20/1/88

15/Sey

(183)

E MERCK, wholly owned subsidiary of the large West German pharmaceutical and chemical corporation, E Merck Darmstadt, has recently made two acquisitions which will expand its activities in SA

Locally developed drug Slow-Mag has been acquired from Glenfair Pharmaceuticals The company says the product, used in the treatment of magnesium deficiency, is expected to have market impact from early 1988

It says magnesium deficiency is common in the electrolyte imbalance condition which adversely affects the health of many South Africans every year

It has also taken over the interests of another local company, Biolab, and established Merck subsidiary, Biolab Diagnostics

PHARMACEUTICAL INDUSTRY

No pills shortage

Suggestions that the withdrawal of several pharmaceutical companies could leave SA chronically short of raw materials used in the making of medicines seem exaggerated

"It's a totally erroneous conclusion," says John Toerien, CE of the Pharmaceutical and Chemical Manufacturers Association "In any case, these are changes of ownership, not disinvestment Indeed, they could even be a key element in ensuring continuity of supply "

Bearing out Toerien's view is the experience of MER National and MSD, two American companies now in South African hands Both report that they are doing well, have major expansion plans in the pipeline and are not experiencing any problems obtaining raw materials from abroad

"In any case," MSD MD Don Allen points out, "the international pharmaceutical industry is so interwined and has such a wide spectrum of different suppliers that switching sources would not present a problem "

Pharmaceutical raw materials are by their very nature easily transportable and imported in relatively small quantities Any concerted effort to cut off supplies would simply be unworkable

Moreover, most companies operating in SA are not American (see chart) and are therefore not as vulnerable to pressure or boycotts. French concern Servier Laboratories has just opened a new head office in Sandton as part of a general expansion Turnover is up from R0,5m 10 years ago to R9m this year "We're not even *trying* to keep a low profile," says executive director Patrice Bassompierre

As for the possibility of South African manufacturers substituting for raw materials from abroad, experts point out that due to the interdependence of the world pharmaceutical industry, no country — not even the UK — could ever hope to be totally self-sufficient

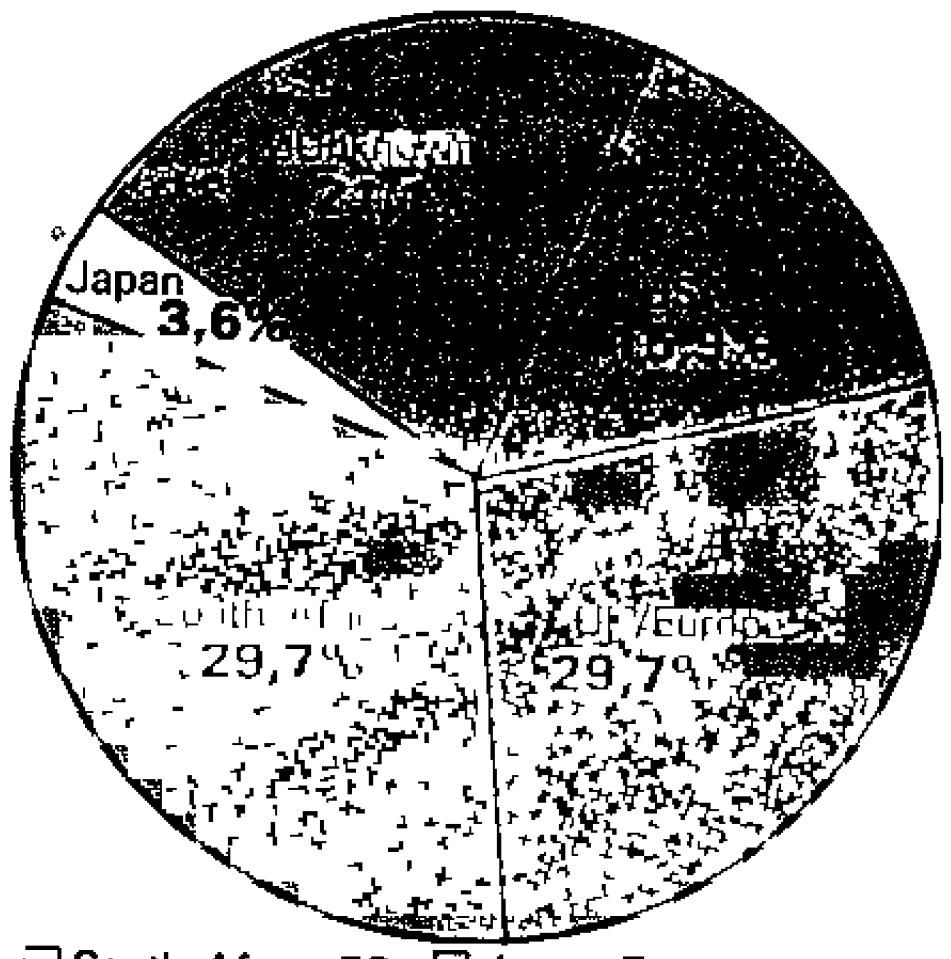
Moreover, the small size of the South African market — less than 1% of the world's — militates against the massive investment in the industrial and research base necessary to set out on such a road "We'd have to go into the export market in a big way," says MSD's Allen

Nevertheless, should total divestment occur SA Druggists MD Tony Karis estimates that local companies could conceivably substitute for about 95% of the drugs available locally — though this supposes continued supply of imported raw materials If these were stopped, the proportion would drop to around 30%

"But this is really hypothetical," Karis points out "Totally cutting off medical supplies to any country — never mind SA — is just not on the cards " ■

The pharmaceutical cake

Percentage breakdown of the 195 pharmaceutical companies operating in South Africa



South Africa 58 | Japan 7
UK/Europe 58 | Unknown 41
USA 31

Total 195

Twins comes to market at 350c

Star 2/2/88

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By Ann Crotty

Somewhat later than targeted, Twins Pharmaceutical, came onto the JSE yesterday at an initial price of 350c, while Alex Lipworth was removed from the board at a price of 430c

The movements in the pharmaceutical and medical sector are part of a deal that has been long in the making Last July Twins Propan, the pharmaceutical group jointly owned by the Krok brothers and the Premier Group, announced that it was going to get a reverse listing via the Triomf cash shell and that it intended to make 70 percent-owned Lipworth a wholly owned subsidiary

At that stage the offer to Lipworth minorities was nine Twins for every 10 Lipworths, or cash of 325c for each Lipworth share

In October, following a re-evaluation of Lipworth's earning's potential, the offer was upped to 12 Twins for every 10 Lipworths, or cash of 440c At that time the listing was targeted for November

The transmuted listing statement indicates that net asset value for the year to March 1988 would have been 148c a share if the acquisition had been completed on August 1 1987 Management is forecasting a turnover for the year to March of R248 million, taxed income of R28,4 million and earnings per share of 30c. For the eight months to March a dividend of not less than 6c a share is forecast.

The statement shows that of total company borrowings of R48,3 million, just over R40 million is owed to the Premier at overnight call rates and is repayable on call

SA can make war chemicals — claim

4/10/2/88 183 Sunday

CHEMICALS developed in Britain for chemical warfare in the years of the Second World War have until recently been manufactured in South Africa, Chemwatch, an international environmental organisation, has claimed.

The organisation said it found during a recent inquiry that the herbicides 245-T and 24-D, ingredients of "agent orange", which were widely used by the United States army in the Vietnam war, were produced in South Africa.

This follows allegations that the Angolan army has been waging chemical warfare against Unita.

Traces of 245-T and 24-D have been detected in discharges from a plant on a SA Chemical Corporation farm, it was claimed recently.

Its director, Mr Robert Meinhardt, admitted the farm had supplied large consignments of the herbicides to foreign governments, but declined to name them.

More than four million litres of "agent orange" were sprayed during the Vietnam war, killing unknown numbers. Several American soldiers who handled "agent orange" also died, while others were paralysed.

"The Resister", mouthpiece of the Committee of South African War Resistance (Cosawr), reported that as early as 1963 the Council of Scientific and Industrial Research admitted a group of scientists was looking into the feasibility of further researching and developing nerve gases such as tabun, sarin and soman.

The CSIR reported these gases could be dropped in large quantities by aircraft or missiles and that their lethal effects were comparable to a 20-megaton nuclear bomb, The Resister reported.

Malbak takes over EL firm

DD 6/2/88

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by Gaye Taylor

EAST LONDON — Protea Pharmaceuticals, a subsidiary of the Gencor-owned Malbak group, have announced the takeover of an East London company, Pharmador (Pty) Ltd

The managing director of the new combined Protea company, Mr Eddie Hart, would not disclose financial details of the deal but said the first phase of the total new investment in the region — which includes the purchase price of Pharmador from the Greyvensteyn family — will be in excess of R10 million

The combined turnover of the new group would be R60 million in the coming financial year, Mr Hart said

He said the new group would give employment to more than 500 people in the area but the hope was that the figure would be between 600 and 700 by 1989 Total combined employment currently stood at 385

Part of the new investment involves the move of Protea's Johannesburg Clinimed penicillin plant here and extensions to their Wilsonia factory The Clinimed move will entail the creation of 50 jobs

Commenting on the takeover, Mr Hart said "We see this not only as a tremendous opportunity for our company to become a major force in the South African pharmaceutical market, but an excellent opportunity to enhance East London's reputation as a key industrial development location"

Mr Hart said since the Greyvensteyn family took over Pharmador in 1978 The company had had an impressive record of growth through various acquisitions, one of them being a range of consumer/OTC products from the Cassella-Med division of Hoechst

He said Protea Pharmaceuticals, through its holding company Promardis (Pty) Ltd, had successfully built a business with a sizeable share of the pharmaceutical and toiletries market over the past year

"Protea already owns a modern pharmaceutical plant in Wilsonia and we see the Pharmador plant in Chiselhurst complementing that manufacturing operation"

He said most of the head office functions would be relocated here from Johannesburg later this year

The combined production facilities will manufacture key ethical medicines such as antibiotics, diuretics and anti-inflammatories as well as popular medicines such as Anadin, Fibretrim, Veinoids, Flutex and Laxa

The company also has major products such as the Hang Ten and Dante range in the toiletries market and Kempura black hair care products

Mr Hart complimented the Border Metropolitan Development Corporation (Bomedco) on their support and encouragement in the development of the pharmaceutical industry in the region

The chief executive of Pharmador, Mr Pierre Greyvensteyn, said Pharmador's operations were "so concentrated" in East London and this would have meant a move for the family who were all Johannesburg-based

He said they had therefore decided to pursue their business interests on the Reef

DD 8/2/88 183

Methanol revolution — a Grahamstown innovation

Daily Dispatch Reporter

GRAHAMSTOWN — A local municipal front-end loader may soon be propelled, not by diesel but by cylinders of compressed methane gas produced from waste materials

Doctor Brian la Trobe said that if everything went according to plan the conversion would save the municipality 1 000 litres of diesel a month or R12 000 a year

Dr La Trobe has been studying ways of utilising municipal waste matter profitably for several years

The head of the department of chemistry at Rhodes University, Professor Trevor Letcher said "This is a first — the first pilot plant in South Africa and though it will always be small because Grahamstown is small, it should provide valuable pointers for other developments elsewhere"

Grahamstown only produces about two tons of refuse a month thereby limiting potential production

Rhodes microbiologists, led by lecturer Mr Peter Rose, are also looking at aspects of producing methane artificially involving the use of a consortium of bacteria

One type of bacteria broke down the complex molecules, a second "family" broke these down into hydrogen and carbon dioxide

"Then some extraordinary bugs convert the hydrogen and carbon dioxide gases into methane That is why we call them a consortium of populations,' Mr Rose said

In the microbiology department, scientists were looking specifically at methane producers, feeding them hydrogen and carbon dioxide

"If we succeed we shall be able to produce a very cheap fuel (methane or mosgas or north sea gas) from readily available raw materials — hydrogen and carbon dioxide," he said

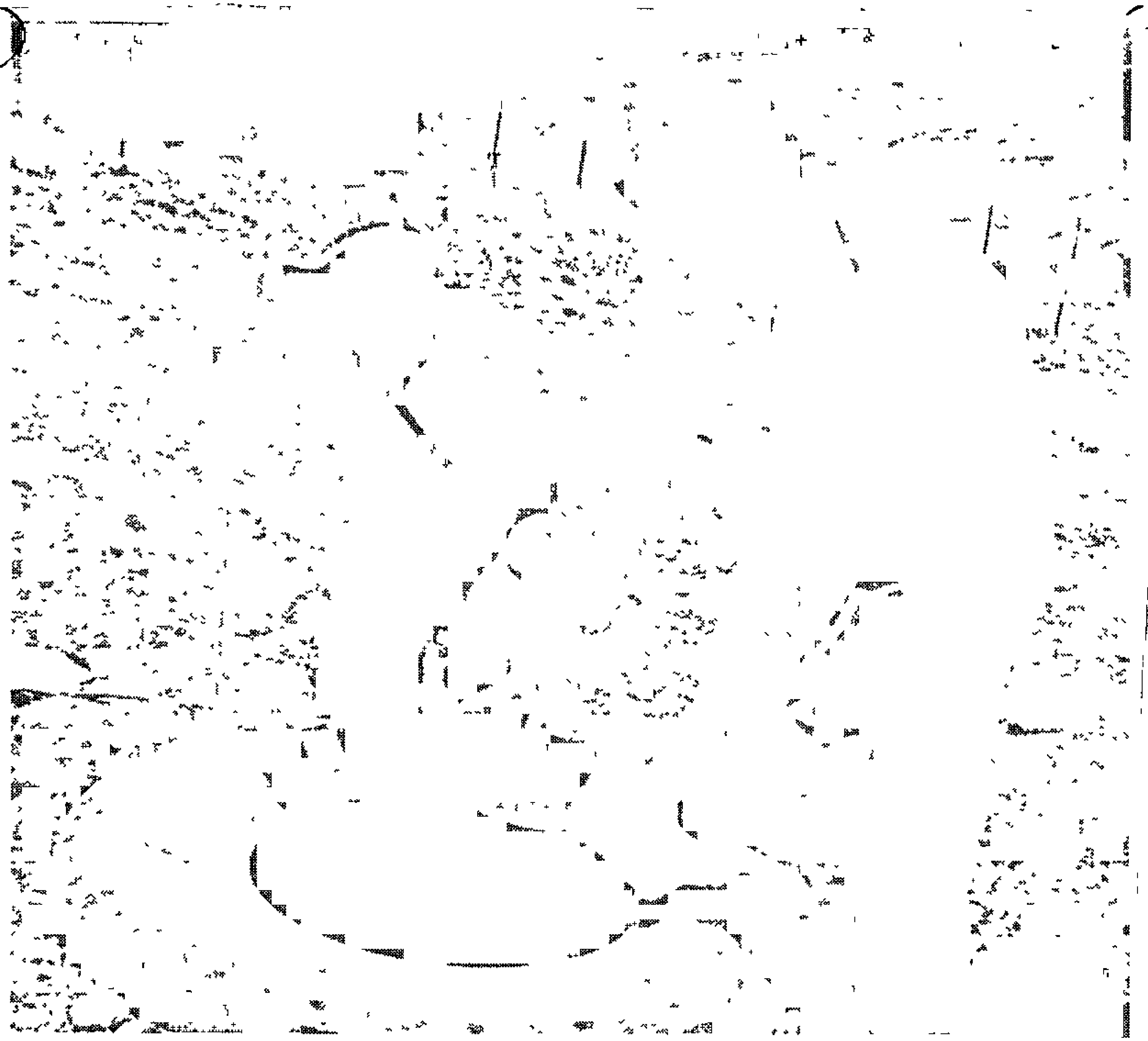
It was important to note that in bio-technology, methane was only the starting point of many complex biological synthetic processes

"Methane or methanol is a single cell protein Britain is already using it to turn out millions of tons of high quality protein for animal feeds, stock and poultry," Mr Rose said

Methane, he added, was also a very versatile starting point for various syntheses

With petro-chemical, and synthetic crude oil products, among the world's declining resources, "we are looking at producing synthetics through micro-organisms which are growing on renewable feed stocks"

"Furthermore, by using the rubbish dump to produce methane we are getting something for nothing"



No rubbish from this dump .. Examining one of the plastic-lined holes used to produce methane gas are Doctor Brian la Trobe (right) and the muncipal refuse disposal manager, Mr Terry Pike

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CHEMICAL INDUSTRY

Winds of competition

The issue of protective tariffs for the chemical industry has come under the spotlight again thanks to major new investments by Sasol. World supply and demand is taken into consideration — and along with that, the whole issue of "dumping."

How much protection is currently available for SA's plastics industry? The question has been given pertinence by Sasol's decision to build massive new plants to make both polypropylene and its precursor, propylene, without asking for additional tariffs

André Bedeker, MD of Sasolchem, the chemical marketing division of Sasol, says the current level of tariff protection on polypropylene is sufficient Sasol has no intention of applying for more

The synthetic oil corporation's recently announced decision appears to have been motivated, partly, by the firm state of the international plastics market This made it possible to contemplate the extension of local plastics capacity for export purposes

Bedeker says the price of polypropylene itself has increased over the past three years by 51% in Europe and 18% in America, although the price of propylene has remained "relatively stable "

However, should the situation change to the extent that polypropylene was dumped in SA, Sasol might "have to apply for a formula duty to protect local manufacturers against dumping " These formula duties are currently applicable to PVC and are under revision at present (see **box**)

The firming in plastics prices — attested to by AECI MD Mike Sander and Sentrachem MD Dave Marlow — is the consequence of the market's long-term cycle

A period of glut in many important commercial plastics — with many newcomers, like the Arabs and the Comecon countries, entering plastics manufacturing — led to a

phase in which there was very little new investment in plastics plants for many years

The healthy growth of demand and some plant closures have closed the gap between supply and demand and made the current buoyancy in output and prices inevitable

Against this background, the Board of Trade and Industry has found it relatively painless to whittle away the former levels of tariff protection on chemicals Import control on polypropylene was abolished some time ago and has just been removed on polyethylene It is still there on PVC For the future, protection will have to take the form of tariffs

Marlow points out that the current level of protection available to the South African plastics industry is low relative to that in leading industrial nations, including America and the EEC

In the important case of polyethylene, for example, SA imposes a duty of only 10%, while the EEC imposes 12% This view is confirmed by Sander But he and Marlow also express concern about the potential problem of dumping, particularly from communist countries.

If an allegation of dumping from Western countries is made to the board, there will be a reference price in the home market to which the board can refer Meaningful reference prices are, however, simply unavailable in the case of communist countries

For all this, Sander concedes that the board is still operating "in a pretty responsible way" on questions of dumping

Marlow draws attention to one specific current problem — the dumping of large quantities of cheap plastic shoes from East Asia, with a deleterious influence on demand for locally produced PVC used to make shoes in SA

The board has imposed an emergency duty on shoes, pending the outcome of a dumping investigation.

What complaints Marlow has do not relate to undue pressure from imported plastics and the current level of duties, but rather against the *modus operandi* of the official decision-making mechanism

Plastics manufacturers are kept in the dark through failure of consultation at critical times, with the eventual decision (generally to reduce tariffs) sprung on the manufacturers, which makes forward planning much more difficult

Sasol, incidentally, defends the large capacity of its planned polypropylene plant (in relation to the local market) by saying that the local plastics industry has too often remained uncompetitive on world markets through lacking the advantage of economies of scale

(But this observation should — the *FM* thinks — be qualified It is generally known in the plastics industry that AECI's Coalplex PVC plant and Poly-2 linear low-density polyethylene (LLDP) plant were both constructed to world scale)

Admittedly, economies of scale have a profound influence and Sasol intends its output for export too, in order to justify a plant with an annual capacity of 120 000 t of polypropylene

Of course, the current value of the rand (not only against the dollar, but against important third currencies too) plays a major role in securing the fortunes of the local plastics industry — a desirable situation approved by Bedeker

Correct future exchange rate policy will ensure a sound balance between local manufacture and imports

Bedeker argues, incidentally, that tariff policy should provide for adjustments if the rand deviates substantially from its purchasing power parity

In conclusion, the local industry will always operate subject to important specific local characteristics — like the significant degree of dependence on coal Although coal is not as cheap and easy to handle as oil, its use does ensure security of supply and relative price stability

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Another is the distance separating SA from its trading partners In the case of bulk plastics, the combination of distance and handling charges provides, says Marlow, a measure of "natural" protection (But geography also works *against* the competitiveness of exports)

There is, too, the small scale of the local market relative to the industrial giants — and only strong economic growth will help here

And it does seem fair to the *FM* to accept Marlow's contention that the board should take the plastics industry further into its confidence in formulating policy — a course of action which, if adopted, would take the sting out of most of the criticisms

Certainly, no plastics manufacturer appears willing to take a stand in favour of reverting to a condition of high protection.

The *FM* would conclude with a note of praise to the local industry both for the standards of its commercial management and for its technical innovativeness Where government can undoubtedly help is through more attention to the needs of technical education, especially the training of engineers

And continued exposure to the winds of free trade (with due attention to the problem of dumping whenever it recurs) will surely maintain the competitiveness of the local industry — a necessity for survival in an exceptionally competitive world ■

12/2/88 FM 183

Chemserve's Van Vught . . . acquisition success

Bluechip results

Chemical Services' rerating is proving well deserved Earnings grew at a compound rate of 44% over the past three years and the dividend has been lifted for two successive years after a five-year hiatus

Financial director Lex van Vught points to the success of the acquisition policy the company adopted two years ago No less than 35% of assets employed were bought with the acquisitions and we estimate that about 18% of the total 38% increase in EPS to 229,6c was achieved through these acquisitions

CHEMSERVE'S MIX

Year to December 31	1986	1987
Turnover (Rm)	159,0	202 4
Net operating profit (Rm)	18,2	26,0
Attributable earnings (Rm)	9,9	14,3
Earnings (c)	166,2	229,6
Dividends (c)	62 5	80,0

The group took its time about choosing the companies it wanted to take over and has stuck carefully to familiar industries It bought Allied Colloids at the beginning of last year and 45% (increased to 85% this year) of Industrial Oleochemical Products (IOP) in April Both were bought for cash, but Chemserve has still managed to reduce debt equity from 0,59 in June to 0,25 and interest cover leapt from six times at the end of 1986 to 12 times "We had a fantastic cash flow in the second half," says Van Vught EPS climbed from a first half 92,2c to 137,4c, while the dividend rose from 31c at the interim to a 49c final

Obviously, to achieve this result the core business also revived, especially formulated chemicals, whose contribution improved substantially Van Vught says the increase in volumes in these divisions was about the same as for general economic activity Margins also improved, again especially in formulated chemicals

With the decline in debt and lower interest rates, interest paid fell from R2,7m to R2,1m But Chemserve, which benefited for the past five years of having issued 10,9% debentures, will have to rethink its financing as the debentures are due for repayment in 1989.

Debt has climbed since year-end, due to consolidation of IOP figures, now a subsidiary Debt equity is currently still a comfortable 0,55, but Chemserve will doubtless ensure that this is repaid as fast as last year — one of the reasons for the increasing dividend cover from 2,7 to 2,9 times

Van Vught is confident that EPS will grow in real terms next year, suggesting a rise of about 20% The additional holding in IOP will improve the bottom line and even the weakening rand could be to Chemserve's benefit if it can pass on price increases

In the present market, however, fundamentals seem of little importance and the share price has dropped from R29 to R18 since last August

Pat Kenney

John Drake says stocks of po-

Swimline gets top stake in foreigner

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GOOD news for swimming pool owners — a bit of competition might help to bring down the price of chemicals.

Swimline Holdings, listed last year, has acquired a majority stake in a foreign company distributing swimming pool equipment and chemicals

Swimline gained the stake in return for guarantees to facilitate a management buy-out of the company This amounts to R2-million of loan capital

Reserve Bank approval for the foreign currency involved has been granted without the disclosure of the name of the company or its location That information is secret because of the sensitive position in which foreign companies find themselves when they do business with SA

The acquisition is expected to increase Swimline's earnings by at least 1,5c a share in the year to June 1988 The shares are trading at 125c

S11 19/2/88

Swimline buys a majority stake in foreign company

Finance Staff

In its first offshore venture, Swimline Holdings has acquired a majority stake in a foreign company distributing swimming pool equipment and chemicals.

Swimline, the Ciskei-registered group in which AECI has a 26 percent stake, says the acquisition will result in an increase in earnings of at least 1,5c a share in the current year to June

The forecast for the year is 11,4c a share.

Last month, Swimline reported earnings a share for the half-year to December at 6,8c, 89 percent better than the corresponding 1986 figure.

Current year

(183) Star 15/2/88

Chairman John Puttergill says that projected earnings for the current year would have increased from 11,4c to 16,9c a share if the transaction had taken place on July 1 1987.

He says that, because of the sensitive nature of the transaction, exchange control permission has been granted for non-disclosure of the name of the company or its location.

Export business

"The company concerned is substantial with a projected turnover of R15 million, which we expect to increase to R25 million over the next two years.

"The acquisition provides us with an opportunity to grow our export business, particulary for pool filters and accessories produced at our factory at Dimbaza, Ciskei."

Mr Puttergill says Swimline gained the majority stake in the company in return for guarantees furnished to facilitate a management buyout.

He adds that there is no material effect on the net asset value of Swimline shares after taking into account the contingent liability of R4,5 million.

"We have made a commitment to provide up to R2 million of loan capital with corresponding reduction of our contingent liability, which is subject to a separate exchange control ruling".

Fertiliser industry hard hit

Star 16/4/84

(183)

The recession in most parts of the agricultural sectors during the past years have had a significant effect on the fertiliser industry and strict operational adaptations had to be introduced in attempts to maintain the industry's viability

This was the message of Mr J C von Solms yesterday to representatives of the farming industry at the Agricultural Outlook Conference (Agrocon) held at the CSIR in Pretoria

Mr von Solms told the conference that the industry had been under severe financial strain for the past few years The sharp fall in demand, high inflation rate and unstable exchange rates caused a significant change in fertiliser purchasing patterns

"Co-ops and farmers tend to purchase closer to the time of application, thereby forcing the industry to carry large stocks out of season at high cost and risk

"These factors contributed to the present poor yield on capital employed in the industry," he said

He said the welfare of the fertiliser industry was closely related to the welfare of the agricultural industry. The degree to which the farm economy and markets could be uplifted in the reconstruction of agriculture by the policy makers, would determine the welfare of this input industry.

Swimline buys foreign stake

JOHANNESBURG — In its first offshore venture, Swimline Holdings Ltd, has acquired a majority stake in a foreign company distributing swimming pool equipment and chemicals

Swimline, the Ciskei-registered group in which AECI Ltd has a 26 per cent stake, says the acquisition will result in an increase in earnings of at least 1,5c a share in the current year to June

The forecast for the year is 11,4c a share Last month Swimline reported earnings a share for the half year to December at 6,8c, 89 per cent better than the corresponding 1986 figure

The chairman, Mr John Puttergill, says that projected earnings for the current year would have increased from 11,4c to 16,9c a share if the transaction had taken place on July 1, 1987

He says that, because of the sensitive nature of the transaction, exchange control permission has been granted for non-disclosure of the name of the company or its location — DDC

PROCHEM (183) FM 19/2/88

Acquisition boost

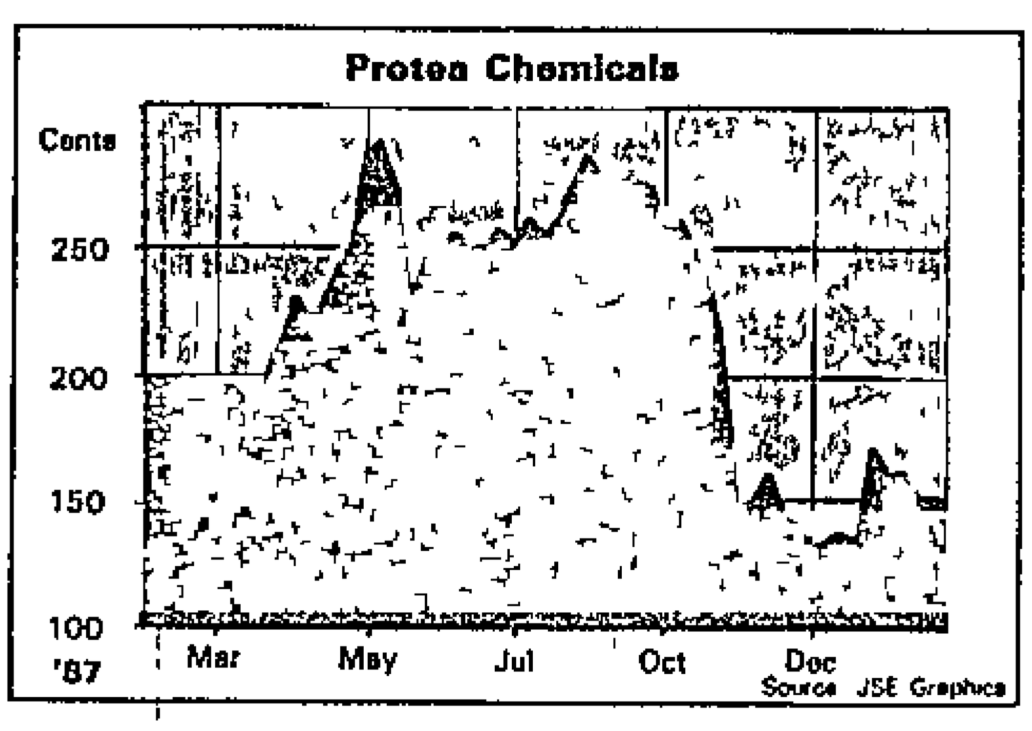
Activities: *Holding company with subsidiaries in manufacture and distribution of chemicals, also of pumps, valves etc, and recycling and regeneration of plastic waste*
Control. *Malbak has 87%*
Chairman: *G S Thomas, managing director M Struwig*
Capital structure: *46,2m ords of no par value Market capitalisation R67m*
Share market: *Price 145c Yields 4,8% on dividend, 12,8% on earnings, PE ratio, 7,8, cover, 2,66. 12-month high, 295c, low, 130c Trading volume last quarter, 456 000 shares*
Financial. *Year to August 31*

	'86	'87
Debt		
Short-term (Rm)	9,1	21,7
Long-term (Rm)	6,3	2,0
Debt equity ratio	0,73	0,47
Shareholders interest	0,32	0,49
Int & leasing cover	3,2	5 2
Debt cover	0,33	0,46

Performance:

	'86	'87
Return on cap (%)	17,8	18,3
Turnover (Rm)	152,9	223,6
Pre-int profit (Rm)	11,4	18 5
Pre-int margin (%)	7 5	8 3
Taxed profit (Rm)	4,3	8,3
Earnings (c)	11,3	18,6
Dividends (c)	5,2	7,0
Net worth (c)	n/a	106,7

Protea Chemicals (Prochem), the only subsidiary which Malbak has listed, has come up with excellent results, but appears to be following the Malbak route in that much of the growth was derived from acquisitions



Acquisitions in the year to end-August 1987 cost a total of R14,6m, of which a substantial amount was paid in scrip, but earned 25% (R2,1m) of attributable profit It seems the new acquisitions helped margins and, like competitor Chemserve, Prochem enjoyed an improvement in overall margins, which climbed from 7,5% to 8,3%

There was a deterioration in the trading division, where margins fell from 10,4% to 9,2% Chairman Grant Thomas says that the trading division excelled but operating income rose only 11,7%

Manufacturing, which contributed 29% to operating income against the trading division's 67%, improved margins from 3,1% to 6,8% and operating profit climbed 286% to R5,4m This section, says MD Mike Struwig, increased market penetration in certain sectors and implemented stringent cost control

A new division, the technical division, has been established Struwig says that an order for R5m has been received and he believes that another for about the same amount is on the cards

A weaker rand will help trading division margins, and the company is looking at two further acquisitions Climbing interest rates could have an adverse impact, as R22m of the R24m total debt is short term Struwig says this problem is being addressed He forecasts that earnings will rise by more than the inflation rate, though the stock market is in the mood to ignore good performances

Pat Kenney

Cape Times 24/2/88

AECI lifts earnings 21%

(183)

Investment Editor

THE giant AECI looks as if it is well and truly out of the trough in which it had been stuck for the years 1982/1985 with profits and dividends for 1987 both well ahead of the 1986 figures, although the year was not without is problems.

Turnover for the year to December 1987 rose by 16% to R3 276m (R2 819m), which was only keeping pace with inflation Included in sales were exports of R251m (R236m)

The company says that the volume of domestic sales was 7% higher with increases having been achieved in plastics and speciality chemicals.

The second half of the year was adversely influenced by the mine strikes which reduced the sale of explosives and a fall in fertilizer sales

The operating profit at R369m was a modest 11% up on the previous year's R332m, but then a better position as regards financing costs, share of associate companies' income and a lower tax rate resulted in the bottom line profits improving to R213m from R175m.

Earnings per share at 138c for the year are up 21% on the previous year's 113c and the final dividend has been increased to 41c (35c) making a total of 66c (60c) for the year Dividend cover has been raised to 2,1 from the previous 1,9

Looking to the future, and with the usual provisos of normal climatic and social conditions prevailing, the company expects a further growth in earnings in 1988

AECI

183

Currency effect

After a rather spectacular 54% rise in attributable earnings in 1986, AECI's 22% increase last year looks more pedestrian, but the group did not have a particularly easy year

Though volume sales rose 7%, prices could not be increased in line with costs and margins declined from 11,8% to 11,3% MD Mike Sander says the main reason was the relative external strength of the rand, leading to increased competition from imports, both for AECI directly and for its customers To match prices of imported products, cost increases had to be absorbed

Another factor affecting the group was the problems in the agricultural sector Though fertiliser prices were, on average, about 10% down on 1986, even at these prices farmers held back, probably due to lack of finance, and sales dropped 10% The mining industry's problems also hurt AECI The three-week strike in August knocked sales of explosives, as well as other chemicals and accessories sold to the mines "If sales stop for a month or three weeks, they don't come back later," Sander points out

Despite the problems, debt is at about the same level as at the end of 1986 (R483m), with the debt equity ratio at about 0,49 Financial director George Thomas is concerned about the ability of the economy to provide long-term finance for private enterprise. "In the days of lifo four to five years ago dividend cover of 1,5 to 1,8 times was acceptable Now two times is probably too thin," he says AECI has raised cover from 1,88 in 1986 to 2,09 times and Thomas expects it to increase further

AECI BETTER

Year to December 31	1986	1987
Turnover (Rb)	2,82	3 28
Pre-tax profit (Rm)	263	303
Attributable earnings (Rm)	175	213
Earnings (c)	113	138
Dividends (c)	60	66

Finance will be needed for the major projects AECI has on the planning board — the soda ash plant in Botswana and the synfuel project Without these, capital expenditure was R227m last year and is expected to be around R250m this year Sander comments that synfuel depends upon a satisfactory financial arrangement being agreed with the authorities, but also points out it is impractical to have both Mosgas and the synfuel plant built at the same time, as the engineering industry would not be able to cope Long-term, both are needed, and AECI is emphatic that methanol is the best fuel, offering

AECI's Sander ... raising dividend cover

opportunities to build up the petrochemical industry, which has limited availability of raw materials in SA

An announcement about whether the soda ash plant will go ahead should be made about mid-year Director Dries Nieuwoudt says all major customers are satisfied with the quality and that in some ways the product is superior to that available from overseas sources

Outlook for the present year depends upon the labour situation, agricultural prospects and the rand The Triomf plant has been absorbed and it appears the weather cycle is changing and there should be growth in the fertiliser market in the next few years With surplus capacity in the fertiliser section and a weaker rand, exports appear possible, but the main markets of China and India are closed to SA and freight costs can make exporting too expensive

A weaker rand should help other exports and additional plastics capacity will help sales — plastics had to brought in last year to supply overseas customers In other areas, the improving local economy will increase demand and leave less available for exports

Earnings are expected to improve in 1988, but, as mentioned above, dividends will grow at a slower rate Possibly anticipating this, the share is on a dividend yield of 5,6% against the chemical sector average of 5,0%

Pat Kenney

MERCEDES-DATAKOR

Fast mover

Announcement that Sankorp has given Mercedes-Datakor (Mercedes) a cash injection of R30m in exchange for 26% of Mercedes Information Technology is the culmination of other announcements which, industry sources say, could make the company the third biggest computer group in SA

Mercedes chairman Nic Frangos says the main reason for the arrangement with Sankorp was not financial "To implement the strategy outlined in the prospectus we shall need very strong shareholders," he says "This move was more for the future than the present "

Implementation of that strategy has been accelerated, says Frangos, because of disinvestment pressures, among other factors "We have moved faster than I would have liked, but it has been in line with the strategy we decided upon "

Some of these moves are sharply expanding the possibility of organic growth later Mercedes has an agency for DEC networking systems and plans to be the largest supplier of this product by upgrading the skills of staff and providing excellent support In addition, it is the only supplier in SA of supercomputers, whose market is limited mainly to scientific usages, but for which there is at present pent-up demand

After these moves, Frangos is satisfied that net worth has increased by about 50% He believes that the prospectus forecast of earnings of 15c will be achieved, but with some recent developments having longer-term potential rather than bringing short-term profits, the bottom line benefit will not be felt this year

Next year will be different "We shall have the benefit of a full year's earnings from the acquisitions and there should be a significant increase in EPS," he says

It seems probable the pace will not ease for a while, as Frangos feels the industry is still in a cycle of restructuring itself and he plans to make the most of it

Pat Kenney

FM 26/2/88

IMPERIAL

FM 26/2/88

Diluted

An increase of 56% in issued shares hindered Imperial's interim performance at bottom line Though earnings rose 90% to R4,2m (R2,2m), EPS rose only 38% to 30,2c (21,9c) in the six months to December 25 Still, considering the group has had to work on rationalising certain divisions, this is a creditable performance

Joint MD Bill Lynch tells me the main surge came from Imperial's expanded rental division after it acquired major competitor Hertz The acquisition effectively doubled Imperial's market share Says Lynch "During the last three months of 1987, our com-

D/D 26/2/88

AECI earnings up

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JOHANNESBURG — Earnings up 21 per cent to 138c a share (113c in 1986) are reflected in AECI's audited results for the year to end-December released yesterday

Together with the interim dividend of 25c a share, a final of 41c is to be paid, lifting the total for the year by 10 per cent to 66c (60c)

Attributable income was up to R213-million (R175-million) Net trading income was up 11 per cent to R369-million (R332-million) and turnover up 16 per cent to R3 276-million (R2 819-million)

The managing director, Mr Mike Sander, said yesterday that he was "reasonably optimistic" about the outlook for the group in 1988. However, much would depend on the weather, which affects demand for AECI's fertiliser and farm products, and general economic conditions, including industrial peace.

In their commentary accomanying the financial results, the directors state that compared with the 16 per cent rise in turnover, the volume of domestic sales in 1987 rose seven per cent with substantial increases in plastics and speciality chemicals sales

Export volumes declined "marginally," as higher domestic demand reduced the availability of product for sale internationally, However, the value of export sales increased from R236-million to R251-million —Sapa

AECI ready for soda-ash go-ahead

By Don Robertson

AECI is reasonably optimistic that it will receive the go-ahead for the R900-million soda-ash project in Botswana by the middle of this year.

The Sua Pan project will probably require foreign finance, but no funds have been set aside this year for development

The company also has as a priority for its synfuel project

Announcing financial results for the year to December, managing director Mike Sander says financing of the soda-ash project will be complex, but he is unable to suggest how it will be achieved

AECI has taken over the pilot plant at Sua Pan and the product is acceptable to customers

AECI's attributable profits rose by 21,7% to R213-million from R175-million in the year to December 1987 Turnover topped R3-billion for the first time — R3,27-billion compared with R2,82-billion in 1986

Capex needs

Because of reduced margins, caused in part by imports, operating income was only 11% up at 369-million from R332-million

Earnings were 138c a share compared with 113c and out of this a final dividend of 41c has been declared, making a total of 66c against 60c

Dividend cover has been raised to 2,1 times from 1,9c in the previous year, largely because of the need to build up funds for the expected capital expenditure of R250-million in the current year

Mr Sander says the three-week miners' strike lowered sales of explosives and chemicals last year Agricultural demand softened and reduced fertiliser sales knocked earnings by about 6%

Exports

SA sales volumes rose by 7%, the main increase being in plastics and speciality chemicals Export volumes declined as higher domestic demand reduced the availability of product

The company took some "brave decisions" in its international marketing activities and expects prices to harden this year SA sales are expected to improve by about 4%, especially in the second half of the year

Subsidiary company SA Nylon Spinners had a good year and has developed high-tech business which will reduce its dependence on the apparel industry

Mr Sander says that with the likelihood of better rains and reasonable stability in the social and industrial environment, earnings should improve in the current year

Interim dividend maintained

Sasol profits drop by 28%

CAPE TIMES 24/2/88

JOHANNESBURG. — Sasol's net profits in the six months to December dropped by R82m — or 28% — compared same period of 1986, but the giant fuels and petro-chemicals supplier has maintained its interim dividend at the previous level.

The interim report shows attributable earnings of R207,1m, compared with R288,9m in the comparable period, equivalent to earnings per share of 36,8c (51,4c)

Interim dividend

The interim dividend has been maintained at 22,5c a share.

The directors explain that virtually unchanged product prices combined with domestic production cost increases had a detrimental effect on the profits of Sasol's synfuel activities

"In addition, an increase of 30% in rand crude oil prices compared with the corresponding six months of the previous year, reduced our oil-refining profits.

"Since production cost increases at Sasol in the past few years were kept well below the inflation rate, there was less room for further cost rationalization in the six months under review"

However, good production was achieved by the main operations

"The negative developments in the fuel industry were partially offset by benefits derived from the group's policy of increased diversification for the purpose of adding value to existing products," they state.

"The most important of these benefits were higher prices in the international markets for chemical products and the improved operating results of the fertilizer division"

Debt was further significantly reduced, they add.

"It is clear that the synthetic fuels industry is temporarily in an unfavourable position.

"For this reason government has been requested to increase the protection for the indigenous industry against products derived from the refining of Imported crude oil," the directors say

The prospects for higher petroleum product prices in the foreseeable future were not encouraging.

They say however that they expect to be able to maintain the total dividend for the full financial year at the same level as previously

"In the first three months of the second half of the financial year the rand prices of our main products are more than 5% lower than those of the first half.

"This is due to a stronger rand and a further fall in the average dollar prices of petroleum products," they point out

Chemical products

"Favourable international prices of chemical products as well as expected higher production at Sasol II should, however, have a positive effect on the results for the second half of the year"

At Sasol I increased attention was being given to the upgrading and modernization of the plant. Sasol III's profit before tax in the period under review amounted to R96,7m and the after-tax profit was R50m, the same as that for the half-year to December 1986

Sasol's turnover (including excise duty and levies) was 13,8% up at R1,7bn, while net operating income was down 29,6% at R354,4m (R503,7m) — Sapa decade ago ... said ... were gunned down in ... wars waged by

Key judgment on discrimination

CAPE TIMES 29/2/88

Own Correspondent

JOHANNESBURG. — In a key judgment the Industrial Court has ruled that racial wage discrimination is an unfair labour practice and has given the offending company six months to eliminate it.

And, in ordering the reinstatement of several hundred workers, the court also appears to have significantly strengthened the right to protection from dismissal for workers involved in a "legitimate" strike.

The case of the SA Chemical Workers' Union (Sacwu) v Sentrachem, presided over by Dr D G John, arose out of a nine-week wage strike by 3 000 workers between May and July 1986 at seven of the chemical giant's plants Management had issued dismissal notices on July 7, with an offer of re-employment to those who returned by July 15.

About 400 to 500 were not taken back — most because management said a restructuring of operations meant they were redundant. Seventeen were not rehired because of alleged disciplinary offences during the strike

Six months of negotiations, and the implementation of conciliation procedures, failed to resolve the wage dispute in which — at the time of the strike — the union was demanding a R250 increase on the minimum R400 monthly wage while management was offering a R470 a month minimum

Sacwu also demanded the elimination of racial wage discrimination, which it said was prevalent in the company.

In the judgment delivered last Thursday, the court ordered that Sentrachem eliminate discrimination by August 31.

The court defined discrimination as a situation where wages paid to black employees are lower than wages paid to other workers doing the same work — unless the difference is due solely to length of service in the job

R1,5m first step

While there was some disagreement between Sacwu and Sentrachem on their definitions of the concept, evidence led by the company during the hearing was that it would cost R4 million to eliminate discrimination fully

During negotiations Sentrachem had agreed to set aside an immediate R1,5 million for that purpose as a first step towards eliminating wage discrimination over a period of time.

The court noted that Sentrachem representatives had acknowledged discrimination existed and was morally indefensible.

It said there should have been greater efforts by the company to remove it.

The court also ordered the reinstatement of 400 to 500 workers and payment to them of eight weeks' backpay.

The most important and far-reaching reason given was that since the law grants unions and lawful strikers immunity from penal and civil sanctions "it would be anomalous if workers were nevertheless penalized by dismissal for striking".

Price of crude hits Sasol profits

(183) 29/2/88 B/day

LIZ ROUSE

A SQUEEZE on Sasol's operating margins and higher rand crude oil prices resulted in the synthetic oil giant's interim attributable earnings falling by 28,3%.

However, dividends are safe because of Sasol's conservative dividend policy, which assures maintained payments in spite of earnings declines. The interim dividend is unchanged at 22,5c and Sasol directors say in the interim report that total distribution should be maintained at 47,5c.

Sasol's attributable profits for the six months to December fell to R207,1m from the 1986 half-year's R288,9m, equal to earnings of 36,8c a share (51,4c). Dividend cover has been dropped to 1,6 from 2,3.

Sasol Three's taxed profit was maintained at R50m, of which a R25m dividend accrues to Sasol.

While the synthetic fuel industry is "currently in an unfavourable position" in the words of the directors, there are positive points in Sasol's interim report.

Firstly, diversifications are paying off — especially its chemical products, which are demanding higher international prices — and the fertiliser dividend showed improved results.

Secondly, Sasol Two's production is being increased. Thirdly, there has been a further impressive reduction in Sasol's interest-bearing debt and the balance sheet is, therefore, healthy.

Turnover increased to R1,7bn (R1,5bn), including excise duty and levies, but net operating profit declined almost 30% to R354,4m (R503,7m) and dividends received fell sharply to R25,6m (R50,7m).

However, Sasol scored by reducing interest-bearing debt to R38,1m from R417,7m in the 1986 half-year (R53m at the end of June 1987) and interest charges were cut to a minimal R3,3m from R21,7m in the previous comparable half-year.

Sasol directors point out that there was less room for further cost rationalisation since production cost increases during the past few years were kept well below the inflation rate.

Consequently, virtually unchanged product prices combined with domestic production cost increases impacted unfavourably on profits of its synthetic fuel activities.

In addition, a 30% rise in rand crude

● To Page 2

Sasol earnings down by 28,3%

B/day 29/2/88 (183)

● From Page 1

oil prices compared with the same period in 1986 reduced oil refining profits. Because of this squeeze on the synthetic oil industry, the authorities have been requested to increase the protection for the indigenous industry against products derived from the refining of imported crude oil, say directors.

As prospects for higher petroleum product prices in the foreseeable future are not encouraging, Sasol directors believe the equalisation reserve should not be utilised at this stage.

On prospects, directors say that, so far this year, rand prices of Sasol's main products are running 5% below those in the second half of 1987.

Sacwu wins court order to bridge wage gap

Stw 1/3/88

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By Mike Siluma

The South African Chemical Workers' Union (Sacwu) has won an order in the Industrial Court directing Sentrachem to eliminate pay disparities between workers of different races.

The outcome of the case has been described as a major victory in the struggle for racial pay equality.

The judgment in the case, presided over by Dr D G John, concluded a two-year wage dispute between seven divisions of Setrachem and Sacwu, involving more than 2 000 workers.

The workers went on strike in May 1986 at factories in the Transvaal, the Free State and Natal, demanding an across-the-board R250-a-month increase, as well as the bridging of a wage gap between white and black workers

In the judgment, the court found that wage discrimination "in the sense that wages paid to black employees . . are lower than wages paid to other workers doing the same work (unless this was due to length of service) is an unfair labour practice"

The court ordered that Sentrachem redress such discrimination by August 31

Finding as unfair the dismissal of strikers by the company on July 8 1986 and its failure to re-employ them on or after July 15 in the same year, the court ordered that employees so fired be re-employed on application before March 31 1988.

Sentrachem unhappy with judgment

Star 1/3/88 IR8/183

By Mike Siluma, Labour Reporter

Sentrachem may ask the Supreme Court to review an Industrial Court decision directing it to eliminate racial pay disparities and to re-employ strikers dismissed during a pay dispute two years ago, the company said.

In his first reaction to the Industrial Court judgment delivered on Thursday, Sentrachem managing director Mr Dave Marlow said the company "unreservedly rejects, and will continue to reject, racial discrimination in any aspect of its operations".

"The finding of the Industrial Court that (Sentrachem) has implemented that practice, as well as the court's determination on criteria for legal strike action and fair dismissal of striking employees, are cause for serious concern to the company," Mr Marlow said yesterday.

The company, in cosultation with its lawyers, was considering the possibility of review proceedings and would make a decision soon, said Mr Marlow.

The case was a sequel to a strike by more than 3 000 workers in seven Sentrachem divisions in the Transvaal, the Free State and Natal in May 1986 to back demands including a R250 across-the-board monthly increase and the elimination of racial inequalities in pay

In his judgment, Dr D G John ordered that Sentrachem redress any racial disparities in wages by August 31

He also found the dismissal of workers subsequent to the strike unfair and ordered the company to re-employ them.

Oil price moves steadily down

Star 1/3/88

(183)

LONDON — Commodity price forecasters are all too often a disappointed breed, but last week there was melancholy cause for celebration Running well to schedule, the seasonal oil price fall crept up on us almost unnoticed

Physical Brent crude slipped below $15 a barrel as Opec production drifted up to more than 17 million barrels a day and the European winter continued agreeably mild The optimists do not expect prices to recover for some months, and the pessimists expect them to collapse

But in a sense prices have already collapsed, as stockbroker James Capel pointed out when introducing its review covering the North Sea Average dollar oil prices were $14,41 a barrel in 1986, that volatile year, and $18,13 in 1987 The comparable sterling prices were £9,80 and £11,05

At present exchange rates, however, the sterling price is a mere £8,50 The North Sea industry cannot be anticipating with glee weak oil prices and a weak dollar

Nevertheless, the continental shelf show goes on One of the most intriguing aspects of the James Capel review is that, for a supposedly mature industry, North Sea oil and gas look pretty sprightly

Decline

On the one hand, it is true that half, or 7,9 billion barrels, of the estimated UK sector reserves of 15,3 billion barrels have been pumped out since production began in 1967 UK output of 2,47 million barrels a day last year confirmed the beginning of the long anticipated decline

On the other hand, Norway and Britain still have estimated reserves of 17,8 billion barrels of oil and liquids and the reserve-to-replacement ratio is a respectably high two-thirds Some 1,8 billion barrels of oil equivalent were discovered last year when 205 exploration and appraisal wells were drilled at a cost of £1,3 billion

Total North Sea production was 1,9 billion barrels of oil equivalent Licences have been granted for only about a fifth of the prospective continental shelf

This year, exploration success measured by the ratio of finds to holes drilled could increase because budgetary constraints are likely to confine efforts to the most promising areas

Norway's fields will be subject to an informal "queueing" system, partly because the Norwegian government does not want oil hopelessly to distort an otherwise small economy Planning proposals for at least one UK condensate field and one medium-sized oil field may well be submitted this year

So the North Sea seems set to enjoy a much longer life as a major hydrocarbon province than talk of declining output might imply Yet the grip of a handful of companies on North Sea reserves is likely to strengthen rather than slacken, as the British Petroleum takeover of Britoil demonstrates

Threequarters of the licensed area of 227 000 square kilometres is controlled by 25 companies, and 200 companies have the rest Statoil, the Norwegian state company, has just over 12 percent of the total area licensed, followed by BP with 6,2 percent (or more than 10 per cent if Britoil's dowry is included) and by Shell and Exxon with about 5,5 percent each

Predators

As shares soared last year there were relatively few takeovers and mergers among North Sea companies In theory, the stock market crash should have opened the season for corporate predators, but there is a feeling that market capitalisations are still too high properly to reflect asset values

If average oil prices are $17 a barrel this year, as many still expect, the North Sea will be "conservatively" active — The Independent

PHARMACISTS

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A bitter pill

Pharmacists need a new prescription — for survival If they don't learn to adapt to a changing business environment — and quickly — they could soon become an anachronism

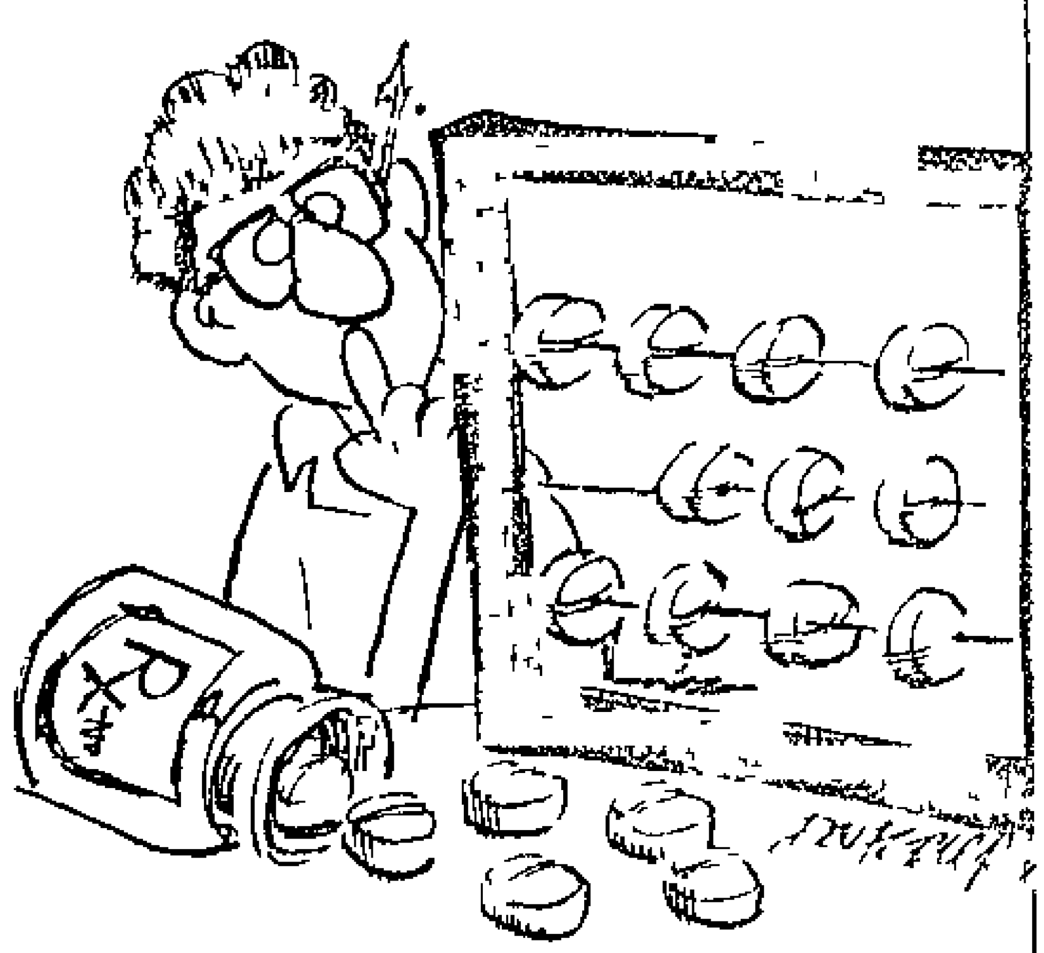
That's the warning to SA's 2 500 retail pharmacies as they brace themselves for increased competition Retail pharmacies face deregulation later this year. They are already under threat from several sides — from supermarkets, dispensing doctors and the decision that district surgeons should buy medicines through provincial authorities

Link GM Benzie Joffe, whose chain is part of SA Druggists (SAD) and includes 22% of SA's pharmacies, says "The days of the 50% mark-up are over Pharmacy can't survive unless margins are cut "

Adds SAD wholesale division GM Sid Hurwitz· "Pharmacists must cut their overheads and diversify They can't keep depending so heavily on profits from prescription medicine. They must change from high-margin, low-volume fat cats to high-volume businessmen selling at acceptable prices "

Pessimists estimate at least 30% of pharmacies could disappear if market forces are given a free hand

Plus Advisory Committee chairman Glen



Merryweather says pharmacists face a veritable army of problems "Volumes have dropped because business has gone to dispensing doctors and district surgeons Manufacturers sell to them cheaper than even to the wholesalers as a means of letting their products get known in the medical community At least R6m a year of business will be lost in the Free State alone through the loss of district surgeons' business For a professional man, a mark-up of 50% isn't excessive but there may be special competitive circumstances when this will have to be cut "

Perry & Associates senior partner Tony van der Schyff says the pharmacist must decide between becoming a true businessman or a true professional "He should either set up drugstore operations, which would be a multi-use retail store and maybe consider employing a business manager, or he should confine himself simply to dispensing medicines in smaller premises "

He suggests that if pharmacy is to prosper, there should be a longer business administration course as part of pharmaceutical training Merryweather says "Many older pharmacists don't treat it as a business and never will They've been too well protected Nowadays, all professions must learn to be businesslike or else live in dignified obscurity "

All over the country, there are specific threats to retail pharmacists In Newcastle, it is believed Iscor plans to put the dispensing of its medicines out to tender, which could threaten at least four pharmacies in the town On the East Rand, the dispensing doctor has arrived in force Some Brakpan pharmacists are processing 10 prescriptions a day instead of 100.

SAD MD Tony Karis argues the future can be bright "If, for example, three pharmacists pool resources they could have a viable business It's the stand-alone pharmacist that's doomed " ■

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DID 4/3/88

Mr Larkins

Meeting on plastics

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EAST LONDON — The Plastics Institute of Southern Africa plan to start a branch in the Border area

An inaugural meeting was held and addressed by the national chairman of the institute, Mr Christian Larkins, said since there was interest in plastics in the Border area

Mr Larkins said meetings would be held monthly to discuss the technology of plastics proved payouts are a continuation of the policy

cent to R3,60 million (R1,90 million).

EOCM seeks listing

(183)

Finance Staff Star 7/3/88

Elangeni Oil and Cake Mills (Elangeni) is to seek a listing on the JSE via a reverse takeover into Advance Industries. This follows the recent agreement reached between Advance and the shareholders of Elangeni.

The current plans began when some 97 percent of the issued ordinary capital of Advance was acquired from Santambank by the Merhold consortium at a price of R4,6 million, equivalent to 110 cents a share.

A total of 12,5 million new Advance shares are to be issued to the Merhold consortium for the Elangeni acquisition, after which the Merhold consortium will control 99,3 percent of the enlarged issued capital of Advance.

AECI in Detonix detonator deal

20/3/88 S11 (183)

AECI Explosives & Chemicals has signed an agreement for a joint venture with Detonix to develop computer-controlled detonators

A new company, Expert Explosives, will make the electronic initiating devices for AECI, which will market the systems

This concept is set to revolutionise the mining industry, says AECI, the world's largest manufacturer of explosives and mining accessories.

Business Times Reporter

The system is based on self-powered detonators which include low-power very large scale integration (VLSI) microchips for sequencing and blast control

It was invented by Vivian Patz of Detonix and Stafford Smithies of the Council for Scientific and Industrial Research's National Electrical Engineering Research Institute

The detonator requires less that 1% of the electrical energy used by conventional ones

A computer programmes different delay times to each detonator and verifies the value of the delay and the correct functioning of each detonator

For the first time, blasts can be co-ordinated throughout a mine with milli-second precision from a single computer It will improve productivity

DID 15/3/88

CWIU talks break down

JOHANNESBURG — The Chemical Workers' Industrial Union (CWIU) has declared a dispute with Mobil Oil SA after talks on wages and working conditions broke down, a spokesman for the union, Mr B K Mosley, said yesterday

The negotiations concerned workers at all Mobil plants throughout the country

"At issue are members' demands for a R200 a month across-the-board increase with the minimum monthly pay increased to R910, a service allowance of R5 a month for each year of service, and the backdating of the increases to March 1, 1988," Mr Mosley said

"The company's present offer of R155 a month has been rejected

"The Durban branch of CWIU negotiating with Mobil Oil Refinery (Pty) Ltd are also in dispute with the company"

The company's public relations manager, Mr Barry Hurt, said the union had demanded an increase of R200 a month, and the company had offered R155

"Our offer represents an average increase of 18 per cent This is well above the forecast inflation for 1988

"'Our minimum wage is R710 a month and the total monthly remuneration package for any employee will equate to R1 014, if we include other benefits such as housing subsidies and education assistance "

The talks are to continue — DDC

CT Times 1.7.88

Argus ink suppliers face strike

THE major supplier of ink to the Argus Company faces strike action following the declaration of a wage dispute by the SA Chemical Workers' Union (SACWU)

Mr A Nielsen, the financial director of Sun General Printing Ink, yesterday confirmed that SACWU had applied for a conciliation board hearing after mediation failed to resolve the dispute

The union represents 41 workers at the Montagu Gardens factory

A SACWU spokesman said the workers had rejected the company's offer of a R25 across-the-board increase or a 15% rise — whichever was the higher — on the minimum weekly wage of R130.

Mr Fred Collings, Argus general manager, said he could not comment till he received further details on the matter.

SID 17/3/88 (183)

Sentrachem makes recovery

JOHANNESBURG — The chemical giant Sentrachem is set to declare a final dividend for the first time in several years and 15c has been proposed which will bring the total for the year ending March 31, 1988, to 20c

To celebrate its 21st anniversary the group has given investors a peek into what the year-end results to March 31, 1988, look like

With a 70 per cent growth in earnings per share to over 60c the picture is a pleasing one and one which attests to Sentrachem now being firmly on a recovery path particularly as regards its troublesome fertiliser and rubber divisions

CHEMSERVE 183 FM 18/3/88

Takeover benefits

Since Chemserve's preliminary results for 1987 were announced in early February, the share price has firmed R1 to R19, apparently indicating the market's rerating of the stock has been maintained in the bear market and that investors are again taking note of fundamentals

An important reason for the rerating was that Chemserve, which kept its dividend at 50c between 1981 and 1985, improved its payout to 62,5c and 80c in 1986 and 1987 But the company also lifted dividend cover, which reached 2,9 times last year, up from 1,7 in 1983

Financial director Lex van Vught says internal financing will be important as interest rates rise It will also be vital to have low borrowings and Chemserve is paying off short-term loans as fast as possible These are not large, amounting to R4,5m net of cash at year-end, but they were increased after the balance sheet date, when the company paid R9m to raise its stake in Industrial Oleochemical Products (IOP) from 45% to 85% and as a result of consolidating IOP, which was highly geared

One of Chemserve's problems was that the market for its original product, formulated chemicals, has been growing slowly and that, as entry barriers are low, the competition has been tough. To overcome this, the group adopted a policy of expanding through acquisition and emphasised products requiring a higher level of capital investment New subsidiaries Allied Colloids and IOP, says chairman Dries Nieuwoudt, strengthened its position in the mining and surface-coating industries. The policy of acquisition and diversification worked well and we estimate that half of the 38% increase in EPS growth was due to acquisitions

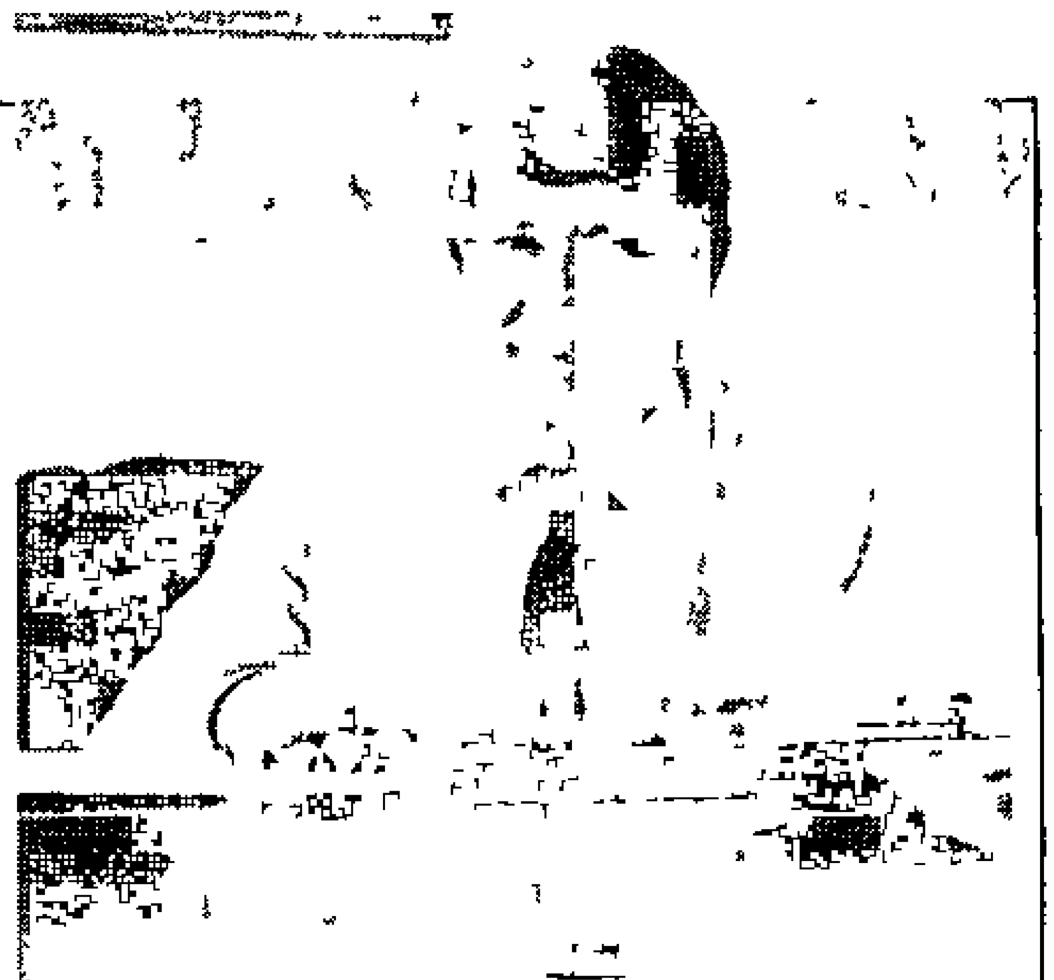
Results were helped by a pickup in the core business of formulated chemicals and by an improvement in margins, though Chemserve handed on to customers the benefit of the higher rand on the cost of imported raw materials. Chemserve imports about 50% of its raw materials

It would seem that the group needs a breathing space after making nine acquisitions in two years But this begs the question of how Chemserve will maintain growth. In addition to increased sales due to higher gross domestic expenditure, extensions to the Allied Colloids plant in Port Elizabeth — established to replace imports from Britain — are about to come on stream. Merging of the food and beverage industries into Chemserve Food Sciences started to show benefits in 1987 and Chemserve Trading is expected to make a meaningful contribution to profits In addition, the acquisitions, which were included for only nine months last year, will be in for a full year in 1988

But there are some problems to be resolved It may not be easy to pass on the increased costs owing to a weaker rand, especially as competition remains strong and Chemserve is due to repay R4,3m in foreign debt by December 1989 as well as to redeem the first R1m of its 10,9% debentures in September 1989 Both these loans are at considerably below current market rates Decisions about financing will probably be taken in the course of the year

Chemserve's most important advantage is its management An indication of its quality can be seen from the fact that controlling shareholder AECI tends not to interfere with management decisions and is known to be keen to increase its shareholding, though the share is tightly held With this asset and, as earnings are expected to grow at more than the rate of inflation, the market rating of the share seems justified

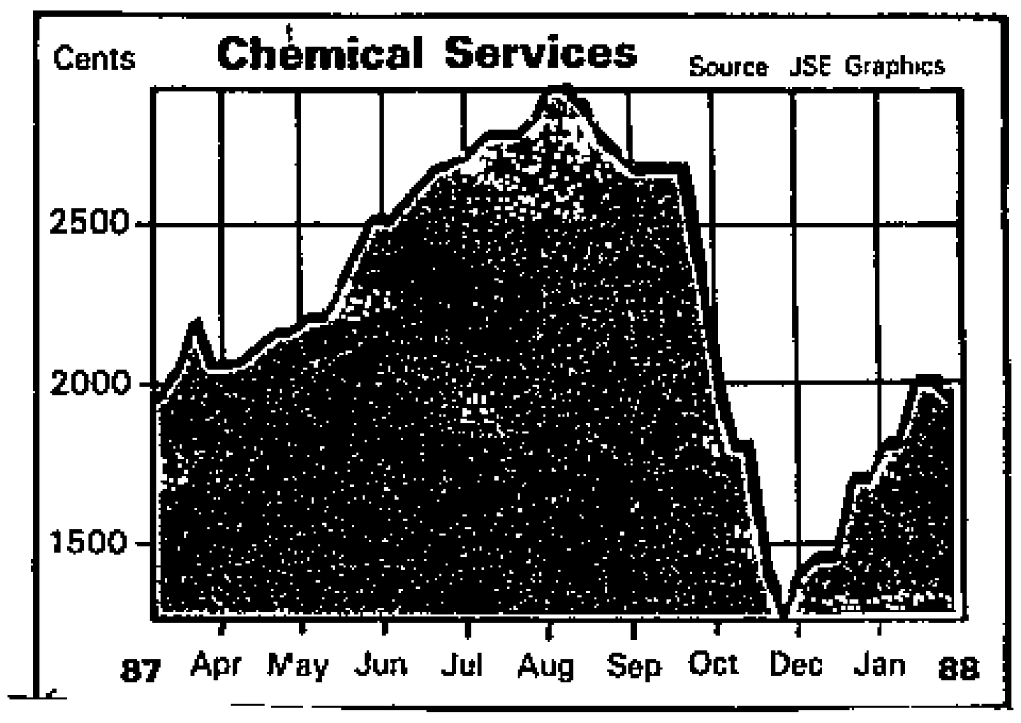
Pat Kenney



Chemserve's Francois financing decisions

Activities: *Group of companies supplying a diverse range of speciality chemicals, chemical raw materials and related services*
Control: *AECI controls 58%*
Chairman: *A B Nieuwoudt, managing director P T Francois*
Capital structure: *6,2m ords of R1 each Market capitalisation R119,4m*
Share market: *Price 1925c Yields 4,2% on dividend, 11,9% on earnings, PE ratio, 8,4, cover, 2,9 12-month high, 2900c, low, 1250c Trading volume last quarter, 36 000 shares*
Financial: *Year to December 31*

	'85	'86	'87
Debt			
Short-term (Rm)	10,1	3,0	13,6
Long-term (Rm)	11,8	10,1	9,4
Debt equity ratio	0,58	0,25	0,19
Shareholders' interest	0,47	0,56	0,52
Int & leasing cover	4,2	6,2	6,5
Debt cover	0,33	0,92	1,60
Performance			
	'85	'86	'87
Return on cap (%)	18,2	20,3	18,8
Turnover (Rm)	120,6	150,0	202,4
Pre-int profit (Rm)	14,5	18,2	26,0
Pre-int margin (%)	12,0	11,1	12,3
Taxed profit (Rm)	5,57	7,9	11,7
Earnings (c)	115,2	166,2	229,6
Dividends (c)	50,0	62,5	80,0
Net worth (c)	669,8	835,9	1 146,3



183

Following a path to profitability

Written by PATRICK BULGER

AFTER several years of depressed prices for plastics products, two major firms — AECI and Everite — have joined forces to set up plastics giant DPI Plastics (Pty) Ltd The company arose from a merger between AECI's Duropenta and Everite's Pipekor and it will increasingly be the major supplier of PVC pipes and fittings to the South African market

The deal will permit the PVC manufacturing arms of the two holding companies to profit in what had become an overtraded market

It will put plastic pipe manufacturing into a stronger position — freeing resources for research and development — and generally provide a more stable climate for the industry as a whole

TOWARDS the end of last year it became apparent that SA s converter industry was facing a profitability crisis that needed tackling if the industry was to survive

It is worthwhile examining the causes of this crisis

The first cause has already been alluded to — namely the economic downturn which made inroads into production volumes as demand from the mining agricultural and building sectors slumped

Competition

A weak economy held especially important implications for the converter industry with its low entry barriers and relatively small capital and expertise input This brings us to the second cause

With a number of pipe manufacturers in the business it became vital that each producer continue to pump out the volumes of products necessary to attain economies of scale and hence profitability

To some extent this was possible in the short term at least But it could only be done at the cost of slashing prices and indulging in desperate competition This cut throat competition had negative implications for an industry which needs the ensured long term growth essential for infant industries

It was also detrimental to an industry that produces piping for projects planned months in advance

'Last year we saw the worst price war we have seen in the industry ' says Mike Kerr Peterson MD of DPI Plastics

The industry has a low entry barrier

It was particularly fragmented with a lot of producers around which resulted in a great deal of over-capacity

For the big producers to sustain their profit margins it was a question of going for volume to reduce unit cost The result was price slashing on a big scale says Kerr Peterson

Everybody got into the same mode and by the end of 1987 the whole industry was incurring losses

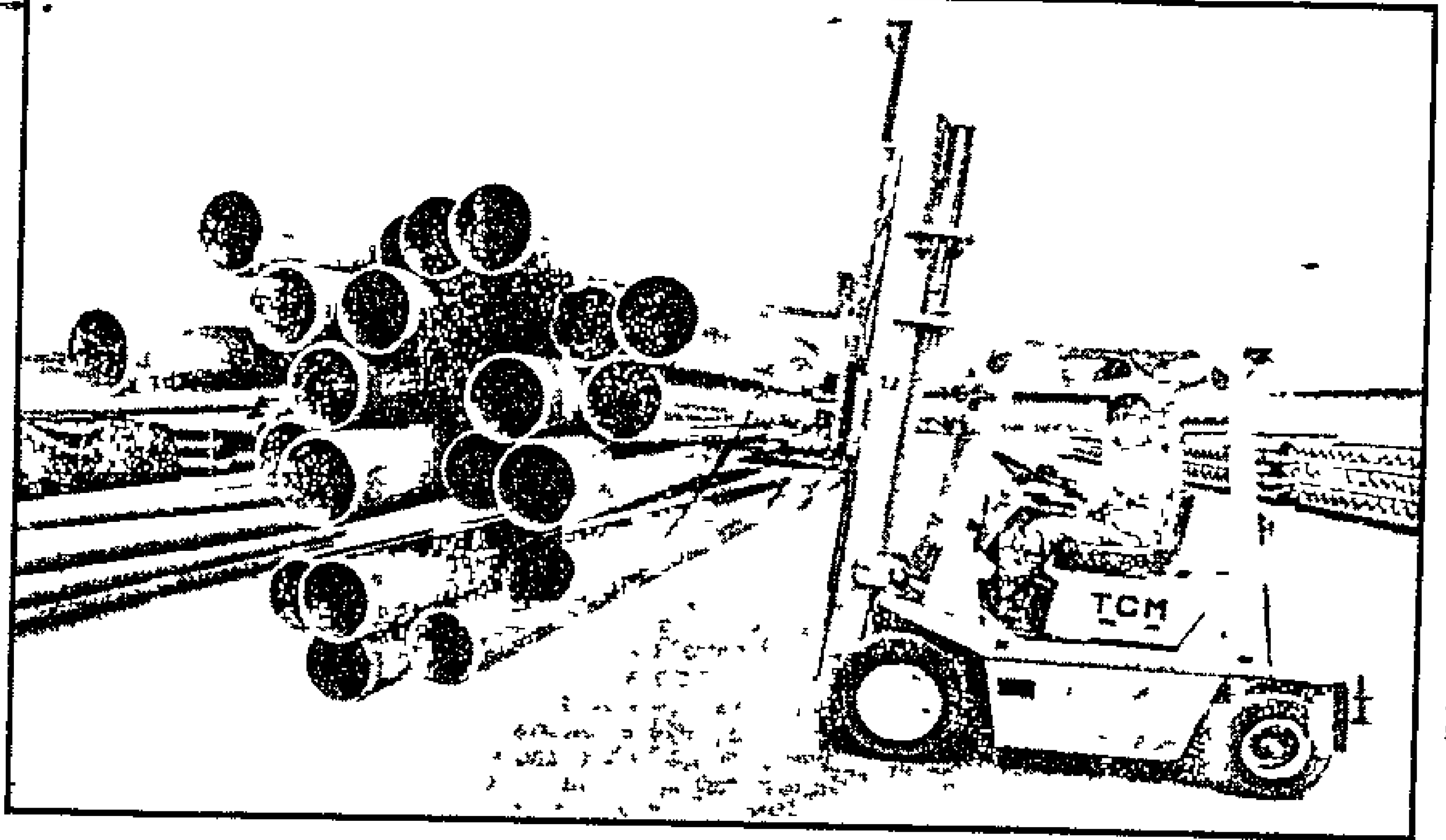
But the price cutting was destabilising the whole industry and it became quite obvious that what was needed was rationalisation There needed to be some concentration of manufacturers

But if the converter sector was operating within an overtraded market and fragmentation was wreaking havoc with production schedules and profit margins the raw materials sector was suffering problems of almost the exact opposite sort

The two major polymer producers — AECI and Safripol — dominated the market and the supply of processable material to the converters While selling prices for the converters continued to slump the raw materials producers held out against dropping their own prices all the while strenuously denying charges of monopoly

The resolution of the price crisis tackled the problem at the point of converter product selling prices and not at the point of the raw materials prices paid by the converters

In practical terms the formation of DPI Plastics — bringing together Everite s Pipekor and AECI s Duropenta — was the industrial giants' solution to the problem



□ Plastic pipes being prepared for delivery

Industry in a battle against many factors

THE South African plastics industry illustrates many of the classic difficulties of trying to establish an essentially First World industry in Third World economic and political conditions

It is against this wider background that the formation in January this year of converting giant DPI Plastics needs to be seen.

At the outset one point has to be made the local plastics industry is essentially an artificial creation, relying as it does on protectionist measures instituted by the State to develop an indigenous industry by shielding it from more efficient and mature international competition

One only has to look at the plastics output of the sophisticated Western European producers to realise that foreign concerns are able to attain economies of scale that are only dreamed about by the South African producers

In Western Europe for example 24 million tons of plastics are produced and used every year The US produces 22 million tons Japan 10 million In the world as a whole 120 million tons are produced each year

South Africans by comparison produce and consume close to 0 5 million tons

The comparison is even more illustrative if one looks at individual consumption of plastics While in Finland per capita use of plastics materials tops 120kg a year and 86kg in the US a South African can be expected to use only 18kg of plastics products annually

SA s consumption puts it on a par with other developing countries like Australia

These statistics alone suggest a fundamental constraint on profitability — namely the difficulty of attaining the economies of scale necessary to ensure long production runs lower overheads and lower bulk transport costs

A smallish domestic market is made smaller in real terms by the low barriers to entry posed by the converter industry — that sector that converts raw material of different grades into usable plastics products.

At present it is estimated there are about 1 000 converters in the business — from huge sophisticated concerns like DPI Plastics to one-man operations ticking over with a single machine and a handful of labourers

The plastics industry in Europe has been boosted by the increased application of plastics products in the engineering military and automotive fields — a market sector that suggests a highly-sophisticated range of plastics products the fortunes of which are closely tied to Western manufacturing prowess

In SA by contrast, packaging consumes 38% of the total plastics output. This sector offers some potential for growth as the volume of consumer goods — both durable and non-durable — grows in limited yet absolute terms

The rest of the market is strategically less secure however

Plastic pipe producers — of which DPI Plastics is the biggest — supply the mining building and civil engineering and agricultural sectors It is common cause that these sectors are vulnerable to market fluctuations — both locally and internationally

This means the plastic pipe industry is vulnerable to the cyclical ups and downs that characterise South African economic growth

The recession of the past two years coupled with the general political and economic instability of the period has not made for a happy period for the industry

In sum a limited domestic market a protected and consequently inherently unstable industry and the downturn of the past two years have combined to make the business of profiting by converting plastics raw materials into useful products a hazardous one

It is against this broad background that DPI Plastics was formed in an attempt to come to terms with these constraints

Mines are putting plastics to work

THE South African mining industry is a major user of plastics products — especially piping and fittings

DPI Plastics will continue to produce the Mineflo range of pipes for application in mining and industry

Even before the merger took place Duropenta had emerged as a market leader in the production of plastic pipes and fittings

The quality and reliability of its products culminated in the award of a South African Bureau of Standards mark to Mineflo pipes for the conveying of water in underground mining operations The pipe is coloured blue and is fitted with Minelok Cast 5G iron ends while Airflo pipe is coloured yellow

Both Mineflo and Airflo pipes are produced in high impact PVC and are designed to provide optimum preformance under demanding mining conditions The basic raw material poly vinyl chloride is manufactured by AECI

The Minelok collar represented a breakthrough and is the key to the integration of plastics with steel pipe systems Previously a serious limitation in the transition to non-corrosive pipe alternatives had been the coupling of plastic pipes and their incompatibility with standard steel piping

The Minelok collar solved much of this problem It is a cast iron pipe end fitting which is cadmium coated to ensure against corrosion

Mineflo pipes are non-corrosive low mass and smooth bore which ensures minimal friction and flexible which means pipes are able to follow curves without additional fittings having to be used

□ In the field of civil engineering and building DPI Plastics will be competing with the producers of a wide range of traditional products

This is particularly true in the case of the civil engineering field

Cost-effective

There are a lot of substitute products in the civil area says DPI Plastics MD Mike Kerr-Peterson

PVC piping has to compete alongside concrete fibre cement and steel — and a host of traditional misconceptions about the strength and safety of plastics products

There are a number of market sectors where plastics have taken a strong foothold especially in the plumbing business where PVC products are now used extensively for pipes and for a range of fittings

This is because they are easy to handle easier to lay in the ground and hence more cost-effective than conventional materials

SERVING SA'S FARMERS

SOUTH AFRICA'S huge agricultural sector provides a ready market for plastic piping for irrigation and drainage purposes

DPI Plastics is looking to increasing its market share in this field

Supply to the agricultural sector has to take account of the seasonal nature of farming — a constraint that imposes its own discipline on production

The biggest buyers of plastic piping in the agricultural sector are the big farming co operatives

DPI Plastics is well poised to continue serving the agricultural sector with its branches in the four provinces and Namibia

Farmers require huge volumes of polyethylene black piping which DPI produces

But as farming becomes increasingly more sophisticated there will be a growing need for more specialised products

One such product is sold by DPI Plastics under the name Cordrain a product that demonstrates the flexibility inherent in plastics design

The pipe is intended to drain water logged areas like farmlands and orchards

Merger 'will bring stability'

AECI faced the theoretical possibility of dropping raw materials prices allowing the fra mentation

...Peterson
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Merger 'will bring stability'

AECI faced the theoretical possibility of dropping raw materials prices, allowing the fragmentation in the converter sector to reach the conclusion that market logic would dictate

When the market had picked up, the producer price of raw materials would have followed

That it did not to do so has important implications for the industry, and for the pattern of ownership and control as a whole

By bringing together two of the larger producers — its own and Everite's plastics arms — AECI chose to retain its profit margins on the sale of raw materials Logically the effect would be to penalise the smaller producer while setting up a huge company in which it has an interest so that it too could derive the benefits of greatly increased economies of scale

The Competition Board took a hard look at the deal which resulted in a company responsible for much of the total national converter output

DPI Plastics MD Mike Kerr-Peterson deflects criticism along these lines

Firstly, he argues, the merger — one of several in recent months — should bring stability to the industry as a whole

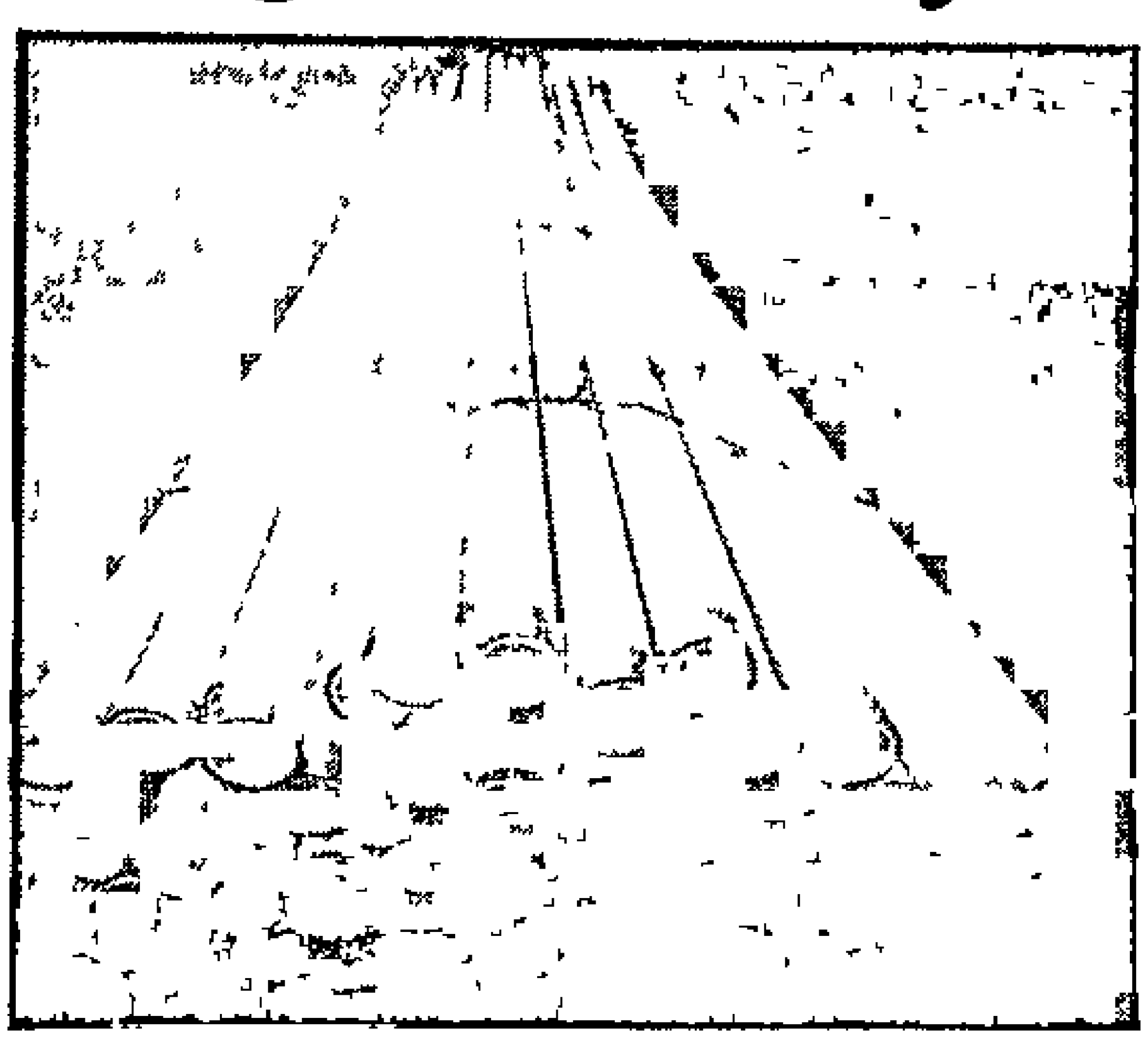
And secondly, "it is an arm's length deal" with AECI, meaning DPI Plastics will not enjoy preferential treatment from AECI, which it would do in a free market scenario

He says the Competition Board would not have allowed the merger to go ahead if it could have led to a monopoly situation He also makes the point, however, that the board would have examined the competition offered to the industry as a whole by alternative and substitute products like concrete and steel

Kerr-Peterson believes the merger was a logical solution to the instability that had come to characterise the industry in the past few years It was not a matter of one big company swallowing a smaller competitor

"There needed to be a greater concentration of manufacturers," he says

"What we needed to do was rationalise the industry,



□ Some of DPI PLastics' products

in fact there is a need for further rationalisation We were two of the biggest in the industry as it was"

He believes the merger has created a synergy in that the two companies will now be able to complement each other in terms of product ranges and production capabilities

Basically the merger facilitated the bringing together of the two principal functions of the separate firms — namely extrusion and injection moulding

"Both companies had performed this function so by merging we were able to reach economies of scale that were not possible earlier For example AECI made fittings in Durban and Everite's Pipekor made them in Krugersdorp Now all our fittings are made up in Krugersdorp"

Part of the purpose of the merger was to remove the extra, and costly, capacity from the system The merger has meant DPI Plastics now accounts for more than 50% of the plastic piping market

Turning towards research

SOUTH AFRICAN plastics engineering remains highly reliant on foreign technology and expertise

Indigenous research and development has lagged, primarily because South African producers have had to cut back on research to remain competitive in the short term where profits take priority over longer term considerations

In international terms the South African industry faces an odd dilemma — the country is the world's leader in coal-based technology which is an important contributor to the industry generally

Yet research on plastics themselves remains rudimentary and SA lacks the infrastructure to provide the high-quality training necessary for the long-term health of the industry.

The South African plastics industry, as has been noted, will make an increasingly important contribution to engineering and manufacturing in the future But if it is to move away from a reliance on the packaging industry and on piping, more in-depth research and development will be vital

With the increasing hostility of the outside world to South African industry, the country will not be able to rely as heavily as it has done in the past on overseas technology and expertise

As, and if, the South African industry becomes more internationally competitive, the traditional sources of technology will become harder to obtain In this context rationalisation makes much sense

Lack of training facilities at all levels hinders the research impetus

The merger which brought about DPI Plastics may well free some resources for research and development

"In 1987 we hardly worried about research and development at all It was a question of locking doors and getting down to the business of retaining profitability," says Kerr-Peterson

DPI Plastics is hoping to pay far greater attention to research and development now that it has emerged from the price cutting of the past few years

AECI optimistic about new firm

Corporate Profile DPI Plastics Business Day

DPI Plastics is poised to make a major contribution to the future well-being of the plastics industry in SA, says AECI Chemicals Ltd PVC product manager Dick Coates

AECI has an interest in the company, and supplies it and other pipe manufacturers with 50 000 tons of PVC every year Almost half of AECI's PVC goes into pipe manufacturer, an indication of the growing importance of this type of piping

DPI Plastics supplies some 40% of the country's PVC piping — from pressure pipes for water reticulation, drainage, sewerage, soil waste and vent systems through to electrical conduit and ducting

It is the largest of 120 PVC converters in SA

Coates stresses that DPI remains at arm's length from its parent in order to ensure fair competition with other pipe converters

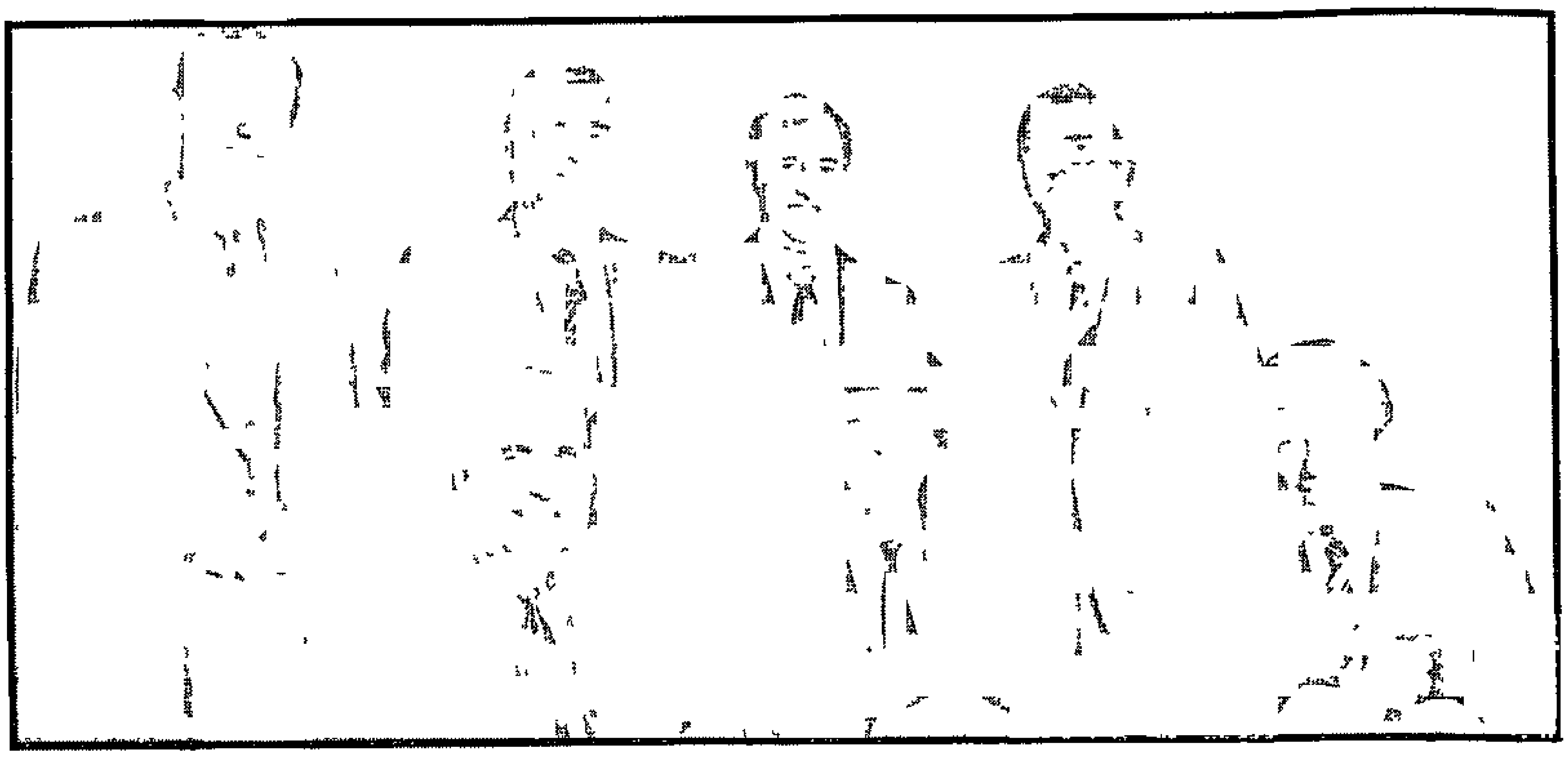
Coates adds "The Competition Board was thoroughly consulted by senior executives of both Everite and AECI before the merger was announced"

"We are very concerned about the success of the pipe industry Over the past few years it has been distressed by over-capacity and the formation of DPI Plastics is an attempt to address this problem"

Replying to questions on the polymer for pipe manufacture, Coates explained that the duty structure behind PVC was presently under review and was expected to be resolved soon He added "The ad-valorem duty was reduced in March 1987 from 25% to 10% Presently world supply falls short of demand and imports would land, duty paid, at prices well in excess of the local price Over and above this, all pipe converters enjoy development prices to ensure PVC pipes compete effectively with other materials".

Coates says he feels DPI Plastics has important implications for the plastics industry as a whole.

"It is an important development It is usually the big companies which are prepared to invest in major research and development programmes and to bring on new products The size of DPI Plastics augurs well for the further development of the South African PVC pipe market"



DPI's board (rear, l-r), Neil Carter, Ted Mayberry, John Wayland, Terrence Woolley (Front, l-r), chairman George Thomas, MD Mike Kerr-Peterson and Emmanuel Arni

Potential for exporting exists

ALTHOUGH DPI Plastics will be looking to consolidating its position within the various sectors of the South African economy, the company also sees some potential for itself in exporting its range of products

The first constraint on exporting is the fact that the industrialised nations of the West have their own highly efficient industries

South African producers lag behind in technological innovation and remain reliant on foreign technology and foreign expertise Moreover, South African production techniques and machinery remain relatively unsophisticated

On the other hand South African companies are in a position to take advantage of the export potential offered by the low, and decreasing, value of the Rand against major Western currencies

DPI Plastics will be concentrating on the South African market but it hopes to develop an export capacity

DPI Plastics MD Mike Kerr-Peterson says the structure of the industry at present and the system of tariff barriers means in effect a company like AECI has a monopoly on the supply of raw materials Government meanwhile allows this state of affairs to exist in its attempt to protect the local producer

Kerr-Peterson says DPI Plastics would be in a position to obtain its raw materials abroad at a lower cost than is presently the case, but this will be constrained at present by relatively high world prices and a sliding exchange rate

"We have the products to export and they are made to international standards," says Kerr-Peterson

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AECI affected by miners' strike

23/3/88

Finance Staff

The miners' stike last August made a substantial financial impact on AECI's results, chairman Mr Gavin Relly reports in the chemical and explosives giant's 1987 annual report

Discussing AECI's performance for the year to December, he says that although substantial increases in domestic sales were achieved in plastics and speciality chemicals last year, performance in the second half was adversely influenced by two factors

Firstly, the miners' strike, which resulted in reduced sales of explosives, accessories and a wide range of chemicals and, secondly, lower agricultural activity, which caused a 10 percent reduction in fertiliser sales.

"But for these two factors, overall earnings for the year would have shown a further 6 percent increase," Mr Relly says AECI's earnings per share last year were up 21 percent to 138c

This rise follows on a 16 percent increase in group turnover to R3,276 billion, reflecting an improvement in dometic sales volume of seven percent and a marginal increase in export sales to R251 million

According to managing director Mr Mike Sander, profit margins came under pressure in several areas as the relative external strength of the rand, particularly opposite the dollar, increased competition from imports

The ordinary dividend was raised by 6c to 66c a share and the dividend cover increased from 1,9 to 2,1 times

Mr Relly says "The decision of the board to advance the dividend at a rate lower than the rate of earnings growth recognises the need to increase progressively the level of dividend cover in view of the high level of inflation prevailing and the difficulties foreseen in raising finance abroad"

On prospects for the current year, Mr Relly says indications are of moderate economic growth

"Given normal climatic conditions and reasonable stability in the social and industrial environment, it is expected that earnings will show a further improvement," Mr Relly says

D/D 24/3/88

Millions to be invested in EL area

(81) (183)

by Matthew Moonieya
Business Editor

EAST LONDON — A fair proportion of the R200 million a year capital investment over the next few years by the chemical industry giant, Sentrachem, is to go into the East London area.

This was announced here last night by the managing director of the Fedvolks-controlled company in the Sanlam fold, Mr David Marlow

At a function to mark the 21st anniversary of the incorporation of Sentrachem, Mr Marlow said his board had "a total commitment to the area and we are here to stay"

Major announcements would be made soon about further investment — believed to run into several millions — in the company's Berlin-based chemical plant, Agbro, and the Wilsonia-based plastics processing plant, Mega Technical Mouldings Both plants represent a total investment of more than R40 million.

"We are absolutely committed to this area and the fine turn-around we have experienced will enable us to spend a fair proportion of the R200 million a year here," he said

In an interview, Mr Marlow predicted that the company's investment in the East London area could double over the next five years—

"We are impressed with the fine performance of East London It has come a long way economically and there are tremendous industrial opportunities here in fields such as the motor industry as well as the agricultural field

"There is only one proviso our labour component We have had absolute dedication from our labour force which has a fine record of commitment to the work ethic

"But if we are ever faced with the problems being experienced at the city's major car assembly plant, we will not hesitate to pack up and go."

Mr Johan van der Walt, who will succeed Mr Marlow as managing director on April 1, reiterated the company's commitment to the area "after having had a peep into the budget for the next financial year which starts next month"

"We see the whole economy appearing in a better light There is new optimism and a feeling of buoyancy and there is no doubt we are going to continue playing our part in this area

"We will scour the world for new technology as your automotive industry here offers us exciting challenges which we hope to meet"

See also page 7

Workers in dispute with paint company

(183)

NR645 24/3/88

Labour Reporter

A DISPUTE has been declared with Plascon-IPC over final warnings to workers who took part in a strike in February, according to a South African Chemical Workers Union (Sacwu) spokesman

The spokesman said mediation over the dismissal of six workers who took part in the strike at the factory in Epping failed this week

He said Sacwu would apply to the Minister of Manpower for a conciliation board on both issues

Mr Peter White, managing director of the factory, confirmed the mediation had failed, but said he did not know about the dispute being declared or the intention to apply for a conciliation board

Nine workers were originally dismissed after the strike, but on appeal six dismissals were confirmed

After meetings between Sacwu and management it was agreed that the issue go to mediation

KEMTRADE 183

Local chemistry

Kemtrade, listed in October 1986, has exceeded forecast earnings and, though it is not one of the shooting stars which predicted EPS would double, its five-year profit record shows a company with very solid, steady growth

Two developments should have a beneficial impact upon Kemtrade's profits in future The 1986 purchase of 50% of Cosmopolitan International (which owns the Mary King, Tricks and Three Flowers trademarks and has marketing rights to Anneline Kriel Perfumery) should have an increasing impact on the bottom line and the establishment of local manufacturing facilities for a number of pharmaceutical sundries will be very important with the weakening rand

According to financial director Alec Levy Kemtrade is also beginning to enjoy higher sales during the quieter period at the beginning of the financial year since the Cosmopolitan cosmetic lines introduced Kemtrade into stores and supermarkets, where demand does not fall as sharply in the early part of the year

This accounts for the increase in stocks of 13,7% It is difficult to assess stock turn, though, as turnover, apparently, remained the same. But, according to Levy, a number of divisions were taken out of Kemtrade and placed in Cosmopolitan and, as Cosmopolitans income is shown under associates, turnover from these divisions was not included in the consolidated results.

Kemtrade's tight asset management can be seen from the decline in debtors, which fell by 7,5% to R2m, and, at year-end, the company had net cash of R76 000. Interest earned more than offset interest costs and the company earned a net R8 000 But Levy points out that overdraft facilities are utilised at peak periods Most of the imported goods, which amount to about 40%-45% of turnover, are financed with trade credit through a foreign confirming house.

Kemtrade has also been exporting and chairman Max Green says that encouraging orders have been secured. The tax rate has benefited, falling to 43% from 50% as a result of export allowances

Though margins have been fairly constant in the past four to five years, according to Levy, the falling rand could have an adverse effect. "Last time we were able to pass on the increased costs," he says, "but this time we may not be able to pass on as much "

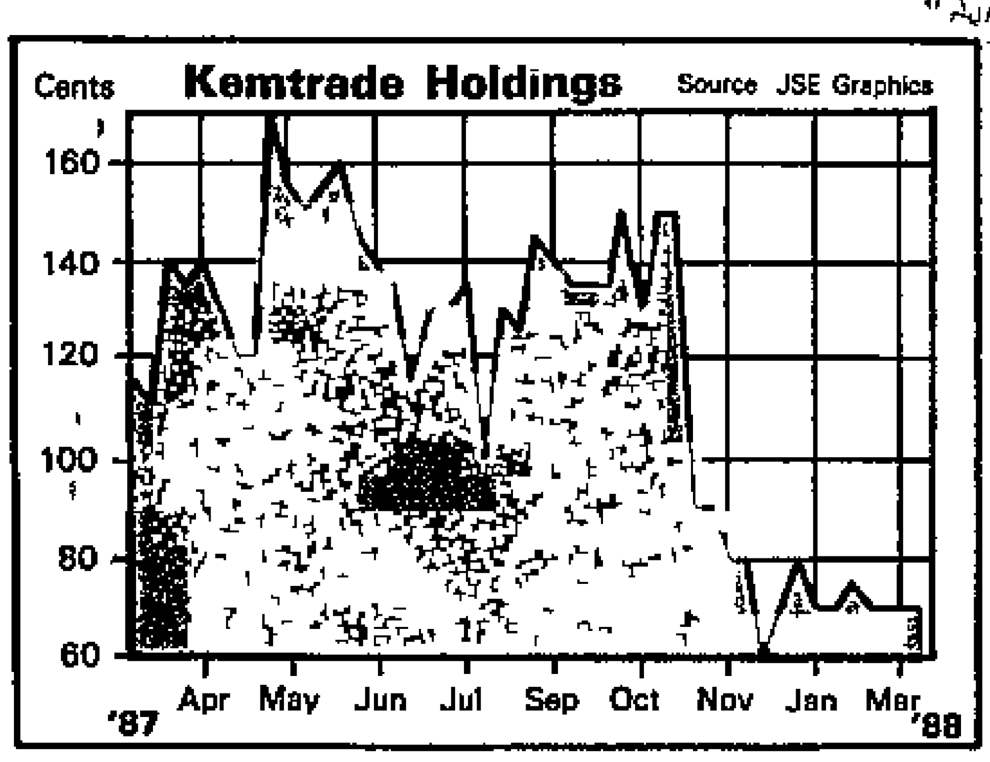
He is also fairly cautious about forecasting EPS for the current year "We expect an increase and we hope it will be in real terms, but it is still very early in our year to make an assessment "

At 70c, the share price has fallen considerably from the peak of 170c reached last May, though it is up on the January low of 60c. A solid, well-managed company, it seems very fairly priced at a dividend yield of 5,3%

Pat Kenney

Activities: *Wholesales toiletries, fragrances and pharmaceutical sundries*
Control: *Directors have 80%*
Chairman: *M S Green, managing director M Gavshon*
Capital structure: *12m ords of no par value Market capitalisation R8,4m*
Share market. *Price 70c Yields 5,3% on dividend, 12,1% on earnings, PE ratio, 8,2, cover, 2,3 12-month high, 170c, low, 60c Trading volume last quarter, 101 000 shares*
Financial: *Year to December 31*

	'86	'87
Debt		
Short term (Rm)	—	—
Long term (Rm)	—	—
Shareholders' interest	0,65	0,75
Int & leasing cover	4,92	5,05
Performance	'86	'87
Return on cap (%)	21,5	21,8
Pre-Int profit (Rm)	1,3	1,3
Taxed profit (Rm)	0,64	0,74
Earnings (c)	6,3	8,5
Dividends (c)	2 1	3,7
Net worth (c)	33,2	37,3



3/88

Protea Chemicals on target with income 19% higher

25/3/88 Star (183)

Finance Staff

The interim results from chemicals trading and manufacturing group, Protea Chemicals (Prochem), are on target, with attributable income 19 percent ahead of the corresponding period last year.

Reporting for the six months to February, the company shows a 31 percent rise in turnover to R138,1 million, largely as a result of significant increases in volume.

The fact that the rand strengthened and margins came under pressure because of competitive activity can be seem from the more restrained increase in operating profits

However, executive chairman Mr Mike Struwig says that the impact of these adverse factors were offset to a significant extent by Prochem's sound asset management.

Operating profits climbed by 22 percent to R8,6 million.

After deducting R1,6 million for finance costs, Prochem's pre-tax profit rose by R5,9 million to R7 million.

Attributable earnings were up 19 percent to R3,7 million, which translates into earnings per share of 8c, against last year's interim figure of 7,2c.

The dividend at the half-way stage has been raised by 10 percent to 2,75c a share.

Mr Struwig says that the manufacturing division continued to produce improved results and achieved its budget for the period The trading division exceeded its budget through significant volume increases.

He says that the first half of the financial year traditionally generates less than half the year's earnings and that the latest results repeat that pattern.

On prospects, Mr Struwig says that in spite of higher interest rates, it is expected that the weaker rand, coupled with action to maintain margins at an acceptable level, will result in earnings per share for the current financial year being higher than the 18,6c per share achieved last year.

Protea profits hit R3,7m

CHERILYN IRETON

PROTEA Chemicals shrugged off competitive pressures and a firmer rand to increase taxed profits by 19% to R3,7m (R3,1m) for the six months to end February.

Earnings growth was on target, although an increase in the number of shares in issue restrained the rise — before extraordinary items — to 11% from 7,2c to 8,0c a share

The interim dividend has been increased by 10% to 2,75c a share (2,5c previous interim), which is covered 2,9 times by earnings

Turnover was up by 31% to R138,1m (R105,6m) thanks to a significant increase in volumes but the pressure on margins is demonstrated by the limited rise in operating profit to R8,6m, 22% up on the comparable period

Executive chairman Mike Struwig said in a statement that the impact of adverse factors was largely offset by sound asset management

The first half of Prochem's financial year traditionally generates less than half the full year's earnings, said Struwig, adding that these results are in line with this pattern

In spite of higher interest rates, he expects that the weaker rand, coupled with positive management action to maintain margins at an acceptable level, will result in higher earnings for the full year — greater than the 18,6c achieved a year ago

From a divisional point of view, Struwig said the manufacturing division continues to produce improved results and has achieved its budget for the period, while the trading division has exceeded its budget and has achieved significant volume increases

"The recently formed technical division has exceeded expectations and is making a valuable contribution to group results"

Struwig notes that Prochem has acquired a 50,5% interest in Products for Industrial Manufacturing South Africa (PIM SA) with effect from September 1 "Pim SA is a leader in the flavours and perfume essences market and will complement the group's existing activities in this field This acquisition has not had a material effect on either earnings or net asset value a share during the period under review"

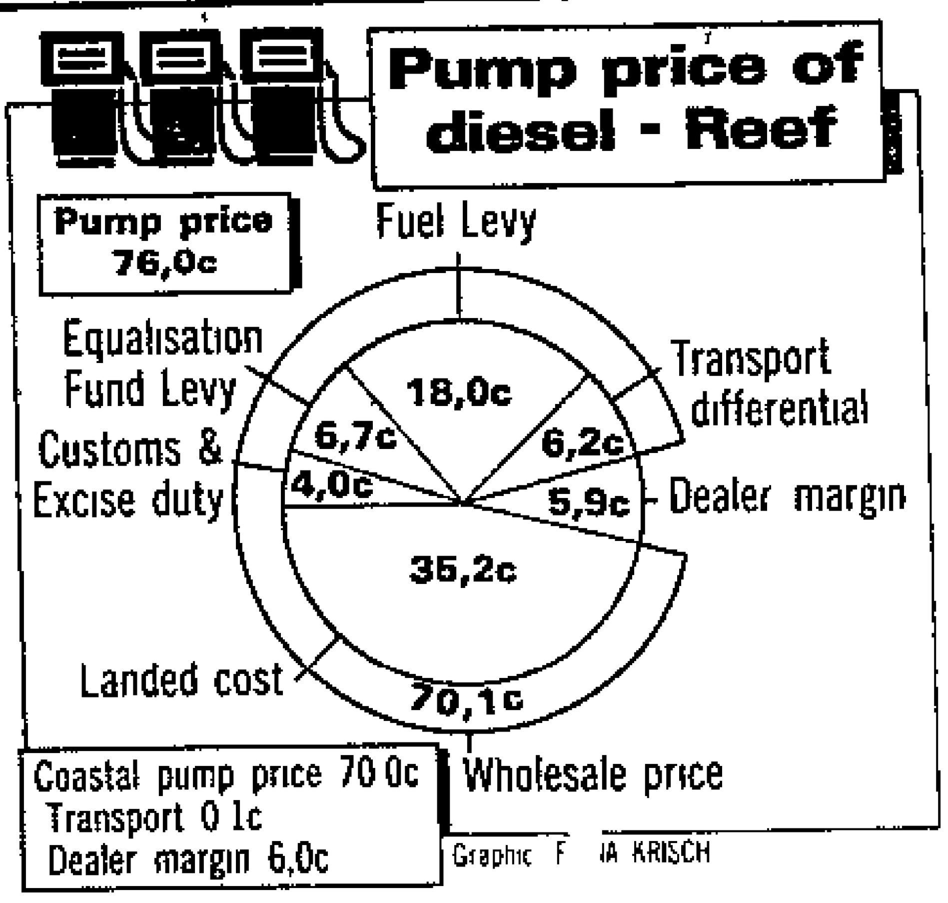
183

Bus Day 8/5/8?

Retail diesel price to drop

30/3/88 (183)

MICK COLLINS



THE RETAIL price of diesel is to drop by between 5c/l and 6c/l from April 1 and will result in benefits to agriculture of about R22m a year and further savings for other industrial sectors

Industry sources said yesterday the move had not been unexpected in the light of the announcement by Finance Minister Barend du Plessis during his Budget speech

Du Plessis said the Equalisation Fund levy would be increased by a cent a litre without a selling price adjustment to relieve pressure on the fund by exchange rate and crude oil price fluctuations

Yesterday, Deputy Economic Affairs Minister George Bartlett said the diesel price cut would come about following a 5,5c/l cut in the wholesale price of pump diesel, also from April 1

He said previous, two-tiered rebates to agriculture had been consolidated and would now become an 18,9c/l rebate on the new wholesale price

D/P 30/3/88

Diesel retail price cut

(80)
(183) (2??)

JOHANNESBURG — The retail price of diesel is to drop by between 5 and 6c a litre from Friday and will result in accumulated benefits to agriculture of R22 million a year and further savings for other industrial sectors

Industry sources said yesterday the move had not been unexpected in the light of the announcement by the Minister of Finance, Mr Barend du Plessis, during his Budget speech

Mr Du Plessis said then the equalisation fund levy would be increased by 1c a litre without a selling price adjustment to relieve the pressure on the fund by exchange rate and crude oil price fluctuations

The Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said the diesel price cut would come about following a 5,5c/l cut in the wholesale price of pump diesel from Friday

He said previous two-tiered rebates to agriculture had been consolidated and would now become an 18,9c/l rebate on the new wholesale price

This net price would be the same as the previous production diesel prices, but would be an additional reduction of 8,9c/l on agricultural transport diesel, resulting in benefits to agriculture in the region of R22m a year.

The 18,9c/l reduction would apply equally to agriculture, forestry and the fishing industries so that the last would also benefit to a small degree on transport costs

Mining and construction industries would now get a rebate of 9,5c/l, which would effectively increase their price of diesel by 0,4c/l

Users of stationary machinery would receive no refund

The prices of petrol, diesel and illuminating paraffin would be kept constant in the near future by the use of the equalisation fund

See also page 15

GRESHAM

(183)

Druggists deal

If Gresham Industries' proposed takeover of SAPDC Management goes ahead it will radically transform Gresham in terms of its size and position in the wholesale druggists market At this stage the R30m deal is still

FINANCIAL MAIL APRIL 1 1988

dependent on the agreement of shareholders and the Competition Board It could have implications for Gresham, for the wholesale druggists industry (including the other major players Adcock Ingram and SA Druggists), and for retail pharmacists

Essentially, the arrangement is that the business of Gresham's major profit earner, Pretoria Wholesale Druggists (PWD), would be sold as a going concern to SAPDC, in consideration for which Gresham would receive 80% of the issued share capital of SAPDC SAPDC is a co-operative business which is owned by more than 300 pharmacists, and these would retain the remaining 20% of its shares as well as receive R30m cash

PWD — by far the largest component of Gresham — has already shown considerable growth since Premier decided in 1986 to move its pharmaceutical business into Gresham, which was being restructured to become Premier's listed wholesaling arm In the nine months to end-March 1987, PWD showed turnover of R84,6m on which it made a trading profit of R5,1m

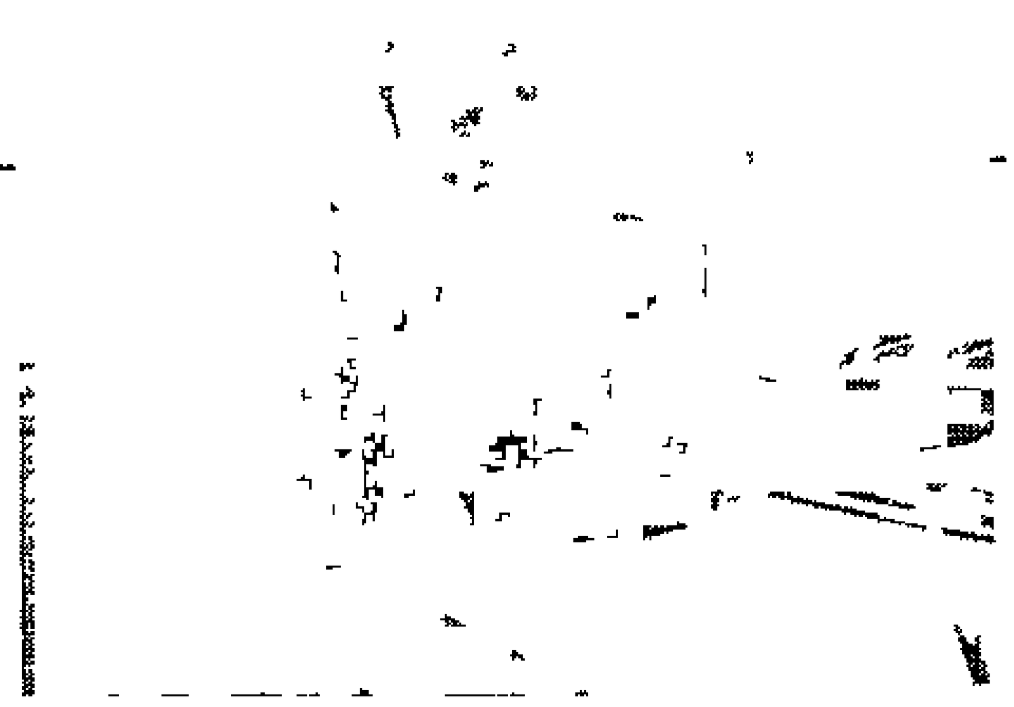
Gresham chairman Gordon Utian says that PWD's sales for the 1988 year will be around R150m. This, however, remains smaller than the comparable figure for SAPDC, which is apparently running at about R250m On this basis the enlarged pharmaceutical operation would have a combined turnover of about R400m, and would certainly be one of the two largest players in its market.

Accounts for the year to end-September 1988 showed that Adcock Ingram's wholesaling arm E J Adcock had annual turnover of about R90m Current figures are not yet published for the Federale's SA Druggists (SAD), listed last September, but Utian believes SAD could have the largest wholesaling operation at present.

PWD's takeover of SAPDC would eliminate the unconventional company in the industry, and would whittle major players down from four to three However, PWD would still differ from its major competitors in that its operations would be concentrated in the Transvaal PWD has six warehouses, situated at Pretoria, Johannesburg, Gezina, Rustenburg, Witbank and Nelspruit It has moved more vigorously than SAPDC into rural areas but both are strong in Johannesburg and Pretoria, and Utian believes the overlap should offer potential for rationalisation Both PWD and SAPDC are members of the "Plus" group

He also feels that the combined management of PWD should be able to manage the business better, and the result could be improved trading margins. SAPDC has a sophisticated computer system, for example In his 1987 review Utian noted there had been "fierce competition from other pharmaceutical distributors," and that the "increased competition affected margins "

Longer term, Gresham plans further expansion of PWD "There is a very strong possibility that if we can get this deal tucked



Gresham's Utian . . . waiting for Competition Board

under our belts then we could expand geographically," says Utian

Financial effects for Gresham would depend on profit potential as well as on funding arrangements The deal has been made effective from April 1, but much will depend on the view taken by the Competition Board Gresham hopes to have a decision within three months Until then management is taking no decisions on how to finance the cash payment At last year-end, the group was effectively ungeared, holding R1,6m in cash and short-term borrowings of R801 000, against shareholders' funds of R36m Since then it has expanded its hardware wholesaling business with the purchase from Boumat of Tool Wholesale Holdings and Target Greatrex Holdings for R18m

This has lifted debt equity to about 0,45, so to fund a R30m outlay with borrowings does not look feasible Nor does a rights issue look a particularly attractive proposition, with the share now on a p e of only 6,4 times — even though Premier has 76% of the issued shares Other alternatives would be to raise funds from assets within the group. This deal, and the acquisitions from Boumat, focuses Gresham increasingly on its two major businesses of pharmaceuticals and hardware and tool wholesaling, with the latter's turnover now expanded to some R75m Among the options must be separate listings for these two operations later

Andrew McNulty

AMIC

Growth from within

183

Anglo's expansion of its industrial interests held in Anglo American Industrial Corp (Amic) has been a more low-key affair than the growth of other conglomerates such as Barlow Rand, or even Malbak

Unlike most other diversified industrial groups, Amic made few acquisitions in recent years when management chose to take a more introspective approach and invest in grassroots projects and modernisation It has poured funds into the R1bn Mondi pulp mill at Richards Bay, built a second iron plant at Highveld Steel, nursed the haemorrhaging Samcor back into profits and continued the expansion of drilling and exploration company Boart International

Amic has concentrated on capital-intensive industries which require substantial investment. Now it is benefiting from earlier spending.

In the four years from 1982 to 1985, shareholders saw dividends pegged at 180c per share while earnings per share crashed by 48% from the 663c peak of 1981 By end-1987, earnings were back up to 663c, the dividend had been lifted to 225c, total borrowings including redeemable prefs were chopped back during the year by R345m and the major capital projects were coming fully on stream with promise of more surging profits

Amic chairman Graham Boustred, who is also a deputy chairman of Anglo American, sees little reason to change the basic philosophy "At the moment it seems to be working OK," he says "Our results speak for themselves "

In its structure the group must be easily the most decentralised of SA's industrial conglomerates The head office team is small, essentially comprising Boustred, Highveld chairman Leslie Boyd, another Amic director Brian Bullett and a small administrative staff This does not mean Amic gets by without other central services when necessary it calls on the financial, administrative, legal, industrial relations and other resources of 44 Main Street These are unlikely to come cheaply but would certainly be less costly than employing in-house specialists

In another sense, however, there is a highly centralising force at work in Amic This exists largely in the dominant personality of Boustred, who entered the Anglo group when it acquired Scaw Metals in the Sixties Boustred subsequently served as chairman of Highveld Steel and remains chairman of Amcoal, which he built up into SA's largest coal producer

Avowedly conservative by temperament, he professes disdain for growth by "shuffling paper around" and says he is happier pursuing organic growth "We all prefer to do things we enjoy," he points out "I was originally trained as a chemist rather than in management or finance and that's probably one reason why I would rather create growth by internal investment "

Amic's last major acquisition was the purchase in 1984 of a 20% stake in Ventron, holding company of Bill Venter's Altron group After this move into high technology (it also holds a direct 7% of Altron and 6% of Powertech), which filled a conspicuous gap in the product range, the group again turned inward, save only for the exchange of its original stake in Freight Services for 25% of Rennies during the Rennies-Safmarine merger in 1985.

It would, of course, be idle to argue that acquisitions have not played a big part in the expansion of the group It lists only six operating subsidiaries compared with 12 principal associates and investments (see **organogram**), and the latter include sizeable stakes in some of SA's biggest industrial companies But a number of the associates were shifted into Amic from elsewhere in the Anglo group, particularly during the Debincor restructuring in 1982 when interests such as AECI and Tongaat were acquired

Amic's Boustred ... conservative by temperament

Some acquisitions have been made by subsidiaries and associates, including AECI, Haggie and Ventron By and large, however, management has eschewed an aggressive chase after acquisitions Boustred says it has been a deliberate strategy to concentrate on building the major subsidiaries — for pragmatic reasons as well as temperament

He says candidly that one practical consideration was that the group's share price generally had not been at levels to encourage takeovers by issuing scrip Another, perhaps more important, constraint was that the internal projects were soaking up cash and pushing up borrowings, the Mondi mill, for example, was started almost a decade ago and expenditure was building up rapidly during the early Eighties when the economy turned downwards

Now some benefits are being reaped From 1985 to 1987, Mondi's attributable earnings jumped from R1m to R95m, Highveld's rose from R41m to R57m, and Boart's from R35m to R63m In the associates, most performances were improving — particularly at AECI, the biggest single contributor to equity-accounted earnings Heavy capital spending and export allowances helped to keep group tax payments down — the rate was 30% last year — and gross cash flow rose by 32% or R152m to R634m although group turnover was up by only 13%

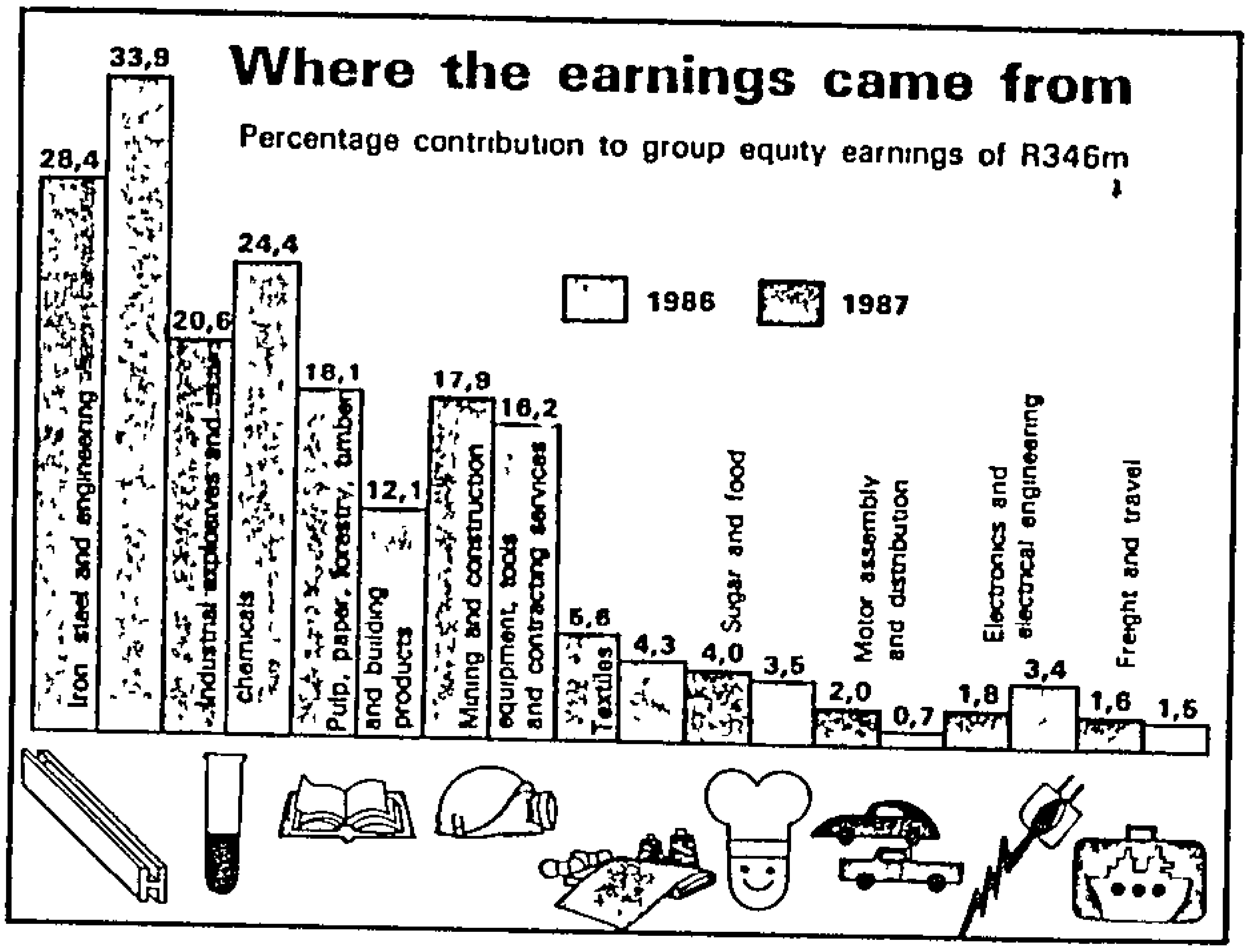
This not only contributed to last year's 28% earnings advance, but also to a stronger balance sheet With debt down from the year-ago R993m to R535m, gearing on gross borrowings was reduced to 0,47 from 0,71, while cash balances stood at R146m (R150m)

Apart from the rising cash inflow, Boustred says that both Mondi and Highveld, the major borrowers, have put "tremendous efforts" into asset management and containment of capital expenditure so as to get debt down In addition, the group raised R113m in equity funds last year when holders of 2,5m options exercised rights to subscribe for new Amic ords at R45 a share This was used to repay debt in Mondi and Highveld after issue of preference shares

Exposure to foreign exchange losses has ended. In 1985, there were deferred exchange losses of R48m to be amortised over the remaining lives of the relevant long-term loans Write-offs were actually accelerated and a R31m loss was realised in 1986, followed by a R14m write-back last year, at year-end there were no uncovered foreign loans

The interest bill was slashed by R24m to R40m last year but could rise again because of higher rates. Boustred says that this year borrowings are expected to remain around present levels or fall only slightly lower, as capital spending will continue He stresses that the group is largely involved in capital-intensive industries, where heavy investment in modernisation and technology is essential to attain quality and capacity requirements

With the pulp mill on stream, Mondi is likely to make "quite significant" investments in other operations, particularly in the board mill division "We really have to do something about the output and quality of board," Boustred says "There is a shortage of board and the quality of



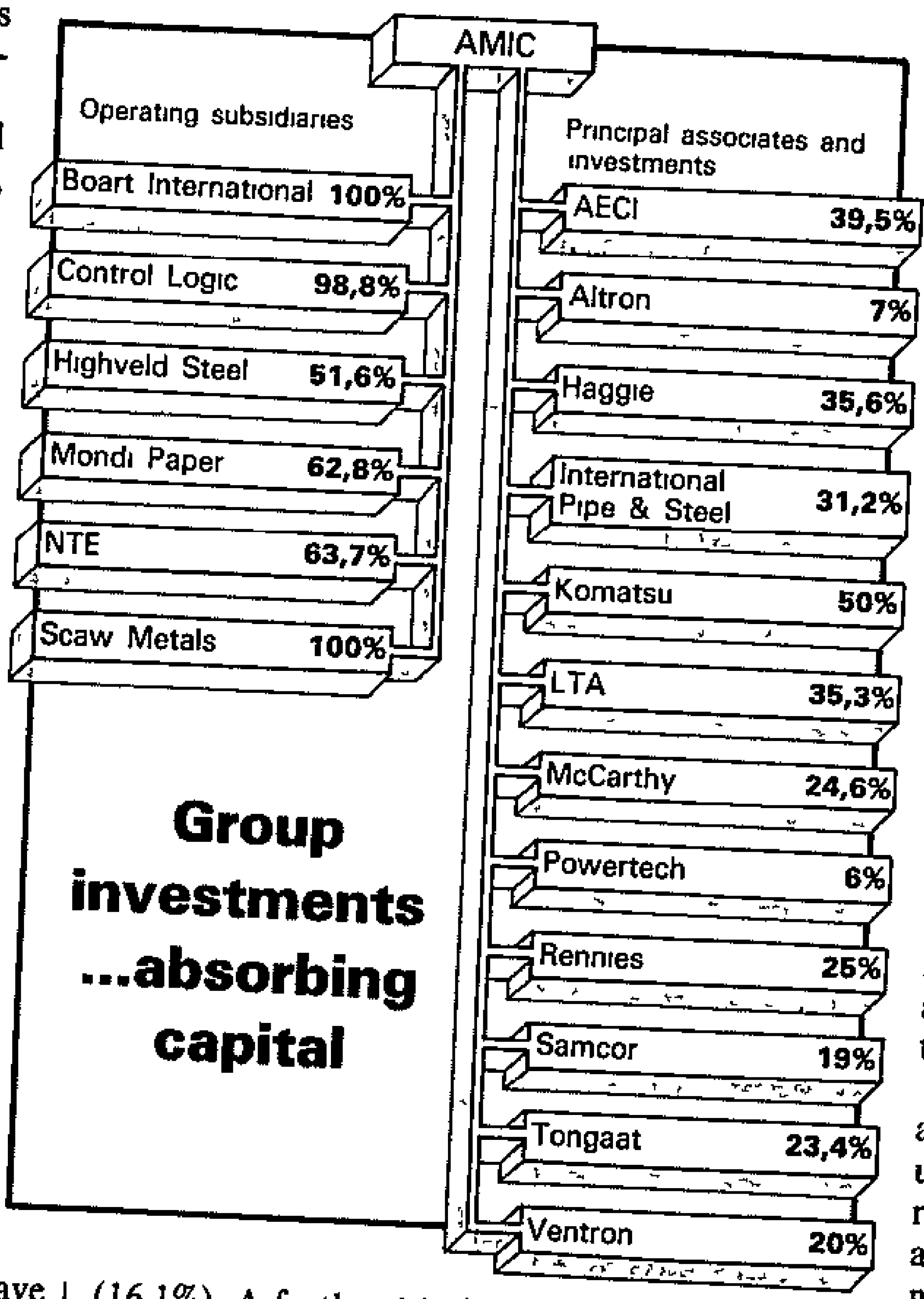
the product manufactured in this country is not up to the latest international standards"

Highveld has had no major capital programme since its second iron plant, officially opened in February 1987 Other projects are now being considered, but until a decision is taken policy remains to keep a tight rein on capex and reduce debt further Scaw Metals is busy with a R50m sponge iron project, and Boart International will remain a substantial spender

Some of the associates have large capital programmes, particularly AECI As the associates are equity accounted this will not affect Amic's balance sheet But, Boustred points out, the group has to keep considering the possibility of an AECI rights issue which may be necessary to support its mooted synfuel venture — if and when this goes ahead

Dividend cover was increased this year, rising to 2,9 times from the low of 1,8 in 1984 But this remains low compared with historical levels which were as high as 4,0 in the early Eighties, and Boustred says it could easily go higher, apart from capital spending, costs remain under pressure from inflation and currency fluctuations have squeezed international margins.

Even though management is keeping an eye on rising interest rates and the possibility of another slowdown in the economy, there is little sign yet that earnings will run out of steam soon "None of our companies is on a plateau," says Boustred Benefits from the recent projects will continue, there should be further gains from growth in the economy, and the investments being planned at present should help towards a new growth phase later Despite the large spread of interests, the efficacy of previous internal investment is clear More than 75% of 1987 equity earnings of R346m was derived from four companies, of which three are subsidiaries AECI (24,3% of the earnings), Boart (18,1%), Mondi (17,3%) and Scaw Metals (16,1%). A further 14,5% came from Highveld (8,5%) and Tongaat-Hulett (6%)



The bulk of the subsidiaries and investments are dependent mainly on either fixed investment in the local economy or are exporters which rely on activity in foreign markets — the key economic indicators to watch Even so, many of the products manufactured by group companies do end up in consumer markets — including structural timber, paper and packaging from Mondi, steel for the motor industry from Highveld, plastics and chemicals from AECI, electronics from Ventron, motors from Samcor and McCarthy, and food, building materials and bricks from Tongaat

With the gold mining industry an important customer for Amic's major contributors, there is reason for concern about the cost squeeze on the gold mines Cutbacks in the mining industry's expenditure would be adverse for groups like Boart, but Boart, like other fellow subsidiaries Highveld and Mondi, is active in world markets and would benefit from rand weakness The worldwide boom in gold prospecting and exploration has helped boost Boart's profits, but in view of the uncertain gold price and world economy, management says it may be difficult for Boart to repeat the 1987 results in real terms

Currency fluctuations could also be important for motor manufacturer Samcor, which is now contributing a profit Boustred says that economic activity will remain vital for the company and the rand/yen rate will have to be watched A more important contributor this year should be Tongaat, involved in food, building materials and textiles, which should show further recovery off its low base

Mondi should keep growing at operating level, but it is budgeting for unchanged earnings this year owing to rising deferred taxation Mondi could also be affected this year by the new minimum tax on companies — as could Amic as a whole — and management is currently assessing the implications for cash flow and the financial structure, which could need adjustments

Overall, growth should continue for some time and the conservative approach of organic expansion could stay in place But it would be a mistake to assume that Anglo's industrial group will abstain from other forms of growth indefinitely It now has greater financial flexibility to make acquisitions And Amic is currently assessing directions Boustred says that a high-level committee has been formed — comprising executives from Amic and Anglo and including specialist personnel — to identify opportunities for investment, with the emphasis on changing technologies

Andrew McNulty

□ From Page 1

Plastic row

present prices the company is not receiving a suitable return on investments This will affect investment scheduled for the 1990s. A polyethylene plant would cost about R250-million at today's prices.

He insists that the SA price of polyethylene has been below the increase in the inflation rate since 1980

However, Mr Bates is concerned that higher prices will reduce the competitiveness of plastics.

"In establishing our own price, we are governed by the competitiveness of other materials"

183 S/Times

Another price blow for plastic makers

183 S Times 3/4/88

By Don Robertson

PLASTIC producers are fuming about the rocketing price of raw materials, but bulk supplier AECI says the 36,8% increase in the past seven months is justified

The higher price of low-density polyethylene charged by AECI has reaped the company additional income of R16-million since August Another R11-million is expected in the three months to June

Safripol, which produces high-density polyethylene HDPE has also raised prices, adding to the costs of plastic converters

Three times

Responding to sharply rising world prices of polyethylene, AECI has "taken the opportunity" to lift its price three times from R2 240 a ton in September to R3 065 a ton from Friday

Low-density polyethylene (LDPE) prices were raised by R155 a ton in August last year, by R335 a ton in December and by R315 this week The price of linear low-density polyethlyene (LLDPE) was lifted by R215 a ton on Friday

AECI supplies plastic converters with 95 000 tons of LDPE and about 45 000 tons of LLDPE annually, mainly for the manufacture of plastic products. Sapripol supplies about 95 000 tons of HDPE.

By-product

Producers of plastic products believe they will be unable to pass on the sharp price increases of their feedstock They fear that plastic will be replaced by glass, tin and paper.

AECI concedes that it is charging more because of the world increases in the price of polyethylene SA plastic producers, however, say that the ethylene made by Sasol and used to make polyethylene is a by-product of coal and should not be subject to international factors

Bill Naude, executive director of the Plastics Federation, says ethylene and polyethelene producers "have to take what opportunities they have to maximise returns The federation represents polyethylene and ethylene producers as well as converters"

The price rise will be a blow to plastic manufacturers and some could be forced to close

Assistance

Trevor Evans, chairman of the Association of Plastic Producers of SA (APPSA), has protested at the rise in the price of ethylene produced by Sasol He blames this increase on the higher price of polyethylene

"The size of the increase will certainly affect the competitiveness of plastics against traditional materials in some areas and if this trend continues, which appears likely in the next nine months, some converters could go to the wall"

APPSA has asked the Deputy Minister of Economic Affairs and Technology, Theo Alant, for assistance

The converting industry is worth R3,5-billion and employs 34 000 people

Terry Bates, director of plastics at AECI's Chlor-Alkali & Plastics, says that although the price of polyethylene is based on an import parity factor, it is currently below this level

Import control on polyethylene was abandoned in January at the request of the plastics industry It now carries only a 10% import tariff

Mr Bates says AECI has to import about 35 000 tons of polyethylene at prices which rose from about $530 a ton at the end of 1986 to about $1 380 at present

AECI has had to finance the cost of imports by about R200 a ton, resulting in a loss, at present prices, of about R7-million over the year

The cost of ethylene has also been raised three times over the same time, and SA production costs have also gone up

Mr Bates says the higher ethylene price is not the only reason for costlier polyethylene

AECI's new LLDPE plant has run at a loss since it was established and the company is optimising profits while it is able to

"We do not necessarily have to price at lower than the imported level If we did not lift our prices we would have to subsidise customers"

Mr Bates says that even at

□ To Page 3

AECI

Expenditure rising

***Activities:** SA's largest chemicals group Main operating divisions are chlor-alkali & plastics, explosives & chemicals, polymer derivatives, and other trading activities Owns 58% of chemical services*
***Control:** Amic owns 40%, ICI owns 38% and SA Mutual owns 5%*
***Chairman** G W H Relly, managing director M A Sander*
***Capital structure** 154,7m ords of R1 each and 3m 5,5% cum prefs of R2 Market capitalisation R1,4 bn*
***Share market:** Price 930c Yields 7,1% on dividend, 14,8% on earnings, PE ratio, 6,7, cover, 2,1 12-month high, 1 925c, low, 950c Trading volume last quarter, 1,4m shares*
***Financial** Year to December 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	124	92	105	178
Long-term (Rm)	422	535	378	347
Debt equity ratio	0,66	0 74	0,46	0,47
Shareholders' interest	0,46	0,43	0,47	0,46
Int & leasing cover	3,3	3,4	6,3	7,3
Debt cover	0,45	0,38	0,66	0,69

Performance

	'84	'85	'86	'87
Return on cap (%)	12 3	12 8	16 2	15 6
Turnover (Rm)	2017	2340	2819	3276
Pre-int profit (Rm)	235	253	392	425
Pre-int margin (%)	11,0	10,6	11,8	11,3
Taxed profit (Rm)	112	114	180	219
Earnings (c)	72,4	74	113	138
Dividends (c)	55	55	60	66
Net worth (c)	511	530	582	651

In the 1986 year, when earnings per share rose by 53%, AECI showed how sensitive profits can be to improvements in economic activity and sales volumes Last year, the group showed vulnerability to setbacks in the mining industry, where activity was hampered by the strike on the gold mines This, and lower agricultural activity, adversely affected performance in the second half, with the result that earnings for the year rose by 22% while the dividend was lifted by 10%

These difficulties may turn out to be short-lived, although another strike cannot be ruled out and the economic upswing is again looking hesitant But profit growth should still be achieved for some time in various sectors of the group This would be helped partly by activity in some sectors of the economy, expansions or upratings coming on stream in the group and, probably, a tighter grip taken on problem areas such as the fertiliser operation

A weaker rand this year may also contribute to easing of pressure on margins Last year, the currency's relative strength, particularly against the US dollar, led to increased competition from imports

Meanwhile, capital expenditure has increased and could remain high for some years if other proposed projects go ahead MD Mike Sander notes spending on fixed assets rose from R127m in 1986 to R219m Major items included purchase of the Potchefstroom fertiliser operation and uprating of the chlor-alkali and PVC capacity of Coalplex

Mixed performances

After the second-half slowdown, gross cash flow rose by R47m or 14,8% to R364m, slightly slower than the 16% turnover advance With the increased rate of spending, borrowings turned upwards again after falling steeply in 1986, but at year-end, debt equity on net borrowings was roughly unchanged at 0,47 Total debt was R525m (R483m) while cash and liquid deposits dropped to R13m (R43m)

AECI's Sander . . . going into biotechnology

The group trading margin weakened slightly on mixed performances in the main trading divisions (**see table**) Hardest hit was the largest contributor, explosives and chemicals, whose trading margin was slashed from the normally high 24% to 17% As well as the gold mining strike, consumption of explosives and accessories in coal mining was lower, in line with reduced activity in that sector

AECI'S DIVISIONS

	1986	1987
Chlor-Alkali & Plastics		
Turnover (Rm)	759	868
Net trading income (Rm)	58	125
Explosives & Chemicals		
Turnover (Rm)	743	780
Net trading income (Rm)	175	130
Polymer Derivatives		
Turnover (Rm)	614	699
Net trading income (Rm)	55	74
Other Trading		
Turnover (Rm)	703	929
Net trading income (Rm)	44	40

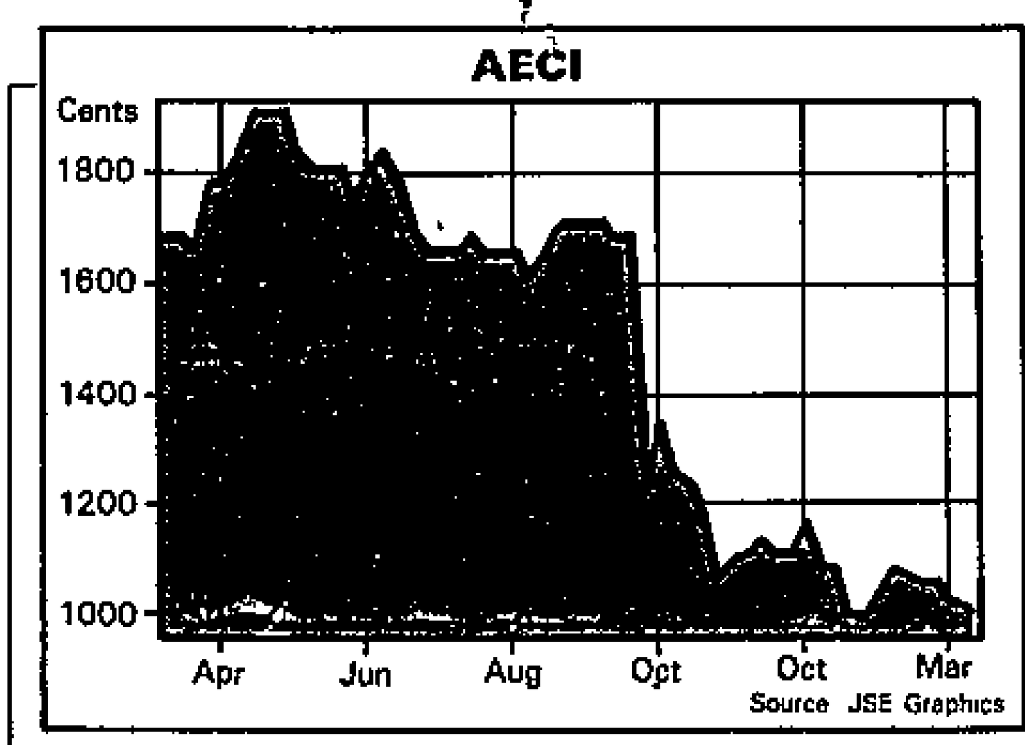
Apart from the explosives, however, demand for nitrogenous fertiliser again declined and prices remained depressed Sander says that with nitrogen prices depressed locally and internationally, it became uneconomic to operate the No 2 ammonia plant, which was closed The newer No 4 plant has been progressively upgraded as its replacement Sales of industrial chemicals, which are linked to economic activity, remained strong but the market is expected to stay highly competitive, 1988 profits from these products are unlikely to show material change

Margins also fell, from 6% to 4%, in the division known as other trading activities, which include Kynoch Fertiliser Fertiliser trading conditions have stabilised but, while prospects for farm production appear to be improving, benefits for the agricultural industry from the better weather patterns are not expected to be immediately apparent

Best-performing division was chlor-alkali and plastics, whose margin jumped from 8% to 14% and whose trading income more than doubled The strengthening economy continued to sustain buoyant demand for commodity chemicals, particularly in the mining and pulp and paper industries Since the end of the miners' strike, demand has been particularly strong for cyanide solutions and investigations have shown that further uprating of capacity could be commissioned early in 1989 Uprating of Coaplex, which Sander says is a particularly cost-effective expansion, is for completion in 1988

In the plastics business, sales of polyvinyl chloride were at record levels, meeting demand 7% above the 1986 level Quantities were purchased throughout the year to maintain supply to key export markets ahead of the increased capacity from the Coaplex uprating Sander says the local market is expected to grow further in 1988, though at a slower rate

Local demand for low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE) again exceeded expectations Growth was evident in all sectors, particularly packaging applications The South African polyethylene market now exceeds local feedstock capacity and more than 25 000 t of LDPE and LLDPE were imported Notwithstanding shortages, Sander says, the LDPE plant operated at full capacity and the LLDPE plant at the highest levels yet achieved The LDPE plant was success-



fully uprated by 5 000 t/year

Gains were also achieved in the polymer derivatives division, where trading margins rose from 9% to 11% Capacity utilisation at SA Nylon Spinners (SANS) was high and trading profits were also boosted by new capacity and productivity improvements SANS' prospects are sensitive to the rand, which influences levels of fabric imports and profitability of exports. Further profit growth should be achievable this year Prospects are similar for the convertors operation.

There have also been significant strategic developments Little further progress is reported with the long-awaited methanol synfuel project, except that Sander says it is hoped discussions with government will reach a satisfactory conclusion "in the near future." However, in December the board approved in principle participation in the Botswana soda ash project, subject to agreement between the group and the Botswana government and structuring of an acceptable financing package While AECI will be responsible for management, its direct investment is expected to be not more than R100m

Other new projects include increased polyester yarn capacity at SANS Bellville, commissioning of more decentralised explosives production facilities and formation of a research group to lead the thrust into biotechnology The biotechnology effort will be focused initially on production of animal feed additives but will be broadened to include development of processes to convert local raw materials into a wide range of speciality chemicals

With capacity utilisations generally high, expansions taking effect and the rand moving in AECI's favour, earnings growth could pick up again this year — but much could depend on industrial relations in the mining industry The need for continued expenditure, inflation and rising interest rates may mean further increases in the dividend cover, so another dividend increase of around 10% — 15% may be the best that could be expected this year.

Andrew McNulty

PHARMACEUTICALS

Drugs headache

Some of SA's best-known medical preparations may be affected by the latest disinvestment move from the US

Sterling Drug, which produces Panado, Beserol and Andrew's Liver Salts, plans to be out of SA within four months The US company was recently bought by Kodak, which last year both closed its South African operation and announced its products would no longer be available locally

Sterling's New York head office says the company will withdraw from SA by the end of August and "no other unit in the group will have dealings in SA"

Local drug manufacturers say the industry is not surprised at Sterling's move, given Kodak's hardline attitude.

It is uncertain what will become of Sterling's products Apart from its medical preparations, it also produces supermarket-shelf goods like Wet Ones tissues Until now, it has been generally accepted that foreign companies would not withdraw medical products from the South African market But Sterling refuses to comment on what will be available after August

However, the *FM* understands leading local pharmaceutical companies have been sent documents by Sterling with a view to acquisition Industry officials say possible buyers will probably include Federale's South African Druggists, Premier's Twin Pharmaceuticals and Tiger Oats' Adcock-Ingram

Twins MD Abe Krok says "We are very acquisitive and believe Sterling Drug is very sound Its modern factory would be an asset to an expanding company It may be another 1 000 years before Twins will have an opportunity to acquire internationally-known brand names from companies that are leaving for political reasons"

Sterling Drug employs 300 people in SA and owns a recently modernised plant in Mobeni, Natal About two-thirds of Sterling products are supermarket-orientated

American Chamber of Commerce CE Adrian Botha says the decision is to be regretted "To some extent, when an American company pulls out, it encourages others to do the same" ■

Noristan pulls in the punters

183

ST Times 1/4/85

HOME-grown pharmaceutical group Noristan Holdings has chosen a good time to come to the market.

Alongside the gentle revival of interest in the JSE there is considerable interest in the growing pharmaceutical sector as multinationals pull out and SA's top industrial groups jockey to fill the gap

The latest multinational to serve notice of its departure is America's Sterling Drug, whose Natal-based operation is being examined by Federale's SA Druggists, Premier's Twin Pharmaceuticals, Tiger Oats' Adcock-Ingram and newcomer Malbak

Noristan is offering 5,8-million shares at 105c in a private placing before seeking a listing on the main board's pharmaceutical and medical sector The offer opened on March 18 and will close on April 12.

Chairman Hugo Snyckers says demand for shares exceeds the number available

Sage Group has taken up 3-million and has agreed to underwrite the balance of the offer The balance has been offered to doctors, pharmacists, existing shareholders and some institutions.

The company was established by Dr Snyckers' father Hans in 1953 and the allied professions and Nefic came in as shareholders when it was retructured in 1974. The family holds about 70%, which will be diluted to 60% after the listing of 42-million shares

The shares, due to be listed in May, could come to the market for about 120c, a premium of 14%, says sponsoring stockbroker Max Pollak & Freemantle

Noristan expects earnings in the year to June 30 of R5,5-million, or 14,8c a share. This would give a PE of 7,1 and an earnings yield of 14,1% A dividend of 2,5c is forecast for the current year

D/D 13/4/88

US oil firm's threat to sue

183

from SIMON BARBER

WASHINGTON — The Mobil Oil Corporation threatened yesterday that if the total disinvestment legislation now being considered by the House of Representatives was enacted, the company would be constitutionally entitled to demand reparations from the United States government for the loss of its South African investment.

The warning came in a sternly-worded statement submitted to the House sub-committee on minerals and resources which was holding hearings on a bill to force all foreign oil concerns out of South Africa.

Democratic leaders in the House have agreed to adopt the measure, authored by Congressman Bob Wise of West Virginia as part of Congressman Ron Dellums' sweeping Disinvestment and Trade Embargo Bill

"After careful review," the statement read, "Mobil's lawyers have concluded that, if enacted, both proposals should be held by the courts to violate the Fifth Amendment to the United States constitution which provides that property shall not 'be taken for public use without just compensation'."

The company charged that its forced departure would lead, "as Congress knows", to the virtual expropriation of its South African investments, valued yesterday by Congressman Wise at $420 million.

"Mobil will not be able to sell its South African property at anything approaching a fair price Retaliatory actions by the South African Government, through foreign exchange controls or otherwise, may further frustrate Mobil's ability to receive fair compensation."

Citing detailed case law, the company noted that the Supreme Court had recently ruled that "if property, previously held lawfully by a private person, is rendered essentially valueless by state or federal legislation, the person has suffered a compensable loss under the Fifth Amendment."

The Wise bill also calls for non-United States companies involved in the South African oil business to be punitively denied federal oil, coal and gas leases unless they too disinvest.

Congressman Wise comes from mining-dependent West Virginia and, as Congressman Richard Cheney, a Wyoming Republican, pointed out, his proposal is so drafted that foreign firms' investment in his own state's coal operations would not be penalised.

"I have a distinct impression that you want to make a moral statement with my coal but not with your coal," Congressman Cheney said

Ominia profits surge by 204%

CAPE TIMES 15/4/88

Own Correspondent

JOHANNESBURG. — More stable prices in the fertiliser industry contributed to Ominia Holdings 204% surge in earnings a share to 25,46c for the year to December and the resumption of dividend payments for the first time since 1983

A dividend of 5c a share has been declared and directors anticipate a further dividend increase in the current year depending on weather conditions and providing reasonably stable market conditions prevail

In spite of a fall in direct fertilizer sales in line with reduced demand — the fertilizer market fell by 11% last year — turnover grew 11,4% to R181m as non-fertilizer sales, exports and sales to bulk blenders increased.

Operating income rose 60% to R16,7m with margins improving strongly from 6,4% to 9,2%, largely as a result of diversification into higher added value products and increased capacity

Lower financing charges saw pre-tax profits soar 233% to R10,9m No tax was payable and distributable income rose 209% to R11,9m, boosted by a R972 000 extraordinary item which relates to foreign exchange profits on redeemable preference shares.

FERTILISERS FM 15/4/88 (183)

Biting the bullet

The fertiliser industry is about to face reality

Reluctantly accepting the market is not going to recover to the levels they had hoped, companies are preparing to rationalise

Instead, of keeping unused plant in mothballs, they are taking steps to shut it down for good

Says Kynoch MD John Skeen "Mothballing is no longer enough Some plants will have to be closed outright Rationalisation so far has been on an ad hoc basis and hasn't been a long-term survival plan

"If a smaller capacity had to be serviced, unit costs would come down to the benefit of the industry and the farming community "

The industry is currently operating at half-capacity Capable of producing 4 Mt of fertiliser a year, it will be lucky to sell 2 Mt this year

Of the 4 Mt capacity, 1 Mt is currently mothballed In the peak years of the early Eighties, demand of 3,3 Mt was confidently expected to show steady growth

Fertiliser Society director Hilmar Venter says "Sales of 4 Mt, even if there is a revival in exports, are almost inconceivable this century Many mothballed plants will never operate again "

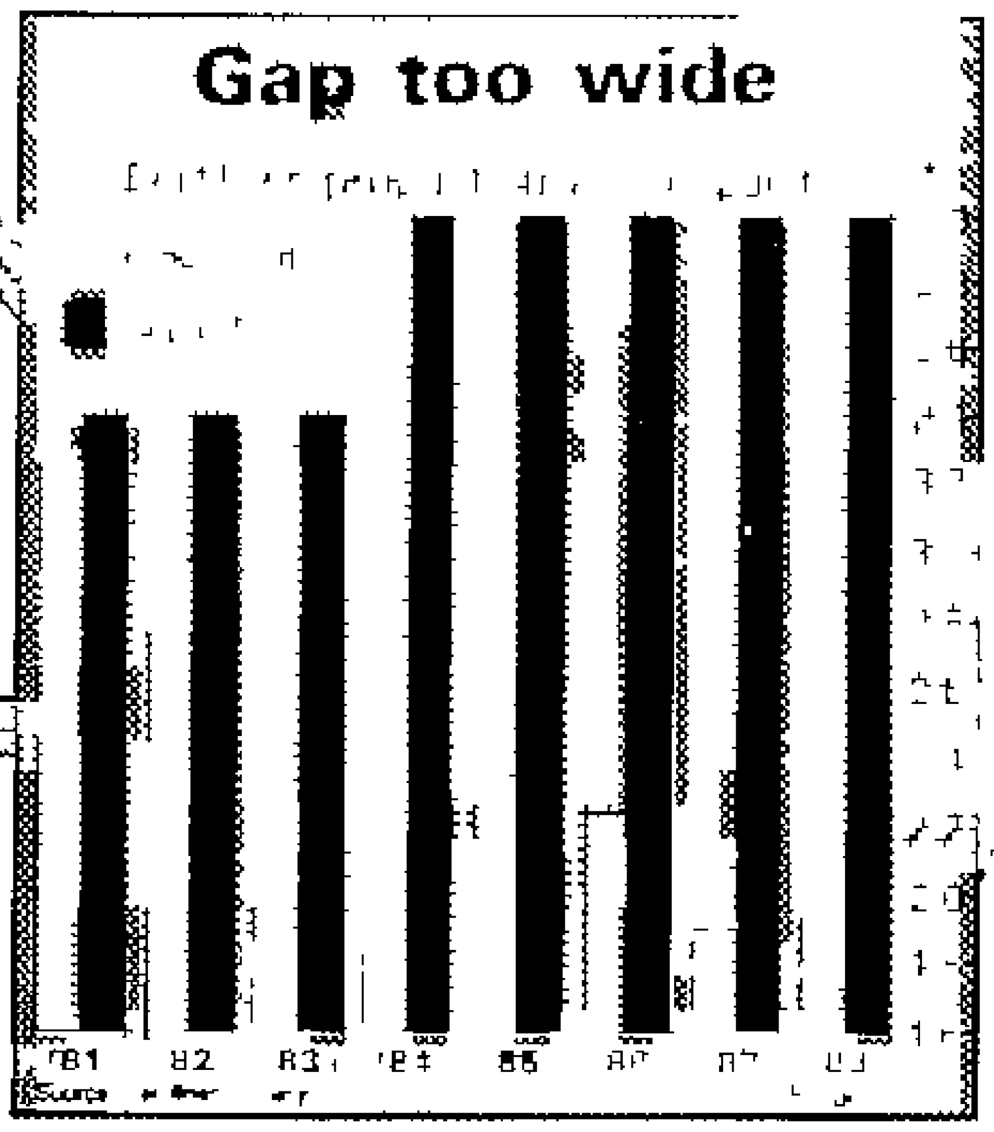
A Sasol spokesman says "We foresee the majority of fertiliser companies being profitable in the next 12 months due to the closure of production facilities and the reduction of operating expenses."

The market is dominated by four companies — AECI's Kynoch, Sentrachem's Fedmis, Sasol Fertilisers and Omnia There used to be more, the most recent casualty being Triomf last year

The prolonged drought has reduced fertiliser demand to a fraction of what it was Apart from sending most manufacturers into the red, the recession has cost thousands of jobs

Since 1985, more than 20% of the industry's workers have been laid off

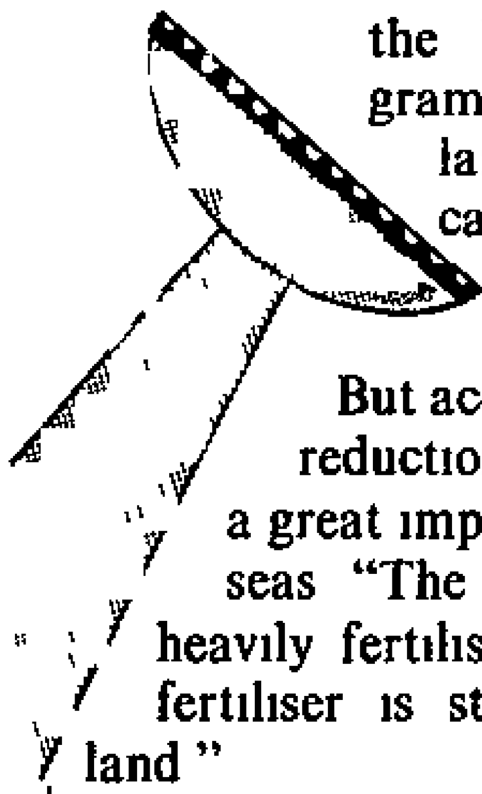
South African fertiliser plants have a book value of R1,2bn, of which a quarter could be demolished or sold off But the market for second-hand fertiliser plants is limited, especially for plants, like the Sasolburg granulation plant, more than 25 years old Red China has shown some interest but the cost of transporting and re-erecting a plant often doesn't justify the expense A plan to move a plant to Malawi was abandoned as it was cheaper to buy a brand new factory Certainly, the industry is unlikely to sell its most modern capacity



Better crop conditions of recent months have encouraged farmers to start rebuilding fertiliser stocks, but it is now acknowledged that too much marginal land was under crop So even if there is a recovery in agriculture, a return to the demand levels of the early Eighties is unlikely

Sasol estimates the potential South African market for fertilisers to be between 2,5 Mt and 3 Mt

However, Venter warns a return to around 2,75 Mt may take a number of years due to the inherent weakness of the agricultural sector



A further brake on sales is the land diversification programme, under which 1m ha of land, out of 6m ha used for cash crops in the summer rainfall area, will be diverted to pasture

But according to Venter, acreage reduction programmes haven't had a great impact on fertiliser sales overseas "The remaining land was more heavily fertilised and a fair amount of fertiliser is still used on the pastoral land "

There is considerable pressure from farmers to allow more overseas competition and to allow cheaper Eastern European fertiliser into the country But Skeen says the local industry has a right to demand protection "This kind of protection is common throughout the US and the EEC "

Moreover, the industry claims prices aren't as high as farmers make out

Fertiliser Society chairman J C von Solms says net prices at the factory gate have increased by 10,7% a year since 1981, compared to an average CPI increase of 14,7% ■

Adcock-Ingram reports 58-pc rise in profit

Star 27/4/88

(183)

By Ann Crotty

Tiger Oats' pharmaceutical subsidiary, Adcock-Ingram has reported a 58-percent increase in attributable profit to R11,7 million (R7,4 million) for the six months to end-March

Earnings per share were also up 58 percent, to 534c (336c) and a dividend of 110c a share has been declared which is 32 percent up on the previous year's interim dividend of 86c

At the halfway stage the group looks well on the way to achieving chief executive Don Bodley's forecast of 950c for full year earnings The targeted 950c seems reasonably conservative as it represents an increase of just 18 percent on financial 1987's earnings of 802c

Earnings in the first half of financial 1987 represented 41 percent of the full-year figure The current interim earnings figure represents 54 percent of Mr Bodley's forecast for the full year

Adcock, which is currently trading at around R105, is on an historic earnings yield of 7,2 percent and a dividend yield of 2,8 percent The sector average is 7,1 percent and 3,2 percent respectively

On the basis of Mr Bodley's forecast the share is on a forward earnings yield of 9 percent and a forward dividend yield of 3,4 percent

Commenting on the results the directors said they had been favourably affected by the introduction of new products, increased market share of existing products and higher volume through-put

The board is confident that the performance in the first half would be repeated this year "The results for the year will show a satisfactory increase over last year although the rate of increase will not be at the same high rate experienced in the first half," the directors write

Cape Times 28/4/88

Sasol orders R350m plant

183

Own Correspondent

JOHANNESBURG. — Sasol Industries yesterday announced it had entered into agreements with Lurgi for the design and construction of a R340m plastics plant at Secunda

With a capacity of 120 000 tons a year, the polypropylene plant is scheduled for start up in 1989/90 and is expected to earn and save SA over R200m a year in foreign exchange.

Sasol MD Paul du P Kruger said Sasol decided to enter the polypropylene market as it had identified a local market opportunity

"A large percentage of polypropylene and all propylene (or propylene feedstock) used in SA is currently being imported.

"Of the plastics presently commercially available on a large scale, the market for polypropylene is the fastest growing. Local demand for polypropylene is currently between 55 000 and 60 000 tons"

He said world demand for polypropylene was about 9m tons a year and that SA was geographically well-placed for certain exports.

"Our estimated capital expenditure for the plant will be R340m at 1987 prices The foreign exchange savings and earnings that will be emanating from this project are expected to be more than R200m a year at current prices and full production," Du P Kruger said

The plant will create about 240 additional jobs within the Sasol group

"Numerous additional employment opportunities could also develop in the downstream plastics converting industry, once polypropylene becomes freely available at competitive prices," he said

Hansard

HOUSE OF ASSEMBLY

†Indicates translated version

For written reply

General Affairs

Printing contracts awarded to two companies

827 Mr D J DALLING asked the Minister of Public Works and Land Affairs

(1) Whether his Department awarded any printing contracts in 1987 to two companies, the names of which have been furnished to the Commission for Administration for the purpose of the Minister's reply, or to their associated companies and printing operations, if so, (a) in respect of what publications or printed matter, (b) how many copies of each publication or item were ordered from each company and (c) what are the names of the companies concerned,

(2) whether these contracts were put out to tender, if not, (a) why not and (b) what was the total amount paid by his Department in respect of each of these contracts, if so, what was the (i) tender price originally accepted, and (ii) total amount paid out, in respect of each contract,

(3) whether his Department subsidizes any publications publised by the above companies, if so, (a) which publications and (b) (i) why, and (ii) what is the amount of the subsidy, in each case,

(4) what total amount was spent by his Department in 1987 on printing and publishing involving (a) the above companies and (b) any other specified companies?

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

(1) No (a), (b) and (c) fall away

(2) Falls away

(3) Falls away

(4) Falls away

Department of Foreign Affairs: new office accommodation in Pretoria

28

866 Mr P G SOAL asked the Minister of Public Works and Land Affairs

Whether any consideration is being given to providing the Department of Foreign Affairs with new office accommodation in Pretoria, if so, (a) why, (b) where, (c) at what cost and (d) when is it anticipated that this accommodation will become available?

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

(a) Yes On account of the fact that the Department of Foreign Affairs is presently accommodated in four buildings in Pretoria and in view of the particular nature of its functions

(b) The vacant State land immediately to the west of the Union Building, between Belvedere and Edmond Streets, has been identified for the purpose

(c) Has not yet been calculated

(d) No indication yet

Petrol sold at pump in RSA average price

998 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology

183

(1) What is the current average price of petrol sold at the pump in South Africa,

(2) whether the Department of Mineral and Energy Affairs keeps statistics on the price of petrol in other countries, if not, why not, if so, what is the current average price of petrol sold at the pump in (a) Australia, (b) New Zealand, (c) Canada, (d) the United States of America, (e) Brazil and (f) Zimbabwe,

(3) in respect of what date is this information furnished?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) South Africa is divided into price zones for the calculation of the pump price of petrol However, a uniform basic wholesale price for each of the three petrol grades is applicable To these wholesale prices the average transport cost from the coast to

each of the zones are added as well as the retail margin to calculate the pump prices in each price zone In the PWV area, being in zone 13A, the pump prices are as follows

93 octane 82 c/ℓ
87 octane 79 c/ℓ

In Cape Town, Port Elizabeth, East London and Durban, all being in zone 1A, the pump prices are as follows

98 octane 79 c/ℓ
93 octane 74 c/ℓ

(2) No, not on a continuous basis because it plays no role in the determination of the retail price of petrol in South Africa

(3) 28 April 1988

Own Affairs

Reply substituting reply to Question No 101 on 29 March 1988, put by Mr A Gerber (col 815)

Teachers: candidates for municipal elections

101 Mr A GERBER asked the Minister of Education and Culture †

(1) How many teachers attached to schools falling under his Department applied for permission to make themselves available as candidates for election in municipal elections during the latest specified period of 12 months for which information is available,

(2) whether he will make available further particulars concerning these teachers, if not, why not, if so, (a) who are they, (b) to what school is each of them attached and (c) what was decided about their participation in such elections in each case?

The MINISTER OF EDUCATION AND CULTURE

(1) 50,

(2) Yes

(a) Name	(b) Institution	(c) Decision
CAPE		
Mr T Kriek	Altona Primary School, Port Elizabeth	under consideration
Mr C J Senekal	Preparatory School, Beaufort West	"
Mr A Nel	High School, Porterville	"
NATAL		
Mr A R Clark	Scottburgh Primary School	approved
OFS		
Mr J D Botha	Dr Viljoen High School, Bloemfontein	under consideration
Mr J A Naude	Voorwaarts Primary School, Kroonstad	"
Mr J J HVictor	Hentie Cilliers High School, Virginia	under consideration
Mr M S Ferreira	Virginia Primary School	"
Mr W A Naude	Primêre Skool A J Jacobs, Sasolburg	"
Mr F Terblanche	Primêre Skool Frank van der Merwe, Virginia	"
Mr F R Bezuidenhout	Bloemfontein Teachers' College	"
Mr H H Hollenbach	Villiers High School	"
Dr R van der Merwe	Bloemfontein Teachers' College	"
TRANSVAAL		
E Schnautz	Lichtenburg Technical College	under consideration
D H Visser	Hoërskool Stilfontein	"
H A Combrink	Laerskool Meiringspark	"
P E J Kruger	Inspanskool	"
P Joubert	Germiston Technical College	"
S J van der Walt	Laerskool J M Louw	approved
H J G Mostert	Johannesburg Technical College	"
H A Grobbelaar	Laerskool Northmead	"
P W Cornelius	Laerskool Klipfontein 60	"
F J Terblance	East Rand Regional Office	under consideration
P P van der Merwe	Laerskool De Beer	"

J P le Roux	Laerskool Tini Vorster	approved
J J M Prins	Boksburg Technical College	"
J P G Els	Laerskool Doornbult	refused
P C S Benade	Onderwyskollege Goudstad	under consideration
M J Cornelius	Pietersburg Technical College	"
G P van Dyk	Northern Transvaal Regional Office	"
T I Steenkamp	Onderwyskollege Goudstad	"
L J Nel	Brackenhurst Primary School	withdrawn
H J J van Vuuren	Laerskool Piet Hugo	under consideration
A C Meyer	Edith Hinds School	approved
J N Potgieter	Laerskool Kragveld	under consideration
J P Nel	Hoërskool Warmbad	"
H W J Clarke	Laerskool Unitaspark	"
G M Zwarts	Hoerskool Driehoek	"
P de Beer	Laerskool Danie Theron	withdrawn
P v D Pretorius	Boksburg High School	under consideration
J F Nel	Onderwyskollege Pretoria	refused
C J Harmse	Johannesburg Technical College	under consideration
M Gouws	Laerskool Meiringspark	"
Mrs A de Jager	Parkdene Primary School	an enquiry only
D J R Hattingh	Laerskool Rustenburg-Noord	"
L J Lowies	Professional Aid Service (academic)	withdrawn
P J D de Beer	Hoerskool Hans Strijdom	refused
L E Koorzen	Hoerskool Hans Strijdom	"
A F Wheeler	Germiston High School	"
R M Steenkamp	Hoërskool Klerksdorp	under consideration

1986 with a progressive programme to lower the lead content of fuel after lead poisoning received extensive coverage in the media.

However, Dr T A Kilroe-Smith of the National Centre for Occupational Health's, writing in Total in SA, said the dangers of lead in petrol to the health of South Africa's population was not significant

than 20 microgram a 100ml in primary school children and less than 10 microgram a 100ml in high school pupils.

"These concentrations are no cause for concern, and even if the petrol were lead-free, it is calculated that the burden of the metal in the blood of children would drop by only about 4 microgram a 100ml"

Producers blamed for drug prices

CM-Times 2/5/88 (183)

By JIM FREEMAN and RENEE MOODIE

IF DRUG manufacturers sell to wholesalers at the same prices they charge parastatal organizations and medical aid schemes, medicine prices would plummet.

The only solution to the problem of the high prices paid by private patients was to have a common supply price for all organizations, according to Mr Sid Hurwitz, the general manager of one of the country's largest pharmaceutical wholesalers, SA Druggists

"It is at times ridiculous that manufacturers sell their products at the lowest price to dispensing doctors

"This is less than the price that the clinic or the chemist can buy, although the private clinic has the advantage over the pharmacist in that it is treated as a wholesaler," he said

Mr Hurwitz also quoted a recent report by the Representative Association of Medical Schemes (RAMS) which cited a national medicine bill last year of R1,25 billion, more than half of which was paid to private hospitals

Several manufacturers have responded by saying that, while they are not obliged to disclose their manufacture costs, they are not the ones responsible for the high prices paid for prescription medicines

Ripping off public

They say it is the "middlemen" who are ripping off the public

The bitter recriminations follow statements by the director general of the Department of National Health and Population Development, Dr Coen Slabber, that South Africa's medicine marketing structure did not benefit the consumer.

He added that a study of the increase in the medicine price index throughout the world, over the past few years, revealed that the highest rise had been in South Africa

Mr Hurwitz said the retailer was "the whipping boy" and that it was the manufacturer who dictated the end price to the consumer.

"If the manufacturer's mark-up is high, then the end price is out of the hands of the wholesaler and it is out of the hands of the retailer"

The chairman of the Pharmaceutical Society of South Africa, Mr Boet Botes, said pharmacists were bound by statute in the prices they charged for prescription items

He said it was normal practice in the private sector to add 33% to the cost price of an article, then add R1,30 per item as a professional fee

Mr Botes said there were a number of avenues open to consumers who felt they had been overcharged for medicines

One was to clarify the issue with the pharmacist or, if no satisfaction could be gained, to report the matter to the Pharmacy Council of South Africa

"However, the problem is that the patient does not know what he should be paying for medicines and whether he is being exploited"

He advised patients who felt they had been cheated to complain to the Consumer Council

Gencor gets management contract for Mossel Bay

Star 3/5/88

183

By Magnus Heystek
Finance Editor

Sanlam-controlled Gencor has been awarded the management contract for the R5,3 billion Mossel Bay synthetic fuels project and will also have the right to a 30 percent equity stake in the project, it was announced last night

The first phase will entail the construction of an offshore platform providing access to natural gas reserves, pipelines to carry the gas and condensate to shore and a refinery utilising the commercially proven Sasol technology to convert the natural gas into petrol and diesel end-products Sasol will also be involved in the design of the onshore refinery

The state-controlled Central Energy Fund (CEF) will have an initial 50 percent of the equity in the company, to be called Mossgas (Pty) Limited while the remaining 20 percent is rumoured to be held by the Industrial Development Corporation Both the offshore (Mossgas) and onshore (Mossref) activities will be consolidated under the single corporate and managerial structure of Mossref

Informed sources within the energy industry yesterday intimated that an eventual listing on the Johannesburg Stock Exchange is a definite possibility, once the project has proven itself to be commercially viable.

One of the rigs involved in the country's oil exploration programme seen here moored in Mossel Bay Much larger platforms, weighing anything up to 200 000 tons, are likely to be a permanent sight in the bay by the early 1990s

In terms of the agreement reached with the CEF, Gencor will have the right to a 30 percent equity stake in the venture, which will mean an initial contribution of R30 million with a total contribution of R650 million by the time the first phase has been completed in 1992.

Gencor is currently looking at various ways of funding this capital injection, with a rights offer the most likely route

About 40 percent of the capital costs of the project wil be funded from equity sources and 40 percent by way of special loans from the CEF The remaining 20 percent will most likely be funded by exporters' credit as specialised equipment will have to be imported.

Mr Bernard Smith, an executive director of Gencor and the man in charge of the construction and management of the project, said last night the contract between Gencor and the CEF had many safeguards for the company

Gencor's additional contributions by way of capital will only become due when certain criteria relating to the financial viability and robustness of the project are met The probable timing for this will be 1992/93 and include factors like the then international oil price, the value of the rand against the dollar and other factors

Mr Smith stressed that it was still too soon to calculate the effect of Gencor's involvement on the company's future earnings, but adding that "we are talking big numbers down the road"

Unofficial guestimates have put the potential output of the Mossref project at about 25 000 barrels of oil a day once full production has been reached

While most of the negotiations surrounding the award of the Mossref contract were shrouded in utmost secrecy, it is well-known that several international oil companies as well as AECI expressed interest in the contract at one stage or another

Observers point out political pressure probably caused the international oil companies to loose interest.AECI for its part has opted to develop its own synthetic fuel project, using coal as the raw material.

BUSINESS

Gencor to manage Mossgas

DIP 3/5/88

183

JOHANNESBURG — Gencor has announced that it is to manage the Mossel Bay synthetic fuels project.

Gencor will have the right to a 30 per cent equity stake in the venture, with CEF holding 50 per cent and the balance being held by a third party or parties.

40 per cent of the capital cost of the project will be funded from equity sources, and 40 per cent by way of special loans from the fund.

As Gencor will shortly assume managerial control of the construction phase of the project both offshore (Mossgas) and onshore (Mossref) activities will be consolidated under a single company called Mossgas (Pty) Ltd.

The first phase of the project will entail the construction of an offshore platform providing access to natural gas reserves, pipelines to carry the gas and accompanying condensate to shore, and a refinery utilising commercially proven technology to convert the natural gas into petrol and diesel end-products.

This phase is expected to cost R5,3 billion in 1988 terms. Production could commence in 1992. — Sapa

FOR SUBSCRIPTION INQUIRIES — TELEPHONE EAST LONDON 26141

DID 5/5/88

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Darmag up 60%

Mr Dersley confident

by Matthew Moonieya
business editor

EAST LONDON — Darmag, the East London specialist in plastics conversion and rubber manufacturing which grew from a small operation into a major supplier, has achieved a 60,5% increase in income for the year, attributable to ordinary shareholders

Income attributable to ordinary shareholders of R2 248 000 was achieved for the year ending February on a turnover of R18 893 000

This exceeds forecasts made by the managing director, Mr Monty Dersley, before the listing on the main board of the Johannesburg Stock Exchange last year

Earnings a share are 11c (7,6c) and a maiden dividend of 2c a share has been declared On an annualised basis, it gives a yield of 4 per cent on the current share price of R1

Mr Dersley attributed the increase in profits primarily to improved sales volumes which were up 21% on the previous year

'It is also due to increased efficiency and economies of scale,' Mr Dersley said

In 1983 Darmag had a turnover of R500 000 compared with a forecast for R17,4 million this year

Mr Dersley said each of the group divisions peformed above expectations

"The introduction of new products into both the plastics and rubber divisions towards the last quarter of the year had a significant impact on sales and market share

Darmag's plastics division which supplies plastic battery components to the automotive and industrial markets has diversified into supplying the electronics industry

Plant and equipment on order will be located in the company's new 7 000 m² factory being built at Fort Jackson and scheduled to be ready by August

Mr Dersley anticipates substantial tax savings as well as improved performance in the coming year

"The new equipment we are installing and the greater capacity will accommodate the increased demand expected

Darmag acquired the remaining 24% in Acuma SA a subsidiary company, two months ago while retaining a 10-year technology agreement which ensured a continued, advanced level of technology in the plastics division

The rubber division, supplying battery components and solid rubber tyres to varied industries, has benefited from new products introduced

"We now manufacture the widest range of solid tyres in South Africa," Mr Dersley said

There were also additional projects under review which are expected to make a significant contribution to growth which is expected to boost forecast earnings'

"Overall we are confident that we will be able to maintain our historic high growth rate," Mr Dersley said

Steoe	24,8	31,1	33,2	29,9	27,3	12,4	9,2	9,3	16,3	18,7	Cities
Dcrre	12,9	16,3	17,3	15,6	14,7	11,1	8,4	8,7	13,4	15,3	Towns
1e-steoeli	0,7	0,8	0,9	1,3	1,2	1,6	0,5	1,4	1,5	0,8	Non-urban

COATES

Sound record

Activities: *Manufactures and sells printing inks, reprographic toners, synthetic resins, industrial surface coatings and lithographic chemicals*

Control. *Coates Brothers plc holds 68%*

Chairman: *W F de la H Beck, managing director E F Williams*

Capital structure· *3,4m ords of 50c each Market capitalisation R17,9m*

Share market: *Price 525c Yields 6,5% on dividend, 20,8% on earnings, PE ratio, 4,8, cover, 3,2 12-month high, 600c, low, 395c Trading volume last quarter, 2 700 shares*

Financial: *Year to December 31*

	*'84	'85	'86	'87
Debt.				
Short-term (Rm)	2,0	1,0	0,4	0,4
Long-term (Rm)	3,6	2,1	1,8	1,3
Debt equity ratio	0,47	0,16	0,09	n/a
Shareholders' interest	0,42	0,43	0,46	0,43
Int & leasing cover	3,0	8,7	20,3	54,6
Debt cover	0,35	1,42	2,48	n/a

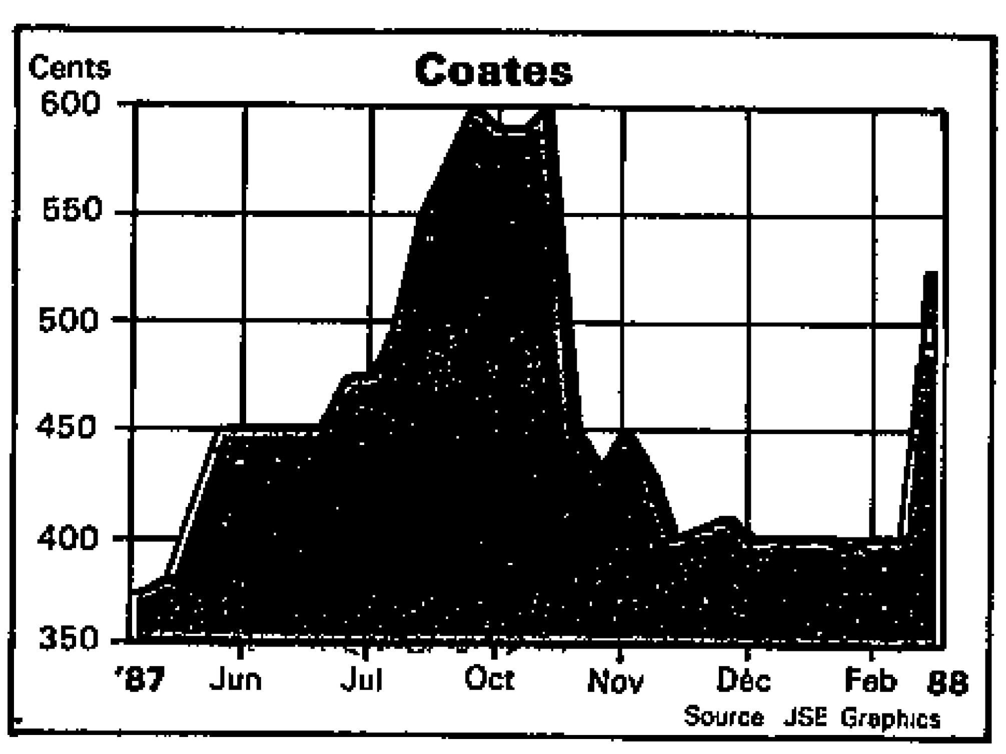
Performance

	'84	'85	'86	'87
Return on cap (%)	†11,7	13,4	15,1	18,4
Turnover (Rm)	38,8	49,6	61,6	73,5
Pre-int profit (Rm)	3,6	4,0	4,8	7,3
Pre-int margin (%)	7,4	8,1	7,8	10,0
Taxed profit (Rm)	1,3	1 9	2,3	3,7
Earnings (c)	38,1	55,2	68,6	109,2
Dividends (c)	20	22	25	34
Net worth (c)	350	383	427	502

* 14 Months ended December
† Annualised

The share retains a conservative rating which hardly seems justified in view of the consistent earnings growth over more than four years, the high returns and the lean balance sheet Indications are that the investment in additional resin manufacturing facilities, which played a major role in last year's profits, should help ensure growth continues

Coates' strong technological support from its UK parent company — now one of the three largest ink companies in the world — helps it to compete effectively with its two major local competitors, Plascon IPC and Solchem, which are respectively linked to Barlow Rand and Argus "Our philosophy of being pro-active in the market, rather than re-active, partly explains the company's ability to perform so well," says MD Fred Williams




Coates' Beck . . . sees strong competition

The company's three operating divisions are printing inks, products for metal coatings, and synthetic resins Last year increased demand, mainly in the second half, and an increase in market share, boosted the inks and metal coatings divisions, as well as trading in the resin division There was also help from stringent control of working capital and further reductions in interest charges

During January 1988, Coates Chemie Compounds — of which Coates owns 55% — was established to manufacture a range of sealing compounds for the closure and can industries, production should start in mid-year At present the products are being imported from D S Chemie in Germany Chairman Bill Beck says the company has pioneered the use of colour-matching computers to improve its products and to promote their effective use in the printing industries

Beck points out that strong competition continues in the main product ranges, and some pressures on margins may result However, assuming that the economy remains buoyant, he is forecasting further growth this year The p e of 4,8 compares with the sector average of 5,3.

Louis Venter

NIL

COMPANY AND TERMS	Last day to register	Listing begins	Issu
ABERCOM — Cap issue 18 new A ord shares for each Abercom held	17 6 88		
CWH — Rights issue 1 new ord share for every 2 shares held at			
SECHOLD — Cap issue 2 new ord shares for every 100 shares h			
SPECTRUM — Non-renounceable rights issue 33 new ord shares f share	22 4 88		

FERTILISER

(83)

Second thoughts?

Further rationalisation seems inevitable in the fertiliser industry (*Business* April 15) But, with their fortunes looking up, producers are playing the game of seeing who blinks first

6/5/88

Sources from all four major producers confirm their fertiliser sectors are once more contributing to profits But neither industry leader Kynoch nor the smallest of the big four, Omnia, seems prepared to take the first step towards further rationalisation

Kynoch MD John Skeen says the company originally bought the former Triomf fertiliser plant at Potchefstroom for R58,5m with the intention of reviving it The sulphuric acid complex has been mothballed, but Kynoch has no current plans to sell plant "We are keeping production going in line with our long-term forecasts for the industry

"Plants are constantly being renewed, and effectively replaced every 10 years So there is no danger of total obsolescence, even though the technology may have aged "

Neither does Skeen rule out the possibility of recommissioning other mothballed plants — even though the process of reopening can take up to four months and involve re-employing industry workers who might have been retrenched five years earlier

But, presumably, the only justification for keeping such capacity, estimated at 2 Mt for Kynoch alone, would be if Kynoch was to regain the pre-eminent position it held in the industry in the Sixties

Senior industry spokesmen expect Kynoch's Umbogintwini ammonia plant to close down, as well as much of the older capacity in the industry, unless there is a sustained fall in the oil price leading to cheaper input prices Meanwhile, Fedmis has cut back capacity from 1,5 Mt to 800 000 t and there is strong speculation some of this might be sold

But, much to the chagrin of its larger competitors, Omnia Holdings has no millstone around its neck in the form of mothballed plants Nor did it invest heavily in the "good years" on the assumption the market would be ever-expanding Omnia did not have the comfort of huge corporate investment to allow it to make such mistakes

Says chairman R J Winkler "We were forced to establish a nitrogen facility in 1981 as no other company was prepared to sell it to us But then our forecasts were conservative and based on the past They left ample room for the servicing and repayment of loans and even considered possible drought "

Omnia's 1987 profit statement bears out Winkler's statements Group income available for distribution increased to R11,8m in 1987, compared with R3,8m in 1986 Small wonder Omnia sees no reason to rationalise

"We keep in touch with the farming community through our subsidiary Omnia Farming Enterprises, which farms on 13 000 ha and allows Omnia Fertiliser staff to talk from personal experience on farm management "

Winkler is utterly opposed to the assertion that it would be better for the industry if production capacity were reduced

He also warns against a possible return to price wars

"The elimination or control of competition by commodity pricing is fatal for the farming business because it reduces the variety of competitive services," he notes ■

ST 14/6/83

Castrol ditches waste-oil plant

By Don Robertson

CASTROL will close its Durol Oil re-refining facility at Rosslyn, near Pretoria, because of high material costs, falling demand and waste disposal problems.

The plant, the third-largest in SA, re-cycled 8,5-million litres of oil last year, but demand in recent months has fallen sharply

Ted Bartlett, general manager of Durol, says the re-refining business has fallen

The facility will be closed on June 30, but the company decided to inform its employees of the move as early as possible to give them time to seek other jobs

The closure will affect 73 employees, of whom 64 will be made redundant Steps will be taken to find jobs for those who are unable to be absorbed by the Durol marketing organisation

Retrenched

Other companies in Rosslyn are being asked to take in retrenched workers

Mr Bartlett stresses that Durol oil will continue to be marketed and the company is negotiating with other sources for the production of the re-refined product

Mr Bartlett says that virgin base oil is now cheaper than re-refined oil A shortage of used oil resulted from an increase in the sale of synthetic oil which cannot be re-refined

Planned Government deregulation on the use of used oils in burners will allow factories to switch to oil from diesel The price of used oils will rise

Waste disposal and effluent pollution are other problems facing the plant

"The increasing costs of production overheads, process chemicals and difficulties with waste disposal make it virtually impossible for re-refining companies to compete with those marketing virgin base oils," says Mr Bartlett

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Sasol counters import threats

By Don Robertson

INTERNATIONAL competition in a duty-free area of South African industry has prompted Sasol to embark on a R340-million polypropylene plant at Secunda.

Sasol has appointed West Germany's Lurgi group to design and construct a 120 000-ton-a-year polypropylene plant, construction to start in 1989

The plant should make SA self-sufficient in raw materials for conversion into plastic products

Sasol says import control on polypropylene was abolished in July last year, exposing the industry exposed to international competition

A spokesman says "To compete against international manufacturers investing in a new polypropylene facility, we have no option but to build a world-scale plant

"Because our market is relatively small, a large plant can be justified only if both domestic and export markets can be served "

Imports of polypropylene are about 30 000 tons valued at R90-million a year

SA also imports about 35 000 tons of polyethylene annually Polyethylene imports could be replaced by production of polypropylene

Sasol says polyethylene and polypropylene are both thermoplastic resins which can be repeatedly softened by heating and hardened by chilling These polymers and processed into film,, sheet and rigid materials for various markets

The processes include injection moulding, blow moulding, extrusion and film and sheet processing In many applications, the same machinery can be used to convert either polyethylene and polypropylene into final products

Although the two feedstocks overlap in some applications, both have tended to find their own market niches because of the inherent properties of the plastics

It is not expected that SA's polyethylene market will be unduly threatened

AECI produces 95 000 tons of low-density polyethylene and 45 000 tons of linear low-density polyethylene Safripol produces 95 000 tons of high-density polyethylene About 35 000 tons of polyethylene is imported

The new plant could save and earn SA about R200-million a year at current prices

The Sasol spokesman says world demand for polypropylene is about 9-million tons a year and SA's export potential is about 1-million tons

Versatile

Polypropylene has been in short supply for about 12 months Since 1984, world consumption has increased by 11% a year Because it is one of the fastest-growing markets for plastics, the tight supply situation is not expected to ease until new production facilities have been installed

Polypropylene is a versatile plastic and can be used in a wide variety of applications, such as the manufacture of woven bags, battery cases, bottle caps, ropes, carpets and crates

The plant will create about 240 jobs in the Sasol group, and employment opportunities could develop in the converting industry once polypropylene becomes freely available at competitive prices

SA strikes R100m oil

By Political Correspondent

SOUTH AFRICA'S first payable oil strike has been made off the coast of Mossel Bay

Initial tests show that the well could produce between 6 000 and 7 000 barrels of crude oil a day which would be worth about R100-million a year

By international standards, this makes it a medium-grade, paying well

Geologists believe they are close to making further payable strikes

The recent find has been a closely-guarded secret, but already excitement is building up in Government circles

Payable domestic oil production will make a dramatic impact on the South African economy and on the international sanctions drive

Pure

The well is understood to be more than 100km from the gas wells that will support the fuel-from-gas project now under construction at Mossel Bay

Oil industry sources said the strike consists of high quality crude and condensates associated with gas

There is also a substantial gas deposit

Combined with Sasol's existing oil-from-coal technology and the Mossgas oil-from-gas project, the discovery of recoverable crude in significant quantities could make South Africa independent of overseas supplies

The Mossgas project will cost an estimated R5 200-million by the time it starts producing fuel in the early 1990s

Off-shore oil exploration is undertaken by Soekor, which last year brought a fourth deep sea rig into the search, and has spent about R800-million so far

One hundred fifty holes — most of them dry — have been drilled by Soekor in the past 20 years

S Times 183 8/5/88

Cape oil find seen as encouraging

DD 9/5/88

(183)

Daily Dispatch Correspondent

PORT ELIZABETH — A well which is expected to produce between 6 000 and 7 000 barrels of crude oil a day has been struck off Mossel Bay — the first major payable oil find in Soekor's two-decade R800 million search for oil off South Africa.

A Soekor spokesman, Mr Mike Leibrandt, confirmed last night that oil was struck at borehole E-AD 1, 120 km south-south-west of Mossel Bay, six weeks ago

He said the well was not economically viable on its own and similar wells would have to be found before it could be exploited

More geophysical surveys and drilling would be conducted, he added

In March last year a well 5,5 km away, named E-AA 1, was struck and produced similar results It had a production capacity of 5 000 barrels a day

E-AD 1 has a production capacity of 6 954 barrels of oil and condensate a day 3 800 barrels of high quality crude oil and 58m cubic feet of gas

"It is encouraging but it is not enough If we found several such wells we could look at a potentially economic means of production like a semi-submersible rig

"The next thing to do would be to drill several other boreholes to determine how big the reservoir is and then only can we say we could produce so much

" We can't produce that single well and nobody is thinking along those lines We have a particular well (E-AD 1) but we don't know how long it will produce or how big the reserves are "

Oil industry sources said the strike consisted of high quality crude and condensates associated with gas There was also a substantial gas deposit.

Yesterday, the news of the payable oil was described as "nothing new", by the Director-General of the Department of Mineral and Energy Affairs, Mr L N J Englebrecht

He said the strike had been publicly known for a long time

More than 150 holes — most of them dry — have been drilled by Soekor in the past 20 years

Combined with Sasol's oil-from-coal technology and the Mossgas oil-from-gas project, the discovery of recoverable crude could make South Africa independent of overseas supplies

The well, according to initial tests, could produce up to 7 000 barrels a day which could be worth R100 million a year By overseas standards, this makes it a medium-grade paying well

A Sunday newspaper reported that geologists thought they were close to making more payable strikes

The recent find had been a closely guarded secret, but already excitement was building in government circles

Payable domestic oil production could make a dramatic impact on the South African economy and on the international sanctions drive

The Mossgas project will cost an estimated R5 200 million by the time it starts producing fuel in the early 1990s

The Mossgas project received a financial boost last week when Gencor announced its buying into the project through an initial contribution of R30 million

Gencor, which took up 20 per cent participation in E-AD 1 in March last year, will participate together with the Central Energy Fund in the development of the Mossel Bay synthetic fuels project, and will manage the project.

The first phase of the project will entail the construction of an offshore platform providing access to natural gas reserves, pipelines to carry the gas and accompanying condensate to shore, and a refinery utilising commercially proven technology to convert the natural gas into petrol and diesel end products

This phase is expected to cost R5,3 billion in 1988 terms Production could begin in 1992

Some contract work for the Mossgas project has already been awarded and is being carried out in Durban, Port Elizabeth and other centres

New well 'not viable on its own'

SA's hopes of major oil strike surge

Star 9/5/84

(183)

By David Braun,
Political Correspondent
Cape Town

South Africa's hopes of striking meaningful deposits of oil and gas have surged, following an encouraging discovery of a new field south-west of Mossel Bay.

The new find is bigger than last year's discovery in the same region, although it is apparently too early to say whether it will be a viable proposition in its own right

Preliminary estimates indicate the new field would yield about 7 000 barrels of crude oil and condensate a day

The yield of high grade crude would be about [illegible] barrels

The find would be meaningful when taken together with earlier discoveries, some of which are going to be worked as part of the Mosgas project commissioned by the Government last year

Minister of Economic Affairs and Technology Mr Danie Steyn said in an interview today it was far too early to say whether the latest find was an economic proposition

Many more tests and results were needed before the discovery could be properly assessed

In the meantime, South Africa remained hopeful that its continuing oil exploration would eventually strike the jackpot, he said

A Soekor spokesman, Mr Mike Leibrandt, confirmed last night that oil was struck six weeks ago at borehole E-AD 1, about 120 km south-south-west of Mossel Bay

The well was not economically viable on its own and similar wells would have to be discovered before it could be exploited, he said

In March last year a well 9 km away, named E-AA 1, was struck and produced similar results. It had a production capacity of 5 000 barrels a day

E-AD 1 had a production capacity of 6 954 barrels of oil and condensate a day

"It is very encouraging but it is not enough If we discovered several such small wells we could look at a potentially economic means of production like a semi submersible rig

"The next thing to do would be to drill several other boreholes to determine how big the reservoir is and then only can we say we could produce so much," Mr Liebrandt said

"We cannot produce that single well and nobody is thinking along those lines

"We have a well (E-AD 1) but we don't know for how long it will produce or how big the reserves are," Mr Leibrandt said

Soekor today put a clamp on further details of the latest find

Last year's discovery was not considered a viable proposition for development, although technology which would entail the use of portable oil rig platforms, moving from one oil field to another, was under consideration

Dr Aaron Motsoaledi surveys the damage to a ...

39 people die in weekend road accidents

At least 39 people were killed on South African roads over the long weekend

However, a National Road Safety Council (NRSC) spokesman said today this figure was unlikely to be accurate as there was no central point where road deaths were collated daily The Bureau of Statistics would have an accurate figure in about two months

Mrs Marita Cronje, NRSC liaison officer, said "In South Africa 25 or 26 people are killed in road accidents every day"

She said this would mean about 75 people would be killed in three days — the length of the long weekend

The weekend's highest death rate in a single accident was a head-on collision between a minibus and a South African Transport Service bus near Volksrust which claimed 16 lives.

Other accidents included

- Six people killed in accidents in the Cape Peninsula
- Two 14-year-old schoolboys killed in an accident in Port Elizabeth
- Two men killed in a head-on collision near Cradock
- A 75-year old Pretoria laywer, Mr Christoffel Niehaus, killed on the road between Warden and Villiers
- A 19-year-old Port Elizabeth woman died in hospital from injuries caused by a road accident on Friday
- A man killed and five people seriously injured when the minibus they were travelling in left the road near Volksrust

Resounding Mitterrand

President Francois Mitterrand's supporters crowd around him in Chateau-Chinon Town Hall

Too early to say if oil find will be economic

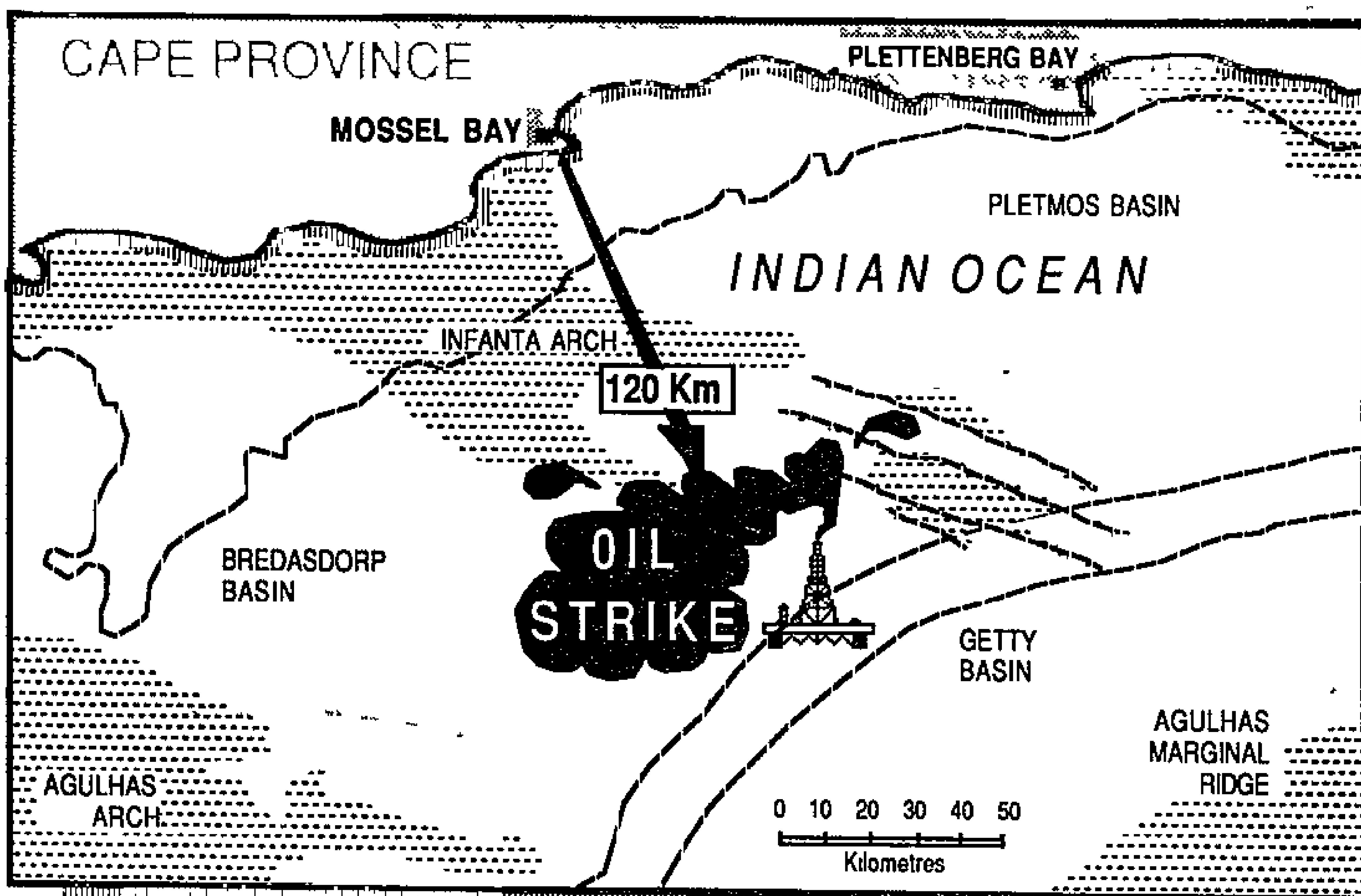
Star 10/5/88

183

By David Braun, Political Correspondent

CAPE TOWN — South Africa has come a step closer to becoming an oil-producing country, with the discovery of the most encouraging oil and gas deposits in territorial waters to date.

System of mobile platforms possible



The new deposit of high-grade crude oil and gas discovered 120 km south-west of Mossel Bay is probably not a viable proposition in itself.

However, South African scientists are becoming increasingly excited at the prospect of developing a system of mobile oil platforms which would "hover" for short periods over small deposits before moving on to the next, much like a bee collects pollen from one flower to the next.

Between collecting oil and gas at a particular hole, the vital energy resources would build up for future collection.

Preliminary estimates indicate the new field would yield about 7 000 barrels of crude oil and condensate a day.

Of this, there would be about 3 800 barrels of high-grade crude oil a day.

The find could be meaningful when taken with earlier discoveries, some of which are going to be worked as part of the Mosgas project commissioned by the Government.

Economic Affairs and Technology Minister Danie Steyn said in an interview yesterday that it was too early to say whether the latest find was an economic proposition.

Many more tests and results were needed before the discovery could be quantified.

Reaction in Mossel Bay was cautiously optimistic, Clare Harper reports.

The town clerk of Mossel Bay, Mr W S van Heerden, said it was too soon to tell whether the find would be economically viable.

But if more strikes of a similar size were made, it could create some job opportunities in the town.

The owner of a Mossel Bay estate agency, Mr W Pretorius, said that since the announcement, 10 people had asked the agency to increase the price of their stands.

Sapa reports that a Soekor spokesman, Mr Mike Leibrandt, said similar wells would have to be discovered before the find could be exploited.

The Mosgas project has received a financial boost with the announcement that Gencor is buying into the project through an initial contribution of R30 million.

Gencor, which took up 20 percent participation in the March find, will participate with the Central Energy Fund (CEF) in the development of the Mossel Bay synthetic fuels project and will manage it.

The first phase of the project will entail the construction of an offshore platform providing access to natural-gas reserves, pipelines to carry the gas and condensate to shore, and a refinery to convert the natural gas into petrol and diesel.

This phase is expected to cost R5,3 billion and production could commence in 1992.

First west coast oil strike

183

10/5/88

Oil prospecting company Soekor announced yesterday that it had found oil, so far uneconomic, on the Cape west coast for the first time.

The rig Nymphea struck a limited oil find 26 km south-south-west of Hondeklip Bay, the company said in a statement.

During production tests about 200 barrels of crude oil were extracted.

"Although this production tempo is uneconomic, it indicates that possible economic oil discoveries may be made off the west coast where up to now Soekor has only encountered dry gas."

However, the statement emphasised that further seismic surveys, drilling, complex calculations and feasibility studies were essential before there could be any thought of viable oil production. — Sapa.

● See Page 13.

Gencor stands to gain from Soekor oil find off Mossel Bay

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Star, 10/5/88

By Teigue Payne

If oil is found in economic quantities after the recent encouraging strike off Mossel Bay, it could impact significantly on Gencor, which has a right to 20 percent of prospects on the same seabed structure

Executive director of Gencor, Bernard Smith, said yesterday that if the oil find of borehole E-AD1 signalled further finds, they could significantly affect Gencor's earnings

He said the costs of developing oil fields were high, but so were the rewards. In the past, companies which had participated in good fields had made "good money" from them

Last October, Gencor said it had secured the rights to participate up to 20 percent in a delineated area about 120 km off Mossel Bay, and that it had elected to take up 20 percent in the E-AD1 well, which was being drilled by Soekor Financial and other details of the deal were not disclosed

The E-AD1 well is expected to produce 7 000 barrels a day and is Soekor's most encouraging find to date

E-AD1 lies 6km east of well E-AA1, which Soekor said a year ago had produced an oil and condensate flow of about 5 000 barrels a day However, E-AA1 is not within Gencor's delineated area and Mr Smith said the two wells were not on the same structure.

He said Gencor's area was on the same structure as that of E-AD1.

Because Soekor is the project manager and major shareholder, he would not say how many wells were being sunk, but that it would not take long to further evaluate the structure with boreholes A hole could be drilled within two to three weeks, he said

Soekor has said other wells besides E-AD1 would have to be found to make a viable prospect. However, the find has obviously greatly increased the chances that this will eventuate

Former director-general of Mineral and Energy Affairs, Dr Louw Alberts, yesterday reportedly said it was now much more likely that Soekor would discover an oilfield rich enough to make South Africa independent of outside oil sources.

Gencor's involvement in South Africa's oil and gas projects was highlighted recently by the announcement that it had been awarded the management contract for the R5,3 billion Mossel Bay gas project and would also have the right to a 30 percent equity stake in the project In terms of the agreement reached with the Central Energy Fund, Gencor will intially contribute R30 million, and a total of R650 million by the time the first phase had been completed in 1992.

An analyst said yesterday that discovery of a small oilfield now seemed more likely. He said the anomalous situation could arise that the oilfield would be much more viable than the Mossgas project, which is only marginally viable at current oil prices and exchange rates While this might result in some scaling back of Mossgas, he said, the project would undoubtedly continue

Adcock acquires Sterling for R52-m

Star 11/5/88

183

By Ann Crotty

Barlow's pharmaceutical subsidiary, Adcock-Ingram, has announced its second major acquisition in six months. The deal again appears to have been influenced by disinvestment pressure on US companies operating in SA.

Sterling SA, a subsidiary of the US group, Sterling Drug, has been bought for R52,5 million to be paid in cash.

Control of Sterling Drug recently passed to Kodak and this is believed to have influenced the decision to move out of SA.

At the end of calendar 1987, Adcock acquired control of the local subsidiary of the American giant pharmaceutical group Merck, Sharpe & Dome.

Mr Don Bodley, chief executive of Adcock said yesterday the Durban-based Sterling would be operated as a stand-alone subsidiary.

"The business under its present management will be run at its usual capacity and there will be no loss of jobs as a result of the acquisition." Adcock will raise the funds through the issue of shares, which will easily be followed by cash-rich Tiger Oats, which holds 73 percent of Adcock.

Sterling's major products include Panado, Compral and Stearns Pine Tar and Honey.

Adcock acquires Sterling for R52-m

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By Ann Crotty

Barlow's pharmaceutical subsidiary, Adcock-Ingram, has announced its second major acquisition in six months. The deal again appears to have been influenced by disinvestment pressure on US companies operating in SA.

Sterling SA, a subsidiary of the US group, Sterling Drug, has been bought for R52,5 million to be paid in cash.

Control of Sterling Drug recently passed to Kodak and this is believed to have influenced the decision to move out of SA.

At the end of calendar 1987, Adcock acquired control of the local subsidiary of the American giant pharmaceutical group Merck, Sharpe & Dome.

Mr Don Bodley, chief executive of Adcock said yesterday the Durban-based Sterling would be operated as a stand-alone subsidiary.

"The business under its present management will be run at its usual capacity and there will be no loss of jobs as a result of the acquisition." Adcock will raise the funds through the issue of shares, which will easily be followed by cash-rich Tiger Oats, which holds 73 percent of Adcock.

Sterling's major products include Panado, Compral and Stearns Pine Tar and Honey.

Saidcor playing key role in exploiting viable inventions

Star 12/5/88 (153)

By Stan Kennedy

South Africa is firmly on the map as a country capable of generating novel and commercially valuable inventions, says Dr Chris Garbers, chairman of the SA Inventions Development Corporation (Saidcor), in his 1987 annual report

Established in 1962, the corporation makes available venture funds to companies to assist in the development and implementation of new technology

"Over the past 25 years Saidcor has, in a modest way, met a specific requirement in the high-risk area in furthering South African industry

"In looking to the future, the more effective exploitation of the excellence achieved in science and technology in furthering industry will be of paramount importance."

Innovation, he says, has become so necessary for business survival in this technological age. The world is being swamped by new products and manufacturing processes and Saidcor is well-positioned to play a key role in assisting the flow of practical ideas from the laboratory to industry.

Recent successful Saidcor products include an adjuvant for immunisation, which is ready for use by veterinary vaccine producers and for which a licensing programme is under way; computer-based education for the diverse ethnic and linguistic groups to help bring about a uniform level of education, adhesives from sugar-cane waste, and kiln cartridges, which are expected to save the country R5 million a year in foreign exchange

Among major current developments is a coal-gasification pilot plant The new process promises to provide a method of beneficially using vast quantities of previously discarded coal Gases produced will be useful in the manufacture of chemicals such as ammonia and methanol and in the reduction of ores to metals

Dr Chris Garbers

Another is a digital circuit tester used in electronic devices, including counters, watches, control circuits and PCs It is already being manufactured and costs a tenth of the price of the imported alternative.

Since its inception, the government has made available increasing funds to SAIDCOR on favourable terms to enable it to exploit inventions effectively The funds are also used to encourage industry to enhance its level of technology so that it can become more competitive in international markets

Last year, there was a satisfactory increase in revenue from projects, from R612 000 to R957 000 This, however, was offset by a decrease of R234 000 in interest charges In addition, some projects moved into the profitable range where the corporation had to share its income with inventors to the tune of R285 000, compared with R45 000 in the previous year

Another R245 000 was written off on projects that were discontinued because they were considered unlikely to yield any income, This left the corporation with a R304 000 loss.

TREK 183

Margins squeezed

Trek's profitability is being constrained by static or depressed margins on two fronts processing margins have been dampened by weak international prices of crude oil and refined petroleum products as well as a more stable rand, and the marketing margin has been kept unchanged by government for more than three years Although attributable income in 1987 rose by 12,8% to R22,5m, comparative figures were affected by various accounting quirks Importantly, the group has changed from lifo to fifo stock valuation, and the 1986 figures were restated

Activities. *Processing, marketing and distribution of petroleum products, re-refining of oils and manufacturing of lubricants, and production of base oils*
Control. *Gencor holds control*
Chairman: *D Jacobs, managing director S Steyn*
Capital structure: *20,3m ords of 50c each Market capitalisation R175m*
Share market: *Price 860c Yields 8,1% on dividend, 12,9% on earnings, PE ratio, 7,7, cover, 1,6 12-month high, R16, low, 815c Trading volume last quarter, 33 600 shares*
Financial· *Year to December 31*

	'84	'85	'86*	'87*
Debt				
Short-term (Rm)	1 0	0,4	0,4	8,5
Long-term (Rm)	—	5,1	5,1	—
Debt equity ratio	0,01	0,05	—	—
Shareholders' interest	0 50	0 57	0 60	0,63
Int & leasing cover	67,4	44,7	21,5	24,0
Debt cover	28,9	6,0	3,1	4,2

Performance.

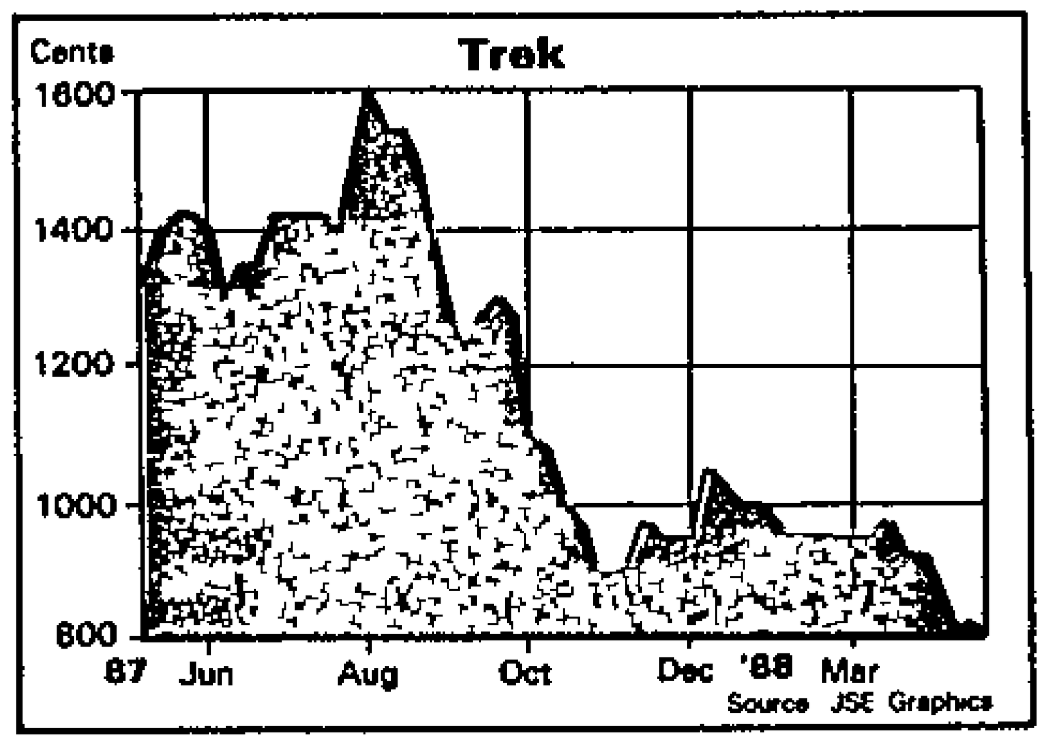
	'84	'85	'86†	'87†
Return on cap (%)	27,3	27,5	10,6	13,5
Turnover (Rm)	472	675	656	681
Pre-int profit (Rm)	47,6	56,8	27,2	35,2
Pre-int margin (%)	10,1	8,4	2 1	3,5
Taxed profit (Rm)	23 0	27,2	20,5	22,8
Earnings (c)	122,0	139,7	98,6	111,2
Dividends (c)	45	55	63	70
Net worth (c)	438	564	734	790

* Net of cash
† Fifo

Turnover rose by less than 4% to R681,3m due to increased sales and a change in the inland price structure of petroleum products Pre-tax profit on the fifo basis grew by 20,5%, reflecting an increase in operation income of 77% to R24m and a R3,3m or 20% slide in investment income Attributable income rose by only R2,4m because of a higher effective tax rate of 36,5% (29%)

Taking these factors into account, according to former chairman Donald Masson (who was succeeded at year end by Dirk Jacobs), the 77% rise in operating income does not accurately reflect the financial performance The comparable 1986 figure was distorted by an abnormal stock adjustment of R15m, which was caused by a drop in the international posted prices of refined and

FM 13/5/88



crude products

Exclusion of this adjustment would result in a R4,6m drop in the 1987 operating income "This reduction again illustrates the impact of declining posted prices on income from refineries and of increased marketing costs on unchanged, government-controlled marketing margins," Masson says

The 20% slide in income from investments (interest received and income from associated companies) resulted mainly from lower lubricant refining margins

Fixed marketing margins

With the economy expanding, growth in sales volumes should continue However, there is little reason — other than a weaker rand — to expect improvements in the processing margin, which hangs on firmer international prices. Two other developments could influence Trek's prospects firstly, a change in the marketing margin will have to come eventually; secondly, there is the perennial question of major investments.

Trek Petroleum, the petroleum and virgin oil marketing arm, has continued to modernise and expand. It now has 369 service stations, which last year generated turnover of R617m. Its problem is that government last raised the fixed marketing margins in 1984 Masson says "pressure on profits is such that a further adjustment is required in the near future if Trek is to maintain its present level of earnings"

Whether government will raise the margin in the present anti-inflationary climate remains to be seen, but an adjustment would not be surprising. And, as 1984 and 1985 results showed, a higher margin can markedly affect profits.

Cash continues to exceed R60m How will it be used? As Trek is Gencor's energy marketing arm, it would be logical to expect an investment in the energy field As shown by the announcement that Gencor is to acquire 30% of Mossgas, energy has become a growing interest for the mining house Options must include passing part of the Mossgas stake on to Trek, or that Trek participate in Gencor and Trans-Natal's torbanite synfuel project Trek MD Sarel Steyn says the group would be very cautious unless the expected return was better than the current return on the cash However, the interest income of just over R3m on the cash is unimpressive.

The 8,1% dividend yield reflects the market's currently cautious approach to energy shares *Andrew McNulty*

PHARMACEUTICALS

A sterling sale

American drug manufacturer Sterling Drug has sold its South African operation to Tiger Oats subsidiary Adcock Ingram for R52,5m

Tiger Oats chairman Robbie Williams says the company will carry on as before and there will be no job losses "The full range of Sterling products will continue to be available

"The division will be renamed and the Sterling name, along with that of subsidiary Winthrop, will disappear"

Tiger was one of four South African companies to bid for the operation after Kodak bought the American parent company and made it known it wanted to be rid of its South African business

Premier's Twins Pharmaceuticals and Malbak's Protea Medical both pulled out before the final negotiations

SA Druggists MD Tony Karis, who was bidding for the company in New York last week along with Adcock Ingram (AI), says "We offered Sterling a fair price but were beaten to it"

By buying Sterling, AI has acquired the licences for consumer products such as Wet Ones tissues and drugs Panado and Beserol. Some products are likely to change their name, including Andrew's Liver Salts and Philip's Milk of Magnesia

Unlike Merck, Sharpe and Dohm, which was acquired at the end of last year by Tiger Oats and kept as a separate company, Sterling will be integrated into AI, but as a separate division

Industry sources say AI benefited from ultimate parent Barlow Rand's progressive image internationally SA Druggists, conversely, suffered from its position in the Afrikaner Sanlam group ■

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Union settles dispute with oil refineries

DURBAN — Chemical Workers' Industrial Union (CWIU) members have settled their disputes with two petroleum refineries in Durban this past week, a statement from CWIU's Southern Natal branch said yesterday

"A ballot revealed that members voted overwhelmingly in favour of taking strike action if their demands were not met, and a conciliation board meeting was convened with Shell BPSA Petroleum Refineries (Sapref) which ended in a settlement yesterday, directly affecting about 700 workers

"Negotiations with the Mobil refining company were also reopened by way of a mediation, which yielded a settlement affecting 458 workers on Tuesday."

Both settlements guarantee a minimum wage increase of 15%

Workers on the lower pay scales will get raises of at least 21% — which is an increase of R155 to R865 a month, while at Sapref the minimum rate will rise to R870 a month — Sapa

Sunday Times 15/5/88

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Chemserve, jewel in a jaded AECI

CHEMICAL Services is the jewel in AECI's tarnished crown.

AECI has lost some of its blue-chip image The market rates it on a PE of only 7, and a dividend yield of nearly 7% At 975c, it is only 6% higher than its post-crash low, and barely half of its June 1987 peak

But Chemserve, 60%-owned by AECI, is trading at 2 000c — 60% above its December 1987 low and at 70% of its peak It rates a PE ratio of 8,7 and yields 4%

MARKETS

The major difference between the two companies is that AECI manufactures bulk chemicals whereas Chemserve supplies niche markets

"No single sector dominates our business," says financial director Lex van Vught Mining accounts for 10% of sales and both food and paper 9%, but Chemserve supplies 20 diverse industries

Its owns 11 divisions, manages another four and has one non-managed interest Chemserve benefited from the disinvestment of Britain's Allied Colloids, a major acquisition in 1987

CHEMISTS

There are eight manufacturing plants and 1 200 employees, many of whom are technically qualified It is surprising to learn that, in a financial world dominated by chartered accountants, Chemserve's five executive directors and the chairman are all chemists

"We know what the products are all about," says Mr van Vught

The range of products runs into thousands, from mining chemicals to raw materials for paint, food additives to fire-fighting foams, and from beer and wine clarification to dispersing oil slicks

Chemserve also operates agencies for foreign companies which supply chemicals not made in SA

"This gives us strong international ties and technical support," says Mr van Vught

Growth may come from several areas Chemserve has a research department which aims to develop products and enhance them

"Not all of them come to fruition but we have had several successes and are aware of the need to grow," says Mr van Vught

SPREE

Chemserve is always looking out for acquisitions although the current year is one of consolidation after a buying spree The balance sheet does not look as pretty as it did a year ago

Interest-bearing debt of R30-million makes the company's gearing about 50% But the damage to bottom-line earnings from higher interest rates will be mild

"A 1% rise will reduce our earnings by 2,5c a share"

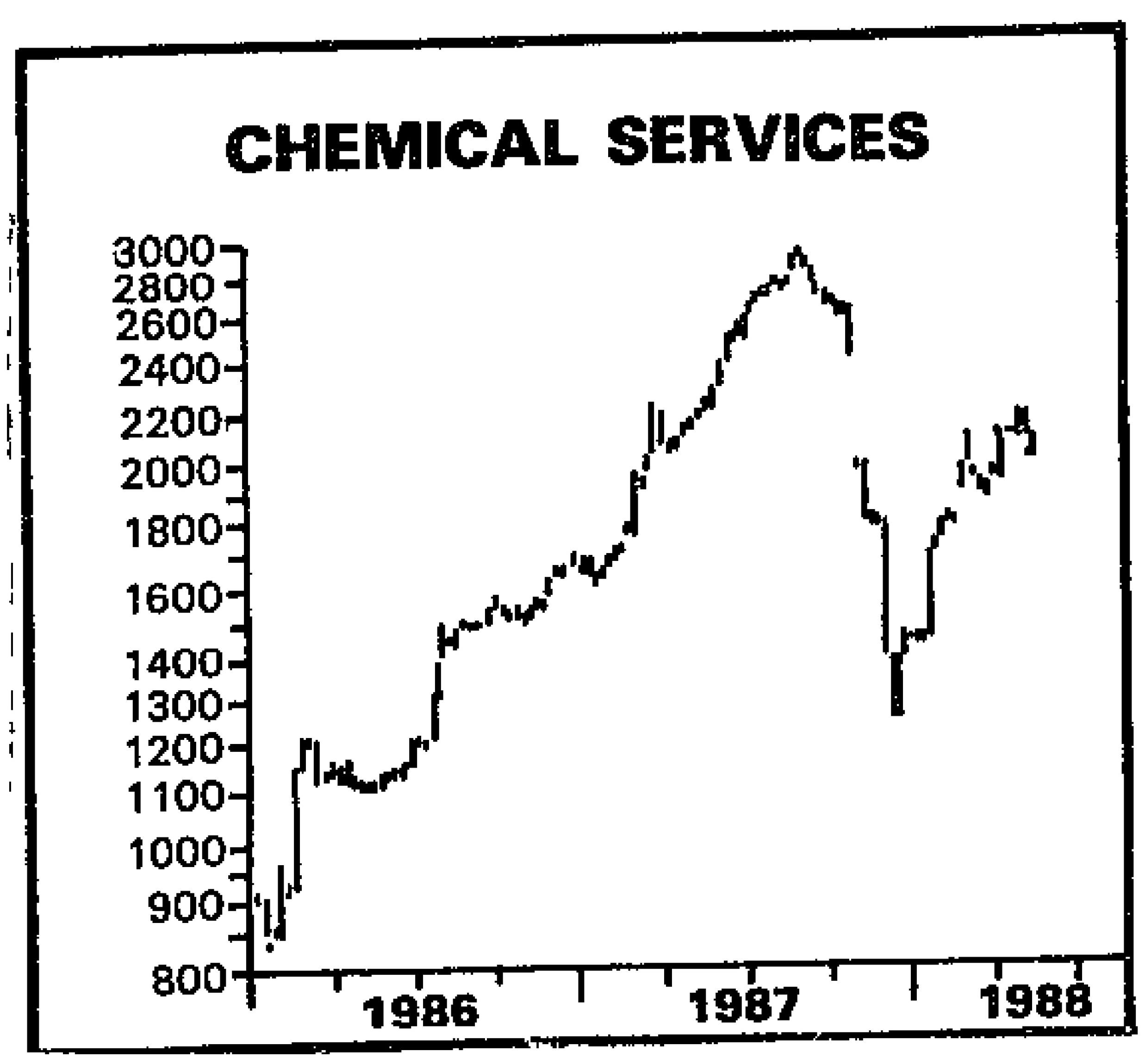
This is tiny when compared with the 230c total in the year to December 1987 Nor are there any tax shocks "We are service-oriented companies and unfortunately there are no initial allowances on people"

HIGH BASE

In the past five years Chemserve's earnings have grown by a compound annual rate of 27% One analyst expects growth of 25% in 1988 The speciality chemical industry tends to grow at a much higher rate than the climb in gross domestic product, whereas bulk chemicals grow about 2% over GDP

An earnings rise of 25% would put Chemserv on a forward PE of 7 This is not too demanding for a company which is performing off a high base

The share price has upward potential, but investors should not chase the stock It can be bought on any weakness



Chemists debate 'worsening crisis'

PORT ELIZABETH — The crisis in the pharmaceutical profession is worsening despite several investigations since 1957, according to the president of the Pharmaceutical Society of South Africa, Mr Louis Röntgen. Star 17/5/88 (183)

Speaking at the society's annual conference in Port Elizabeth yesterday, Mr Röntgen said two annual meetings held last year had reflected pharmacists' concern about their profession.

He said the reports of the various investigations offered little guidance to pharmacists in terms of the cost and distribution of medicine.

A member of the southern Transvaal committee of the South African Association of Hospital and Institutional Pharmacists, Miss Dina Elias, said clinical pharmacy services in South African hospitals were inadequate.

Miss Elias said that, compared with Great Britain and the United States, there was a lack of contact between pharmacists and both patients and the health-care team.

Clinical services such as answering questions on medicines and transferring instructions on the proper use of medicines should be the pharmacist's responsibility, she said.

In South African hospitals, most of these services were either offered irregularly or not at all. — Sapa.

Chemical workers strike over pullout

Star 16/5/88

(183)

By Adele Baleta

Employees of Sterling Drug in Durban are on strike in protest against the American holding company's refusal to negotiate a disinvestment settlement with the Chemical Workers' Industrial Union (CWIU), according to the union

The general secretrary of the union, Mr Rod Crompton, said yesterday that workers began a legal strike on Monday because of their "frustration with Sterling's dishonest dealings with the union and the compnay's refusal to meet union demands".

Company comment was not available last night.

Barlow Rand's pharmaceutical subsidiary, Adcock Ingram, recently bought Sterling Drug for R52,5 million cash from Sterling Drug Inc, USA. The disinvestment followed the sale of Sterling's parent to US-based Kodak, which quit South Africa last year.

beyond.

Caustic soda in short supply

Star 18/5/88

(183)

Finance Staff

There is a nationwide shortage of caustic soda because a major caustic and chlorine plant has been closed for maintenance for the past three months.

This is said to be causing concern to industries such as soft-drink bottlers and paper and pulp mills. Any shortfall has to be imported.

To help overcome the problem, Clor Alk Industries (CAI) has developed a small but highly efficient caustic generator to produce a ton of caustic soda a day, enough to prevent costly plant closures and downtime

Mr Steve Hopson, a director of CAI, says the company can have up to six of these units operational within three to four weeks.

"We are prepared to put our manufacturing facilities on a 24-hour-a-day footing, seven days a week to assist. We can have six plants in operation in four weeks. Normal delivery is 24 weeks."

"Caustic soda is produced at three major plants in South Africa, all of which are, at this point, unable to supply all needs.

"The closure of some of these plants has caused a major disruption in supply and some process industries are running perilously short "

CAI's miniature chlor alkali plants use South African technology to produce high-quality caustic soda at a concentration of 33 percent.

Motor trade

'I was wrong about Reeva loss'

(183) STAR 18/5/88

By Bruce Anderson

An expert witness admitted in the Rand Supreme Court yesterday that he had worked from an unreliable base in calculating a loss in one of Miss Reeva Forman's companies after the publication of an article in *Style* magazine.

Mr William Kirsh is a chartered accountant called by the plaintiffs in a case in which two of Miss Forman's companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics (RSD) are claiming more than R3 million damages for an allegedly defamatory article published by *Style* in June 1985

The defendants include the editor, publishers, printers and distributors of *Style*

Last week Mr Kirsh said in his evidence-in-chief that he could find no reason other than the publication of the *Style* article for the drop in sales in Miss Forman's two companies

Yesterday, under cross-examination by defence counsel, Mr Kirsh agreed that the base for his calculations on RSD, a company which offers training courses, was unreliable

PROFITS

Mr Kirsh admitted he had used an incorrect course fee in his calculations of profits received from training courses in March 1985

The court also heard that money was paid into the RSD account from another account in the name of a Mr Vassiliades, a minority shareholder in the company

Defence counsel suggested to Mr Kirsh that possible causes for the reversal in the sales trend could have included

- A drop-off in sales after an incentive trip to Rio de Janeiro for sales staff just before the publication of the *Style* article
- The state of the economy at the time of the publication of the article
- A dependence on advertising by the Reeva organisation

Mr Kirsh did not agree

The hearing continues.

SA Druggists beats profit forecast

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Star 19/5/88

Finance Staff

SA Druggists yesterday reported attributable profit of R32 million in the year to March — R1,1 million above the prospectus forecast

The figure was 28 percent higher than that of the previous year

Earnings per share were 22,7c (21,9c prospectus forecast) A final dividend of 4,75c has been declared, making a total of 8c

Turnover increased by R108 million, or 19 percent, to R675 million, and operating income rose 23,2 percent to R64 million

Total assets rose 16 percent to R257 million Gearing fell to 13 percent (22 percent)

Group managing director Tony Karis said interest paid was lower because of good asset management, lower interest rates and the conversion of some loans into share capital

Mr Karis said SA Druggists had continued its strategy of changing its portfolio balance towards manufacturing and marketing its own products, rather than wholesaling other companies' products

He said the core business of the group, which is part of Federale Volksbeleggings, was well-established

Business Report

New strategy boosts SA Drug profits

By AUDREY D'ANGELO
Financial Editor

AN increase in its manufacturing interests helped SA Druggists — part of the Federale Volksbeleggings Group — which was relisted on the Johannesburg Stock Exchange last year to achieve attributable profits of R32m for the 12 months to March 31

Earnings at share level were 22,7c, well above the 21,9c forecast in the listing prospectus

The final dividend is 4,75c a share, making a total of 8c for the year

Strategy

Turnover was 19% higher at R675m (R567m) and operating income was 23,2% higher at R64m

MD Tony Karis said SA Druggists had continued its strategy of changing its portfolio balance with a heavier bias towards manufacturing and marketing its own products rather than wholesaling those of other companies

As a result, he said, about 60% of group operating profits now came from manufacturing and marketing companies compared with 45% three years ago

Forecasting further growth in earnings this year, Karis said "With our core business firmly established, our entry into the field of medical diagnostics and investment in long-term biotechnology, SA Druggists begins the new financial year with a strong base for sound, sustainable growth"

Management

The group's total assets rose by 16% to R257m in the year with the finance ratio remaining above 50% at 55% and the gearing ratio falling to 13% from 22%

The interest bill was R3,3m which Karis said was "materially lower as a result of good asset management, lower interest rates and the conversion of some loans into share capital"

The group spent R13,6m on capital expenditure in the year, mainly on the Lennon facility at Port Elizabeth, now believed to be the biggest pharmaceutical manufacturing plant in the southern hemisphere, and on a distribution centre in Heriotdale, Johannesburg

tions

Price

Star 20/5/88

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Reeva witness cross-examined

By Bruce Anderson

Growing unemployment could have contributed to an increase in the recruitment of sellers for Reeva cosmetics in the months preceding the publication of an allegedly defamatory article in *Style* magazine in 1985, a Rand Supreme Court heard yesterday

The evidence came during the cross-examination of Mr Charles Stride, the senior partner of a large Johannesburg auditing firm

Mr Stride had been called as an expert witness by the plaintiffs in a case before Mr Justice D J Curlewis in which two of Miss Reeva Forman's companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics, are claiming more than R3 million for an allegedly defamatory article published in *Style* magazine in 1985

The defendants in the case include the editor, publishers, printers and distributors of magazine

Mr Bob Nugent, who appeared on behalf of the defendants, cross-examined Mr Stride for two hours yesterday and will resume his cross-examination today

A large part of the cross-examination was taken up with financial evidence of a highly technical nature, focusing on sales and recruitment figures for the Reeva organisation both prior to, and after, the publication of the *Style* article in June 1985

Mr Nugent put it to Mr Stride that a sales incentive conference in Rio de Janeiro in May 1985 had been the most successful venture of its kind that Miss Forman's company had ever organised

RECRUITS

It followed, he said, that the conference had attracted an unusually large number of sales recruits and that, in order to maintain the same amount of growth the company had experienced prior to June 1985, it would have been necessary to maintain the same rate of recruitment achieved before publication of the *Style* article

Mr Stride consistently disagreed with Mr Nugent, saying that other factors came into play and that it might not have been necessary for the company to maintain such a high rate of recruitment in order to sustain growth.

Among the factors mentioned by Mr Stride in his evidence were the possible influence of growing unemployment in 1985 and a price increase in Reeva products late in 1985

The hearing continues

Staalchem performs well ahead of target

183 STAR 20/5/88 (183)

Staalchem, which was listed in July last year, has produced record results in its first year as a listed group with all operating subsidiaries performing ahead of target

Turnover increased to R42,7 million, 51,6 percent ahead of that achieved in 1987, whilst Staalchem's profit before tax displayed an even better trend increasing by 61,7 percent to R2,557 million

Earnings rose by 51,7 percent to R1,32 million due to the higher effective tax rate of 48,4 percent compared with 45,0 per cent in the previous year.

Earnings per share of 11,3 cents were similarly ahead of the 1987 figures and 6,6 percent ahead of the prospectus forecast of 10,6 cents. This resulted in a higher than planned dividend per share of 3,5 cents

"The Group's acquisitions of subsidiaries, Cropsure and J&S Distributors, have performed according to expectations", says Group MD Mr JGJ du Toit "The group is continuing with its stated policy of expansion and we are confident that the current year's profit will comfortably exceed that of the past year

Staalchem has applied to the JSE to be re-listed from the DCM to the Chemicals and Oils section of the Main Board health policy," the society said.

Follow-up to successful '87 campaign

(183)

Star 20/5/88

Medical Reporter

The successful 1987 pharmaceutical advertising campaign is to be followed this year by another costing R1,5 million, Mr Neville Lyne, the chairman of the Pharmacy Professional Awareness Campaign, said yesterday.

Speaking at the South African Pharmaceutical Society's national congress in Port Elizabeth, Mr Lyne said research showed that more people were using pharmacies as a result of the 1987 campaign.

He said the most influential advertisement had been the "anxious mother" message carried nationwide on television.

Surveys conducted during the campaign showed that 81 percent of whites said they experienced better service in pharmacies than in other stores.

And 51 percent of those surveyed said they were "very satisfied" with the related services provided by pharmacies

Mr Lyne said that as a direct result of the campaign, 86 percent of blacks surveyed said their frequency of contact with pharmacists had increased.

Durol Oil to close Rosslyn plant

183

ROY COKAYNE

Star 2/5/

Durol oil re-refining plant at Rosslyn near Pretoria — the third biggest in the country — is to close at the end of June and most of the 73 employees retrenched

Durol Oil general manager Ed Bartlett said the decision to close was due to a combination of factors, including high raw material costs, reduced demand and Government environmental controls on waste disposal

But Mr Bartlett stressed they were only closing down the Durol production facility at Rosslyn and would continue to market Durol Oil using other sources

Steps would be taken to find jobs for those people who could not be absorbed elsewhere into the Durol marketing organisation

He pointed out that Durol was associated with Burmah Oil internationally and dealt with most of the major oil companies in South Africa and could get base oil from all of them

However, Mr Bartlett said the whole re-refining business had slumped dramatically in the last few years

"It is a trend internationally and there are hardly any re-refining facilities left in Europe.

"Our re-refining business is the third to close in South Africa The other two were Exol in Virginia, which was also known as Virginia Oil, and Condor Oil near Krugerdorp, which was part of the Mobil group"

Rhombus to mine heavy minerals on Wild Coast

Star 23/9/88

183

By Teigue Payne

Rhombus Mining is to develop a R60 million heavy minerals deposit in Transkei, and expects to be in production by next year

Chairman Mr Les Holmes says Rhombus, the unlisted parent of Sub Nigel and Rhoex, has been investigating this type of deposit for two years

The development will be on three continguous deposits which are separated by rivers, at Wavecrest on the southern Wild Coast They stretch 10 kilometres down coast, and to a maximum of two kilometres inland

Together, the deposits are highly viable, says Mr Holmes They contain over 200 million tons of material grading 6 percent economic heavy minerals

The R60 million capex required in the next 18 months, and a further R10 million for working capital, will be financed by Rhombus Gearing finance has been arranged, some of it from overseas, and a partner is possible Capex will largely be for a dredger, concentrator and mineral separator plant

The capital will be virtually required up front, but profits will also begin almost immediately Sale of first product should take place less than 12 months after turning the first sod, expected late this year

Mr Holmes reckons on a payback period for capital and interest costs of three years or less At current prices, revenue per ton of sand mined would conservatively be R9 and total working costs R5

His plan is for sand throughput at a rate of 1 000 tons an hour, or seven million tons a year, making the project about a quarter of the size of the Richards Bay minerals project

On this, annual production would be 360 000 tons of ilmenite, 25 000 tons of rutile and 30 000 tons of zircon He says the demand for the three products is increasing steadily with industrialisation Prices are rising, particularly for zircon

Ilmenite and rutile are used primarily in the manufacture of titanium dioxide for the paint, plastics and paper industries A small quantity of titanium sponge is also produced for use in the aerospace, chemical, power generation and military industries

Rutile is used in producing titanium metal Zircon is used to produce zirconium and in the abrasives industry

A beach sands mining project on Australia's east coast The same method - floating dredgers followed by a gravity concentrator - will be used on the RhoSands project in Transkei

Mine life

He says indicated reserves of the RhoSand deposits are 250 million tons, which would give the mine a life of 28 years

Once the project is running smoothly, Mr Holmes hopes to double production When stock market conditions improve, a listing for the company, and for Rhombus Mining, is likely

The mining method will be to establish on a pond a floating dredge with a suction head, followed by a gravity concentrator The suction head will extract sand from the dunes, which will collapse

The gravity concentrator will extract the 6 percent heavy minerals fraction and the 94 percent tails will be used to rebuild the dunes

Of the 6 percent fraction, ilmenite comprises 5,2 percent, zircon 0,5 percent and rutile 0,3 percent

A mineral separator plant will separate out the minerals Mr Holmes said he has not decided whether the plant should be located at the mine or in East London

In any case, bulk material will have to be transported out to East London Lack of infrastructure is the project's main problem, and the reason why the deposits have not been mined in the past

Mr Holmes does not, for the present, plan to set up a smelter, but would export concentrate

On restoration of the environment after mining, Mr Holmes says his preference is "to protect as much of the environment as possible and to rehabilitate the redeposited dunes to their previous state"

Mr Holmes says the Transkei government's attitude to the development has been "very positive"

Fedmis turnaround strengthens Sentrachem

Star 26/5/88

(183)

By Teigue Payne

Sentrachem reports 37 percent higher earnings per share in the year ending March, with better results from all divisions except Agrihold, according to management

Based on a weighted average of shares in issue, earnings were 64,7c (47,1c last year) and a 15c final dividend has been declared, making a total of 20c (zero) Turnover was only 11,8 percent higher at R1,48 million (R1,32 million), but operating income more than doubled to R130,3 million (R63,6 million)

Financing costs were much lower and pre-tax income multiplied to R104,6 million (R18,9 million) Attributable income more than doubled at R60,4 million (R29,5 million)

The debt equity ratio was reduced further to 0,64 (0,82) New managing director Mr Johan van der Walt said yesterday the ratio will be brought down to the target of 0,6 this year despite capex scheduled at R200 million

Mr Van der Walt said the turnaround at Fedmis to a small profit from a large loss last year made the greatest contribution to Sentrachem's improvement

The fertiliser market declined slightly last year, but may increase slightly this year, although farmers are worried about commodity pricing Higher interest rates are also a problem - every one percent rise meant about R3,5 million to Fedmis

Although the rubber division improved, it still made a loss Management expects a gradual improvement, with the plant becoming profitable within two years The lower rand should result in Karbochem competing more effectively locally and on the export market

Export opportunities are also being taken in other divisions, especially industrial chemicals Most of Sentrachem's plants, with the notable exception of Fedmis, are running close to capacity, according to Mr Van der Walt

About R150 million of capex this year will be on the new chlorine and caustic soda plant The plant, based on new but proven technology according to management, should be operational by the end of 1988

Sentrachem to spend R200m

(183) B/Day 24/5/88

MICK COLLINS

INDUSTRIAL chemical giant Sentrachem announced yesterday a R200m capital expansion programme for this year

The capex plan is to include a R120m caustic soda/chlorine plant at Kloorkop, near Johannesburg, which is set to come on stream before the end of 1988.

Sentrachem MD Johan van der Walt said the Kloorkop plant would not be in breach of the company's agreement with AECI — struck when Sentrachem retired from the sector after selling its joint interest in Coalplex to AECI nearly five years ago.

Van der Walt said: "We have honoured the agreement, but now the five-year period is nearly up. During that time we continued to draw our supplies from Coalplex

"We will be using the latest technolgy in the plant — iron-exchange membrane technology.

"The industry has been experiencing supply problems in the past few weeks, resulting in considerable imports. We hope to rectify that with the new plant We also intend exporting any excess capacity."

He said other expenditure included R30m for the purchase of plastics converters Academy Plastics, a number of smaller investments and various upgrading of technology in existing plants

Reporting on Sentrachem's results for the year to March 31, Van der Walt said the company's debt to fixed-capital ratio

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Sentrachem's R200m expansion plan

(183) B/Day 24/5/88

From Page 1

had been reduced to a "more comfortable" 0,64 "It is intended to reduce this ratio still further so that in future it should not exceed 0,6 except for short periods after the commissioning of the major capital."

Earnings attributable to ordinary shareholders for the year were R69,1m, an increase of 63,7% on last year's R42,2m

Earnings a share rose from 47,1c to 59,9c (taking account of the August 1987 rights issue) while turnover increased to R1,48bn, an increase of 11,8% on 1987's R1,32bn

A final dividend of 15c a share has been declared bringing the total for the year to 20c

Revamped Fedvolk keeps pressing on

STAR 25/5/88 (183)

By Ann Crotty

Fedvolk continues to reap the benefits of its rationalisation programme, which has resulted in a much trimmer and more focused operation For the full year to March turnover rose 17 percent to R2,8 billion (R2,4 billion) and operating profit rose 32 percent to R237 million (R180 million)

MD Johan Moolman says that after taking into account companies sold and bought in financial 1987, the comparative increase in turnover is 24 percent

The 32 percent improvement in operating income is largely attributed to operating margins, which rose from 7,3 percent to 8,3 percent An increase in income from associated companies, up 37 percent to R17,5 million, and a sharp reduction in interest payments, down 28 percent to R45,7 million, helped boost attributable profit by 86 percent to R91,1 million (R49 million) This was equivalent to earnings per share of 70,4c (38,4c)

A final dividend of 11c a share has been declared, bringing the totalfor the year to 17,5c (8c) And is 4 times covered by earnings This level of cover is likely to be maintained in the current financial year in order to strengthen the group's balance sheet. But the following year should see a reduction to around 3 times

The balance sheet shows the benefits of more focused mangement. Shareholders' funds are up 18 percent and interest-bearing debt is down 27 percent to R278,4 million from R376,5 million Mr Moolman attributes the strengthening of the balance sheet to the high ploughback of profits, the rationalisation measures of the previous year and excellent asset management He says the ratio of interest-bearing debt to shareholders' funds (treating redeemable preference shares as loans) improved from 0,83 to 0,55 over the year

On the operating front, the business units which had not yet achieved profitability in financial 1987, made progress in financial 1988 "It is considered an achievement that all direct subsidiaries and associated companies in the Federale group have contributed to profit this year The profitability of the major operating companies also increased appreciably" The return on average capital employed was 24,7 percent Agricultural equipment remains a problem area, but is a situation shared by everyone in the market and reflects the weak condition of the sector

It seems the current financial year may see a continuation of the rationalisation process, although not at a major level Some small investments in the building sector, valued at about R15 million, may be sold off This would leave the group with five major areas of interest. services which accounted for 20 percent of attributable profit (19,6 percent), pharmaceuticals 22,9 percent (33,1 percent), domestic consumer goods 16,2 percent (9 percent), motor components and agricultural equipment 15,1 percent (6,8 percent) and food 23,5 percent (26,9 percent)

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Costs remain the major problem

THE high cost of drugs is becoming a major bone of contention between consumers, pharmacists and drug manufacturers

While the rationalisation of the industry brought about by total and partial disinvestment by international companies should reduce drug costs, there is no guarantee that actual prices paid by consumers will drop

And, amid claims that they charge excessively high prices for patented drugs, some multi-national manufacturers accuse the pharmacies of profiteering

"The pharmacies' mark-up is very high," says Roger Trythall, head of the pharmaceutical division at Sandoz Products SA.

"The developer's share of the cake covers the cost of research, back-up, extensive documentation, manufacture, quality control and marketing — as well as a reasonable profit

"In view of this, one must question what the pharmacist is giving the customer in return for his share"

However, some pharmacists maintain that their survival has come to depend on "fancy goods" and cosmetic lines, in which they have to compete against supermarkets

"We are undercut by dispensing doctors, who can guard against wastage simply by prescribing according to what they have in stock, which is not necessarily in the patient's best interests

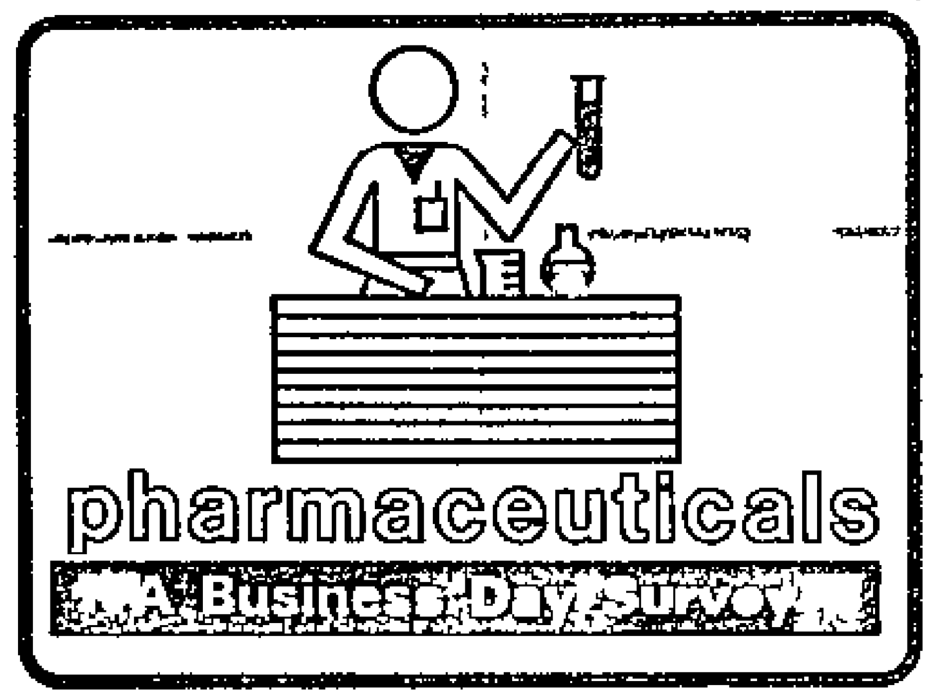
EFFECTIVE

"By contrast, we are obliged to buy a full range of products in bulk, yet can sell them only if the doctors prescribe them. Consequently, a significant proportion of our stock is lost due to expired shelf-life," comments a practising pharmacist

Trythall discounts this argument as "spurious", but points out that the mechanical alternatives to drug treatment are both more costly and less effective

(183) BDay 25/5/88

Disinvestment: Industry is optimistic



LARGE-SCALE disinvestment on the part of international pharmaceutical companies could cripple the local industry in the long-term, yet manufacturers operating in SA remain optimistic about their future.

Their positive outlook is largely based on a conviction that drugs essential to human life and health are unlikely to be affected by sanctions

And while a number of major US drug companies are disinvesting in the face of heavy pressure from American consumers, most of their European and British counterparts have confirmed their long-term commitment to SA

"We were among the first companies to come under fire when Denmark imposed sanctions on SA," comments Richard Butt, acting general manager of Novo Pharmaceuticals — the biggest local manufacturer of insulin and basic anti infectors.

"But we obtained a court ruling that confirmed that human lives must take priority over political philosophies

"As long as we have a market, Novo is in SA to stay — at least as far as life-preserving drugs are concerned"

"We are in the business of health care, not politics In any case, our parent company is based in Switzerland, which is politically neutral, I foresee no rea son for us to withdraw," adds Roger Trythall, head of the pharmaceutical division at Sandoz Products

And according to George Hall, MD of chemical trader EI Rogoff, the local pharmaceutical industry is strong enough to stand a far more severe battering than it is currently experiencing

"The industry wouldn't crumble even if every multi national drug company pulled out of SA" he declares

However, Roche general manager Jean Tanner is more cautious in his assessment of the situation

"In the short term, disinvestment will have no dramatic effect But SA lacks the resources to develop its own technology in this field, over a longer period the local industry would feel the effects of diminished transfer of technology

"In some cases, the marketing agreements between disinvesting US companies and the management teams which have bought control of their South African operations are limited to products already registered in SA under an exclusive brand name

"Theoretically this means that if a cure for Aids, or cancer, were discovered by the disinvesting company next year, it could be withheld from SA," says Tanner

However, Lovasz marketing man ager Wolly Wolozinsky contends that, while the withdrawal of US based drug companies could ultimately injure the industry, in many cases disinvestment has been more cosmetic than real

"In these cases local management has bought control of the company but continues to manufacture its international parent's drugs under licence," he comments

With over 200 companies in operation in SA — many of them small — locally owned businesses concentrating on the manufacture of generic drugs, the industry is both diversified and highly competitive

To an extent, say some industry representatives disinvestment has served to rationalise the industry Mergers and takeovers have become the order of the day, but the general view is that this will benefit the industry rather than forcing up prices

By eliminating excess competition, spokesmen say the remaining companies are improving their access to the available talent Pooled resources will lead to reduced costs overall — which, in turn, could result in a drop in drug prices

The opportunity to expand by taking over the SA based operations of international companies could provide a valuable short term boost to South African drug manufacturers, adds Roger Trythall, head of the pharmaceutical division at Sandoz Products SA

However he questions whether local companies have the necessary management and marketing skill to absorb these operations

"I believe that in a few years time we will see a major shake-out in the indus try" he predicts

By contrast, Tony Karis, MD at SA Druggists does not expect disinvestment as it is currently taking place to have any effect on the local pharma ceutical industry

Local companies have whatever ex pertise is needed, whether for the syn thesis of raw materials or the marketing of the finished product he says

"The total exclusion of SA from important new developments is morally unjustifiable, and would be rejected as such

"And, while disinvestment is regrettable, if it takes place it gives local companies an opportunity to grow either by acquisition or by introducing products equivalent to those that have been removed from the market"

According to Trythall, the greatest threat posed by disinvestment is the risk of losing medical and technical skills

The industry must make a concerted effort to use these available skills to the full, and to keep them in the country," he says

He points out that the local standard of technology and training for clinical research matches that of the international community

'The facilities are available, but they are threatened by political circumstances The only solution is to encourage projects through medical and research centres wherever possible

"For example, Sandoz' policy is carry out clinical research in its countries wherever possible We are expanding our activities in this area since both the skills and the ... are available — if the necessary ... can only be persuaded to stay here"

'PROTECT INDUSTRY'

ONE of the biggest manufacturers of insulin and basic penicillins in SA, Novo Pharmaceuticals, is a subsidiary of an international Danish company

Some 90% of its products marketed locally are manufactured in SA

However, acting general manager Richard Butt has called on Government to protect the local pharmaceutical industry

"With sanctions and disinvestment posing a serious threat, it is vital that SA maximises the development of its pharmaceutical industry," he says.

Providing a service

COMMUNITY service is an important aspect of the activities undertaken by both local and international pharmaceutical manufacturers operating in SA

A classic example is the Danish company Novo Pharmaceuticals, which contributes towards the fight against diabetes in rural areas

"We supply educational material published in three major Black languages, as well as donating educational equipment such as video systems, to the rural clinics," says acting general manager Richard Butt

The company also offers a free 24 hour diabetic advisory service operating from Johannesburg, Cape Town and Durban

A similar service for the supply of special drugs is offered by Roche to doctors

"A number of our emergency drugs need very special storage conditions Instead of marketing them in the usual way we store them ourselves" explains Jean Tanner general man ager of Roche SA

For example, should a patient develop a fungal infection after a severe operation, we rush the drug to the hospital anywhere in SA, completely free"

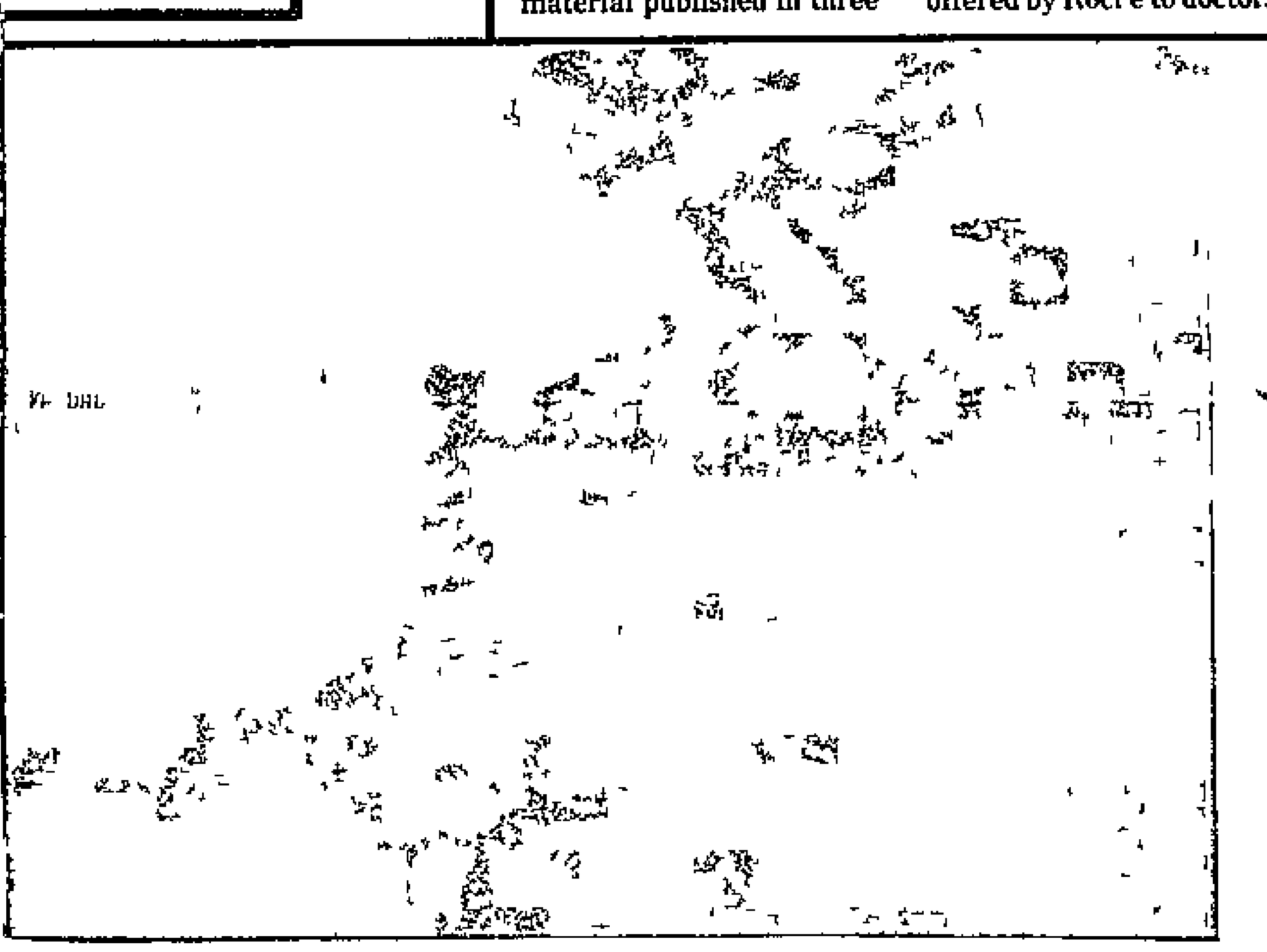
In addition companies such as Cliniserve market a service designed for smaller independent hospitals and clinics

UNIQUE

'One of the problems unique to these hospitals is the difficulty of purchasing pharmaceutical and surgical items at competitive prices due to a lack of buying power

"In addition, small hospitals and clinics battle to maintain an up-to-date retail price list, and they also often lack the skills and information to decide whether it would be feasible to have a dispensary charge on the services

'We provide a variety of services to independent hospitals and clinics including advice in regard to these issues" says Cliniserve's MD, Peter Charlewood



Chemical ban: delay possible

B/Day 27/5/88 (183)

HELENA PATTEN

NEGOTIATIONS currently in progress could result in the postponement of the banning of the use of hydroquinone in cosmetic products which include skin lightening products.

Following a year-long campaign to have the skin-lightening chemical banned because of its possibly harmful effects, government gazetted a ban on the use of hydroquinone in cosmetics from July 1.

It has been estimated that more than 30-million packs of skin lightening creams and lotions are sold in SA each year — a market worth some R60m.

However, lobbyists, notably Twins-Propan subsidiary Alex Lipworth, which effectively controls about half of SA's skin-lightening market, are believed to have put their case forcibly to government, and the whole issue is being reconsidered. A postponement period of three years is being talked about.

A Department of National Health spokesman confirmed that they were negotiating with concerned parties.

"Only after an agreement has been reached to satisfy all concerned will a change in the proposed time period be considered. A final regulation will be published to inform all concerned."

DIANNA GAMES reports that Eldridge Matebula of the Black Consumer Council said the council would use any power it had to ensure the ban was not postponed.

If it was, it would show government was not sincere in wanting to protect black consumers, he said.

A Twins-Propan spokesman could not be reached for comment yesterday.

Twins MD A B Krok has denied the products are harmful but said the main problem arose when they were mixed with other chemicals.

Krok said SA had followed US legislation which dictated the amount of hydroquinone in creams could not exceed 2%, and no other ingredient could be used.

Skin creams are fine - for three more years

By ADRIAN HADLAND

DERMATOLOGISTS have expressed "great distress and consternation" at the three-year postponement of a ban on skin-lightening creams announced yesterday by the Department of National Health and Population Development

The ban, gazetted in December last year and due to take effect from July 1, was postponed until July 1991 because of "a technicality"

The ban dealt only with skin-lightening cream containing an active agent called hydroquinone. The cream, which dermatologists claim has caused permanent damage to hundreds of thousands of South African women and represents a R40-million industry in this country, can now legally remain on the shelves for sale and consumption

It is estimated that over 30-million packs of the cream are sold in South Africa each year.

"We felt there was sufficient medical evidence to suggest that the creams cause damage," Checkers' Managing Director Clive Weil told the *Weekly Mail* "On the basis of that doubt the creams have been off our shelves for months "

Manufacturers of the cream insist their product is safe

A health department representative said in a statement yesterday that "negotiations between concerned parties and (the department) are currently taking place Only after an agreement has been reached to satisfy all concerned will a change in the proposed time period be considered

The representative said the ban had been withdrawn on a technicality, but "it's so technical, there's no point in explaining".

W/Mail 3-9/6/88 (183)

Sharespot

Star 4/6/88

Swimline making a profitable splash

183

LYNNE PEACH

Swimline only just made the boat, making its debut on the market on October 16 it was one of the last pre-crash listings At an issue price of 90c, the share was nearly 25 times oversubscribed, and came into the market at a price of 165c

The share then nose-dived to 100c before recovering to its current level of 140c Subscribers are sitting in the pound seats with a capital gain of 55 percent over only seven months — and the promise of more to come, especially in the longer term

Swimline is a marketing orientated group with five distinct areas of operation, primarily focused on the swimming pool industry These include the manufacture of filtration and ancillary equipment, the production and blending of chemicals, injection moulding of plastic products, and the franchising of specialised swimming pool retail outlets

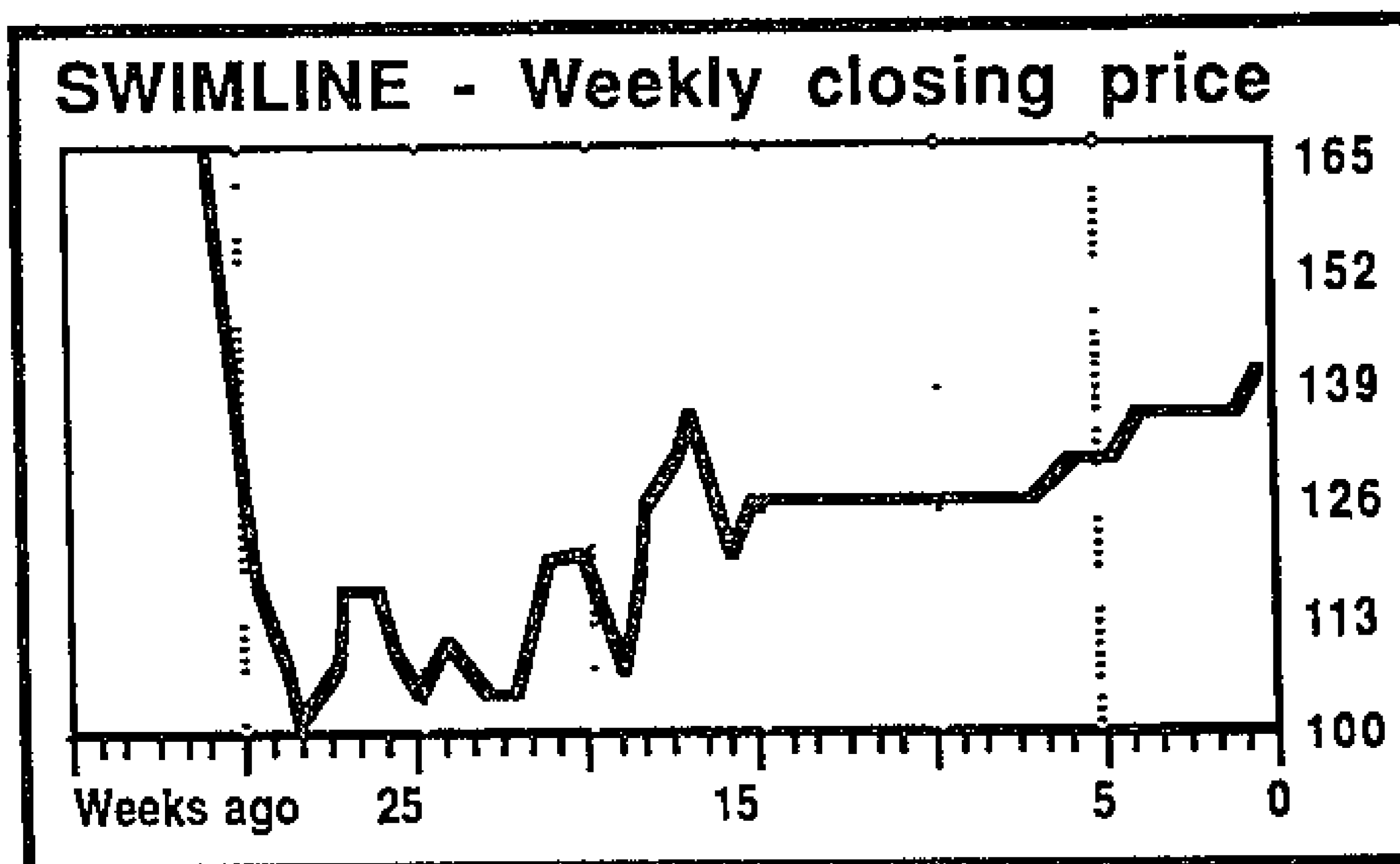
The fifth division embraces the new acquisition of Aqualine, which was effective from the end of April 1988 This company provides diversification with its manufacture of video cassettes, and of bathroom fittings and accessories

Group turnover is mostly derived from the pool equipment operation which accounts for a hefty 55 percent Chemicals contribute a lower 28 percent, Aqualine some 16 percent, and plastics approximately one percent The latter percentage contribution is deceiving because the division also makes a significant indirect contribution to turnover

Financial director Richard Rennison explains that it supplies a great deal to the Swimline equipment division and probably accounts for about half of the latter's turnover

Swimline has made its presence felt in the local market with a major 60 percent share of the pool equipment and accessory market Its stake in the chlorine market is 7 to8 percent, and in the extensive plastic market is less than 5 percent Mr Rennison comments that the latter two especially provide growth opportunity, especially plastics

Historically the group has done exceptionally well, especially since 1977 when it was purchased by a partnership which included the current chairman, John Puttergill The R1 million turnover at that time swelled to R5 million in 1980



The prospectus projects that turnover for 1988 will be R24 million Mr Rennison, however, warns that sales may not reach this target because of poor demand in Durban due to the floods Compound earnings growth, over a five-year period to June 1987, amounts to a notable 50 percent

Mr Puttergill has 36 percent of the equity Other directors, directly and indirectly, have a 22 percent interest On listing, AECI had a 17,5 percent stake which it upped to 26 percent at the beginning of the year The remaining 16 percent, of 3,2 million shares, is in the hands of insurance companies and members of the public

The relationship with AECI will provide increasing mutual benefit, according to Mr Rennison The group will market some of AECI's products and in turn will assist in the sourcing of Swimline's raw material requirements In addition, AECI will provide valuable expertise when necessary

Swimline's future prospects appear excellent The swimming pool industry is strengthening although Mr Rennison cautions that higher interest rates will have a dampening effect on demand for new swimming pools Nonetheless, business should continue to roll in from maintenance requirements and replacement demand

Mr Rennison also anticipates that the recent launch of a new filter will make a considerable impact on the local market

In addition, export business is expected to be enhanced by the recent acquisition of a foreign distributor of swimming pool equipment and chemicals (effective from February 1 1988) If this had been effective from July 1 1987, the earnings forecast of 11,4c would have been raised to 16,9c It will raise earnings in the current year by some 1,5c

Stockbrokers estimate that earnings for the current financial year, to June 1988, will exceed 13c This places the share on a forward price-earnings ratio of no more than 10,7 While at face value this does not appear particularly attractive, performance in the 1989 and 1990 financial years is likely warrant the seemingly high current price of 140c

Accumulation for the long term is argued by the expectation of further benefits from the recent acquisitions and from the group's diversification into plastic products for other sectors of the market

Another plus factor is that after Swimline has paid tax of R350 000 to the Ciskei authorities, it will assume enviable tax-free status This, according to Mr Rennison, is expected to occur in the 1990 financial year

Finally, the group has sufficient financial strength to pursue strong growth which is likely to involve more organic expansion than acquisitional growth

CHART This chart clearly shows the sheer drop in price that followed the listing of Swimline After reaching a low of 100c, the price turned bullish, steadily appreciating to 140c At the same time, it performed better than most industrial shares There is no evidence that a trend reversal is in the offing

SA's biggest defamation case draws to a close

Star 4/6/88 (183)

BRUCE ANDERSON

After five weeks in the Rand Supreme Court and hundreds of thousands of rands in legal costs, the Reeva Forman defamation case — the largest defamation damages claim in South African legal history — is drawing to a close

In the case before Mr Justice D J Curlewis, two Forman companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics, are claiming more than R3 million in damages for an allegedly defamatory article published in *Style* magazine in 1985

The defendants in the case include the editor, publishers, printers and distributors of *Style*

During his closing argument this week, Mr Michael Kuper SC, who appears for the two Forman companies, submitted that the Style article had three main themes

- That through trickery, the triad (of Miss Forman and her two companies) exploited needy people by parting them from their money
- That by brainwashing, modelled on the "appalling" practices of William Penn Patrick (an American man who Miss Forman is quoted as describing as her mentor in the article) people on courses were manipulated into the worship of Reeva Forman and the creation of a cult around her
- That at the heart of the Reeva organisation there was not a genuine training venture There was instead a massive confidence trick because the operation depended on a mathematical progression of recruiting which could not be sustained

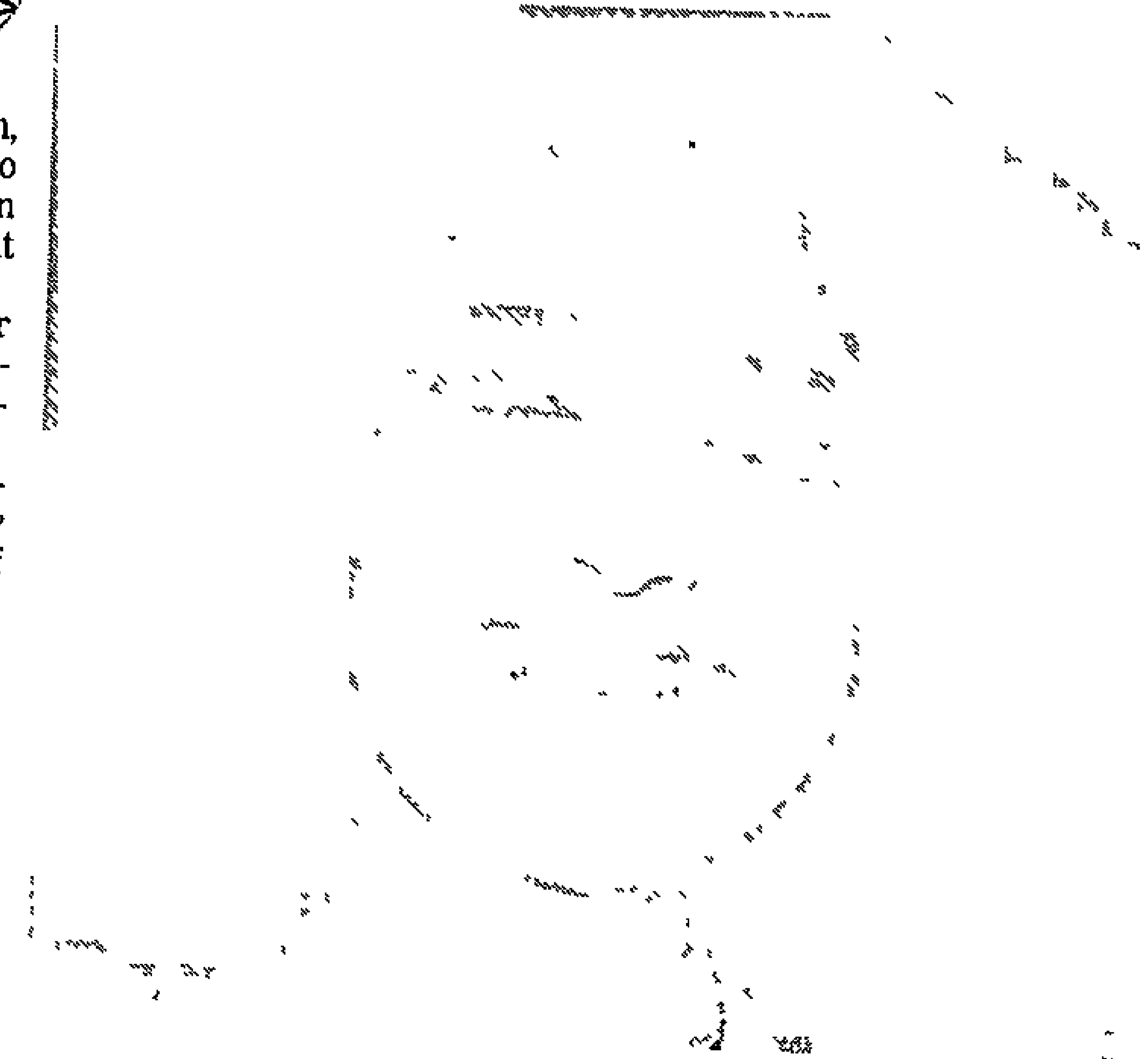
Mr Kuper submitted that Mrs Marilyn Hattingh, the editor of *Style* had been "reckless" in deciding to use the Reeva article Mrs Hattingh had said in an affidavit that she had proceeded on the basis that the factual allegations in the article were correct

During Mr Kuper's argument on this aspect, Mr Justice Curlewis said "But surely all she (Mrs Hattingh) did was get bad advice from her legal adviser"

Yesterday Mr Willie Oshry QC began his argument by saying that no lawyer acting for *Style* had asked The Sunday Star to re-publish aspects of the *Style* article at the time of the original interdict proceedings against *Style* in 1985

After a request from Mr Oshry, Mr Justice Curlewis also ordered newspapers to make it clear that the allegation of collusion (which has been made by the plaintiffs) was not aimed at any attorney or counsel presently appearing for *Style*, but was a submission concerning a different set of lawyers who appeard for *Style* during interdict proceedings three years ago

Mr Oshry was then granted an adjournment until Monday to consider calling further witnesses on the issue of alleged collusion between *Style* and The Sunday Star



REEVA FORMAN The businesswoman who is asking a court for R3 million defamation damages from a magazine

R80-m ethanol plant expected to get OK soon

Star 7/6/08

(163)

By David Canning

DURBAN — Cabinet approval is expected soon for an ambitious R80 million ethanol plant which will sustain 20 000 jobs and provide a major boost for sugar farmers and Natal business.

SA Sugar Association (SASA) chairman John Chance saidthe industry is expecting a "positive statement" shortly.

He was confident that the Cabinet, which had the final say, would give its go-ahead.

He told the annual conference of South African Sugar Technologists in Durban yesterday that the National Energy Council had asked SASA to reaffirm its interest in ethanol production under a set of parameters which the executives had supplied.

SASA had given its confirmation, with a few minor qualifications, "and we therefore expect that a positive official announcement on the future of the project will be made shortly."

Mr Chance said rapid progress had been made in bringing the association's ethanol fuel project — for which Richards Bay was considered the optimum area — to fruition.

Although extensive experience in a number of countries proved there were no technical problems with ethanol blends of 20 percent, SASA was considering the implementation of a 15 percent blend to be conservative.

A 150 million litre plant would provide for the present requirements in Natal "up to the Sasol interface". This would create a contiguous alcohol blend from the PWV through to the Natal coast.

A plant near Richards Bay would have access to an abundant supply of raw material and the effluent could be readily accommodated through the existing ocean outfall pipe. The effluent was non-toxic and would create no marine environmental problem.

"The plant will use upgraded molasses equivalent to 200 000 tons of sugar and 150 000 tons of final molasses.

"The production of ethanol will sustain 20 000 jobs supporting about 100 000 people in KwaZulu and it will make a significant contribution to the economy of Richards Bay and, in fact, the whole of Natal.

Most of the equipment for the plant would be manufactured in South Africa — saving many millions of rands in foreign exchange.

Explaining the motivation for the plant, he said sugar export prices would remain below the cost of production for even efficient producers "for the foreseeable future."

GET ORGA...

Plate Glass boosts earnings by 31%

(183) BDay 9/6/88

HELENA PATTEN

PLATE Glass & Shatterprufe Industries (PGSI) has again posted strong results — earnings are up 31% — after solid growth in domestic and international operations

Attributable earnings are up to R66m (400,6c a share) from R50,2m (305c) in the year ended March 31 and the directors have declared a final dividend of 130c a share (103c) taking the total payout to 185c a share — up 27% from last year's 145c.

At PGSI's current share price of R42,50, the dividend yield is 4,4% — just under the sector average of 4,5%.

Holding company Placor has increased its final dividend to 47,8c bringing the total to 68,1c (53,3c)

Joint executive chairmen Ronnie and Bertie Lubner were reluctant to discuss details of the group's substantial overseas involvement because of the threat of sanctions. But they said in a statement that, domestically, of particular significance were the synergistic benefits arising from the PG Bison merger and increased efficiencies at Glass SA.

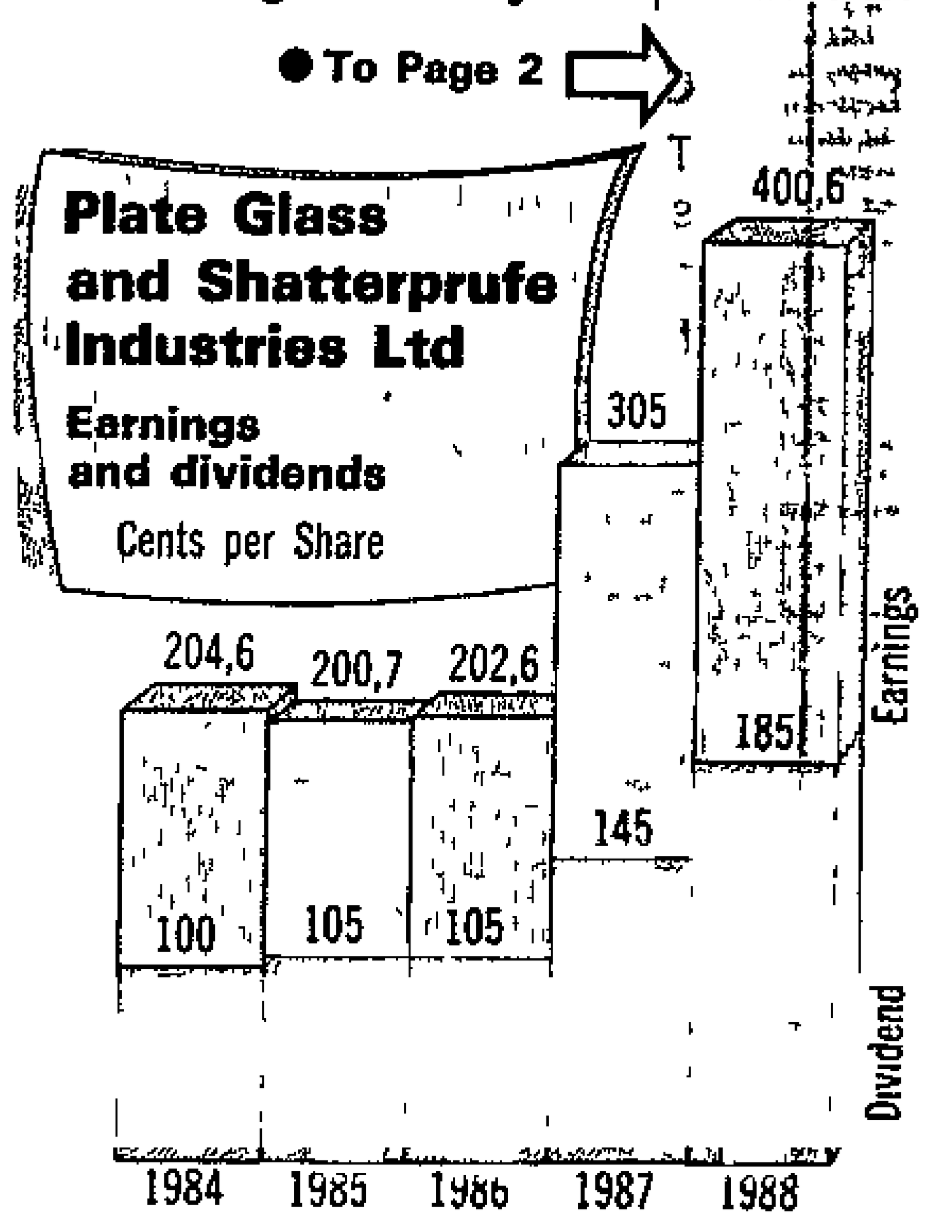
"Both these divisions benefited from increased domestic demand for products and more buoyant export markets

"On the international front, the wood trading division again exceeded expectations, while an emphasis on getting closer to customers resulted in substantial benefits for the glass trading operations"

The Lubners said yesterday about 64% of the group's turnover and 50% of the profits came from its operations in 20 countries abroad

Turnover rose 38% to R2,3bn, with the largest growth in low-margin, high-volume trading — mainly timber Income

● To Page 2



Source JSE & PG GLASS Graphic JOHN McCANN

Plate Glass again posts strong results

● From Page 1

(183) BDay 9/6/88

before interest and tax rose 49% to R204,2bn pointing to higher margins

The exhaustion of past tax losses meant the effective tax rate rose to 44% from 38%, eroding bottom-line growth

On sanctions, the Lubners said growth in exports had been affected The group's exports in the 1987/88 year amounted to more than R120m

Although sanctions were a real threat, the greater growth opportunities were overseas, unless the group diversified locally, which it had no intention of doing

"The development of the business will continue to concentrate solely on glass- and wood-related products, where management has proven expertise"

The group's gearing — borrowings to total shareholders' funds and deferred tax — remained unchanged at 52%

The Lubners expect another period of real growth from the group in the current year but not necessarily on the same scale as in the past two years

The group's share price, which closed 50c down yesterday at R42,50, has recovered well from the share crash last year and is near its all-time peak of R44,50 last year The current price puts the share on an historic PE multiple of 10,6 compared with a sector average of 8,4

Miss Reeva Forman and her co-director, Mr Chris Vassiliades (left), surrounded by happy staff after the judgment yesterday. ● Picture by Ken Oosterbroek

Reeva companies get damages of R2,1-m

183

Str 14/6/88

By Bruce Anderson

A Rand Supreme Court judge yesterday awarded damages of R2,125,000 to two of Reeva Forman's companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics

This award is understood to be the largest in South African legal history

Mr Justice Curlewis made the order in a case in which the two companies had sought over R3 million damages arising out of an article in the June 1985 edition of *Style* magazine

RECORD COSTS

The judge awarded R2 050 000 to Reeva Forman (Pty) Ltd and R75 000 to Reeva Success Dynamics

The judge also awarded costs to the two companies. He ruled the costs should include the costs of three counsel and the fees of two auditors who gave expert evidence for Miss Forman

Conservative estimates of costs were that they could exceed R1 million

The article on Miss Forman and her organisation was described by Mr Justice Curlewis on Friday as "the nastiest article I have seen".

Yesterday a notice of application for leave to appeal was filed with the registrar of the Rand Supreme Court by the defendants in the case

Continuing his judgment yesterday, the judge dealt with the evidence given by six women sales distributors who worked for the Reeva companies

The women had told the court of a "disastrous" drop in sales, recruitment and sales-staff morale after publication of the defamatory article

"HONEST"

"All the ladies who gave evidence were honest and good witnesses," the judge said, adding he was aware that all the women would be partial to the organisation and that only six distributors had given evidence

Their evidence had to be weighed against the various theories put before the court by expert witnesses

Mr Justice Curlewis said that prior to publication of the article the Reeva companies had enjoyed a good business and reputation Figures compiled after publication of the article showed there had been a loss of "custom".

Three miners injured in shaft blast

Str 14/6/88

Three miners were injured, one of them seriously, when an explosion occurred in Shaft No 4 at Grootvlei Mine near Springs early today

One of the miners sustained third degree burns to his face, arms and hands He was taken to the Far East Rand Hospital, where his condition was stabilised before he was transferred to Johannesburg's Cottesloe Hospital

A second miner sustained third degree burns to his left arm and a third had severe fractures to his right hand Both are at Cottesloe. — East Rand Bureau

the 'Army'

...me to this park. Sometimes handing out the food a truck up and these men won't even run hoping to get some said

the Salvation Army donates

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BUSINESS

INDUSTRY

MC663 16/6/88 (183)

Oil's well as Shell SA hits a R3-billion gusher

By TOM HOOD
Business Editor

SHELL South Africa has lifted the lid off a secrecy-ridden industry and disclosed record turnover for last year, rising about R200-million to exceed R3 200-million

This puts Shell among the largest companies in South Africa — on a par with Sasol and Anglo American Industrial Corporation and bigger than giants such as Premier Group, Sappi, AECI and Tongaat

Turnover has soared from about R1 800-million in 1983, according to the company's report for 1987 which, however, conceals what the company paid for materials such as oil

Turnover hit R3 000-million in 1985, then dipped about R200-million in 1986, mainly through a fall in oil division sales

Biggest business last year was oil, with sales of about R2 300-million, followed by coal, chemicals, business ventures and metals

Mr John Wilson says in his chairman's review that Shell's growth in petrol sales at 14,6 pecent was significantly above the industry average

The oil division registered a 5,3 percent growth for the year compared with an industry average of 5,7 percent and maintained its position as market leader Major product contributors to industry growth were paraffin (12,7 pecent), liquid petroleum gas (10) and petrol (9)

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"The relative stabilisation of oil prices ensured that the 1986 stock losses were not repeated," says Mr Lenders

Coal and metals divisions' performances were ahead of target as a result of tighter control over costs and volume-margin movements

The chemicals division also performed well against target Business ventures performed better than in 1986 but profits were down for a number of companies in the portfolio

Star 17/6/88

Oil's well as Shell SA hits a R3-bn gusher

183

By Tom Hood

Shell (SA) has lifted the lid off a secrecy-ridden industry and disclosed record turnover for last year, rising about R200 million to exceed R3,2 billion

This puts Shell among the largest companies in South Africa — on a par with Sasol, Premier and Anglo American Industrial Corporation and bigger than giants such as, Sappi, AECI and Tongaat

Turnover has soared from about R1,8 billion in 1983, according to the company's report for 1987, which, however, conceals what the company paid for materials such as oil

Turnover hit R3,2 billion in 1985, then dipped about R200 million in 1986, mainly through a fall in oil division sales

Biggest business last year was oil, with sales of about R2,3 billion, followed by coal, chemicals, business ventures and metals

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Operating costs rose by 14,34 percent — well within the inflation rate of 16,1 percent Manufacturing costs were held to 1986 levels but marketing costs increased by 15,5 percent

Overall capital employed at just over R1 billion rose by only 4,1 percent from 1986 levels but was below the 1985's R1,1 billion because of the continuing lower level of working capital in the oil division

Average working capital dropped by 14 percent to R650 million in line with the group's strategy of keeping working capital levels to a minimum, reported Mr Lenders

Because of the stabilisation of the dollar price of crude oil and the relatively constant rand rate against the dollar, 1987 stock levels were held close to 1986 average value

Capital expenditure of about R110 million was slightly down, although the R30 million spent on forestry reflected the acquisition of more land

Boumat forecasts EPS of 95c

By Sven Forssman STAR 21/6/88 (188)

Plumbing materials and sanitaryware group Boumat has forecast that its earnings will increase 39 percent in the year ahead

Executive chairman Mr Irvine Brittan says in the annual report he expects equity earnings for the 12 months to March 31, 1989, to be R19,7 million

This forecast translates into earnings of 95 cents a share, compared with the 75 cents for fiscal 1988

Based on Boumat's bonus share offer in which shareholders are offered annually one bonus share for every 20 held, Mr Brittan comments that the quantum of dividends paid and provided at R961 000 out of equity earnings of R14,2 million means that the group's effective dividend cover on the 29 cents dividend is 14,8

Looking to the year ahead, Mr Brittan says a number of economic factors — the pressure on the current account, a decline in the rand, higher interest and mortgage rates — would lead to lower growth in disposable incomes

He says "Despite these likely constraints, consumer confidence still appears to be high and this is to some extent reflected in the present excess in the value of building plans passed over the value of buildings completed

"The inference is that there is potentially a large volume of work in the pipeline, but this conclusion must be viewed with a modicum of caution as plans can be shelved or cancelled"

Despite this Mr Brittan is confident there is sufficient momentum in the market to ensure continued growth in the current year He says much of this activity would take place in the none-white housing market.

"Owning one's own home in an urban area is a new experience for most of the black community there is now an incentive, previously absent, to renovate, alter and add"

Cape Times 21/6/88

Union appeals to court against minister's ruling

Supreme Court Reporter 183

THE South African Chemical Workers' Union lodged papers in the Supreme Court yesterday in anticipation tomorrow of an urgent application asking that the Minister of Manpower exercise his discretion to appoint a Conciliation Board to mediate in a dispute.

In April this year the Industrial Court reinstated 80 illegally striking Sacwu members — all employed at Cape Lime They were dismissed following a sympathy strike in November after fellow union members at Sasol had allegedly been assaulted by police during a strike.

The union would ask that the minister show cause why a decision made by him on June 9, not to approve the establishment of a Conciliation Board to mediate in the dispute, should not be reviewed or set aside.

Toothpaste firms in brush over tartar

Star 23/6/88

183

Colgate and Mentadent P are locked in battle in the Rand Supreme Court in an action which could cost anything up to R5 million in legal fees

But the matter need not have gone to court at all, says Mr Russell Pollard, the legal director of Colgate

He was giving testimony in the Colgate vs Mentadent P case revolving around Colgate's assertion that Elide-Gibbs, the maker of Mentadent P, makes false claims about the toothpaste's ability to fight tartar

In July 1986, Mentadent P launched an advertising campaign claiming that the toothpaste inhibited the growth of tartar

Mr Pollard told the court that Colgate had asked Mentadent P to provide independent clinical trials proving the claim

Mentadent P did not respond to the request

Colgate also laid a complaint with the Advertising Standards Authority (ASA)

Mr Pollard said that what they wanted at that stage was the data which formed the basis of the substantiation and which in terms of the Advertising Code should have been made available prior to the flighting of the advertisement

"Had that been produced, we could have had it evaluated by our people or by experts If we had been satisfied with that evaluation, the matter would have stopped right there

"Later, they provided what they described as a detailed substantiation to the copy committee of the ASA, subject to confidentiality Colgate was precluded from seeing the evidence, which made Colgate's position impossible," said Mr Pollard

Colgate felt the ASA was not equipped to deal with an essentially scientific issue

The ASA said it would refer the matter to an independent expert for evaluation

However, said Mr Pollard, Colgate was concerned about an expert in South Africa being able to determine the very complex scientific issues involved

At this point Colgate decided that the issue could only be resolved in court

Lovasz well placed for growth

Star 24/6/88 (183)

By Sven Forssman

Lovasz Chemicals, which was listed on the JSE last year, is well placed for growth, both organically and through acquisitions, chairman Vivian Imerman says in the annual report

"The group's management has been further strengthened through the acquisition in March of a speciality chemicals operation, Acetico Biochemicals, and the establishment of a new chemical and commodity division," Mr Imerman said

"Acetico Biochemicals manufactures and distributes high technology speciality food additives and enzymes to the food, bakery, confectionery, brewing and beverage industries, and these activities open up new markets for the group

"In addition, the establish of business ties with Biocon provides for the transfer of technology in product development, manufacturing expertise, marketing support and representation of a diversified high-tech product range

Mr Imerman said Lovasz embarked on a project of establishing offshore operations some years ago, and the benefits of this decision were clearly felt during the year under review

Among the benefits of these operations are the streamlined flow of imported materials, and the assurance of continuity of supply of vital products

On future prospects, Mr Imerman said the group would be able to maintain growth profit objectives because its offshore operations provided a big hedge against the rand

He revealed that another plant was on the drawing board, which would enable the group to go into another five or six different chemicals

"Unlike most locally manufactured products in the industry, our raw materials are sourced entirely from prime local manufacturers," he added

PHARMACEUTICALS (185) FM

Healthy investment

11/7/88

Surprised comments flew thick and fast last month when Tiger Oats subsidiary Adcock-Ingram (AI) bought Sterling Drug for more than three times the net asset value The acquisition was brought even more sharply into question when the announcement was followed immediately by industrial action by the Chemical Workers' Industrial Union (CWIU) at Sterling's Mobeni plant near Durban

But AI CE Don Bodley, speaking on the investment publicly for the first time, says the long-term potential of "evergreen" brands like Panado and Compral more than justifies the R52,5m price tag Solly Krok, chairman of Twins Pharmaceuticals, which nearly bought Sterling, agrees the brand-names are valuable and says "The Panado brand alone is worth R30m "

Although Sterling will remain a stand-alone subsidiary, Bodley expects economies of scale in research and development and in production and distribution within AI He says no jobs will be lost at Mobeni or any of

Outrage over delay on skin cream ban

Star 1/7/88

183

The skin lightening industry controversy stretches back to when women's organisations and medical experts first called for these products to be banned more than a decade ago

South Africa's multimillion-rand skin lightening industry has been granted a three-year reprieve. A Government ban on skin lightening products, which was to have come into effect today has been postponed to 1991, despite strong opposition from consumer organisations and the medical profession. *Toni Younghusband, The Star's Medical Reporter*, looks at the issue.

Reports in medical journals warned that extended use of the preparations could cause severe and irreversible damage to the skin

After an initial bleaching effect, lasting two to three months, the skin darkens It becomes coarse, with small raised bumps which eventually join together to form larger raised areas

These changes are permanent and irreversible, says a report by leading University of the Witwatersrand dermatologist Dr Hilary Carman

An ingredient called hydroquinone is the culprit agent in the creams

In 1982, South Africa limited the concentration of hydroquinone in cosmetics to two percent But, says Dr Carman, there is strong evidence that, even at a concentration of two percent, hydroquinone continues to cause damage

After relentless pressure by consumer groups and medical researchers, the Department of National Health and Population Development announced that, on July 1, all products containing hydroquinone would be banned

But, only months later, this decision was reversed and the ban postponed to 1991.

Campaign

The Minister of Health, Dr Willie van Niekerk, said there were legal, financial and health considerations to take into account He said the postponement would allow manufacturers a "phasing-out" period

The Black Consumers' Union (BCU) has accused the Government of insensitivity and said that, if the product had been for white consumers, the issue would not have been allowed to go so far

The BCU is to launch a campaign against skin lighteners later this month

Medical experts have also expressed their disgust at the Government's turn-about

Dr James Phillips, of the South African Institute for Medical Research, said there was not a "shred of medical evidence" to show that skin lighteners were not harmful

"These lotions should be banned now But they are not and the onus lies with the manufacturer to prove these products are safe," Dr Phillips said

He said he believed it was not loss of production which the manufacturers feared most but rather a risk of litigation

"If these products are banned it would be easy for someone to take a test case to court and win Then you'd have thousands of people who had suffered with these creams doing the same and this would put the manufacturers out of business," he said

A memorandum submitted to staff at one manufacturing plant said that after representations had been made to the Minister of Health it had been decided that skin lightening creams would be re-classified to fall under the Medicines Act They are now registered as cosmetics

Millions

Pharmacists have protested angrily The Natal Wholesale Chemists Group has refused to stock the products and two major supermarket chains will not sell them

The skin-lightening industry is believed to be worth about R80 million a year and employs thousands of people Leading South African corporations have shares in the companies which manufacture the lotions

The financial implications of a ban and the loss of employment are obvious So, says the medical profession, is the evidence of irreversible disfigurement these creams cause

'Generic medicines save'

Star 5/7/88 Medical Reporter (183)

Doctors should be aware of the price of medicine and prescribe economical generic medicines if safe and effective, the director-general of the Department of National Health and Population Development, Dr Coen Slabber, told the National Association of Pharmaceutical Manufacturers in Johannesburg

Competition hotting up in the pharmaceutical arena

Star 4/7/85

183

By Sven Forssman

SA Druggists enters the new financial year on a firm, successful base, managing director Tony Karis says in the annual report.

"The group is well placed to weather the environmental changes that are taking place and to take advantage of opportunities in different arenas, and as such can look forward to a further sound increase in earnings

"But," warned Mr Karis, "individuals and companies operating in the new environment, which is fast changing to one of greater competition and lower margins, who ignore the need to reassess their position and probably change their methods of operation, do so at their own peril"

Chairman Peet van der Walt says South Africa, as with every country in the Western world, is faced with ever increasing health care costs

Because of this "the government has shifted the servicing of some of the prescriptions written by district surgeons from private sector pharmacies to state-controlled outlets

"Clearly, the time has come for a reappraisal and adaptation of the private sector's structure as in some of the Browne Commission Report's recommendations

"One of those is to produce a more cost-effective delivery system for the supply of medicine which, through lower prices and greater competition, can retain the traditional private sector patient and also gain an increased share of the business currently handled by the state"

New policy pays off at Plate Glass

(1837) Star 13/7/88

By Sven Forssman

Profits in the Plate Glass glass division were up a healthy 25 percent the past year, but they were depressed to a degree by a policy decision to withraw from major contracting activities both in and outside South African, joint executive chairmen Bertie and Ronnie Lubner say in the annual report.

They say the costs of this decision, which will continue to be incurred during the 1988/89 financial year, have already been fully provided for.

"The year under review saw further emphasis placed on getting close to the end market and most of the developments which took place centre around this strategy.

"In particular, both in Europe and North America, moves have been, and are being made, which will reinforce our position in consumer markets.

"The export of manufactured and processed products from South Africa is a most important component of our profitability and we must accept that this portion of turnover is sensitive to currency fluctuations and to the threat of sanctions."

Turning to the wood division, the Lubners say the synergistic benefits arising from the PG-Bison merger and the emphasis on effective utilisation of resources allowed this operation to take full advantage of the strong demand in both the domestic and export market which it serves.

"The expected economic downturn in international markets has not yet proved as severe as originally anticipated and results should therefore show satisfactory growth in the coming year."

The Lubners says geographic diversification is a means of spreading risk, but its success depends on the ability to manage the process effectively.

"It is our philosophy to concentrate exclusively on glass and wood-related products where the group has proven skills, and to transfer these skills to the different areas and markets where we believe they can be advantageously applied.

"The successes we have enjoyed so far are reassuring, but sight must not be lost of the potential damage which could be inflicted on the group by politically motivated action."

SA 'imported mercury waste from US firm'

STAR 13/7/88

(183)

The Star's Foreign News Service

UTRECHT — South Africa has imported mercury wastes from American Cyanamid of the United States, according to the latest Greenpeace report

The report minutely detailed the secretive, worldwide and very lucrative trade in toxic waste, often from Western industrialised countries to underdeveloped countries

Greenpeace warned that its studies had shown that all the most common waste disposal options released contaminants into the environment

"Each shipment of waste from one country to another is a threat to the public health and environmental integrity of the transited and receiving countries," the report said

Greenpeace said the United Nations Environment Programme working group, modelled after the regulatory systems of North America and Europe, had done nothing to stem the flow of waste

"Further, bureaucratic systems designed to monitor the flow of wastes from industrialised nations appear to be incapable of stopping the proliferation of 'sham recycling'"

Greenpeace said it would co-operate with the United Nations, interested governments and organisations to adopt a convention which would prevent the international trade in wastes

The Greenpeace report said that in 1986 the Natal trading firm, Thor Chemicals of Cato Ridge, contracted to receive two annual 60-drum shipments of mercury-laced sludge wastes from American Cyanamid of Bound Brook, New Jersey The shipments were to continue after 1988

According to the Greenpeace report, Thor Chemical would undertake to reclaim and recycle the mercury wastes in South Africa

The report noted that two shipments were made in 1986, but that it was unclear whether South Africa had since then agreed to take more shipments

South Africa had also received wastes generated by the American exporters Diamond Shamrock, Quanex and Arbuckle Machinery Company

Fed Volk to raise R100-m

Star 13/7/88

183

By Sven Forssman

Federale Volksbeleggings is to proceed with a R100 million rights issue of ordinary shares, managing director Johan Moolman said yesterday

He said the group could still get real growth in EPS and dividends irrespective of the extra shares

"There is a necessity to finance the companies growth in a planned manner The rights issue will catapult us into the early 1990s," Mr Moolman said

"The capital will be used to finance a multitude of projects We decided on a rights issue because we needed long term equity — risk capital "

Mr Moolman said the rights issue coincided with the second development phase — one of selective growth — at Federale

"The first phase of the programme for the recovery of the group which began in 1985, namely reconstruction, consolidation and the achievement of acceptable profit levels and returns, has been successfully completed

"In the current business climate it is desirable for the group to add long-term growth assets to the existing portfolio

"There are opportunities for expansion in each of the operating sectors which have to be utilised on a planned basis, whether increasing capacity or new product lines.

"The additional need to increase local content in durable consumer goods is an established strategy of the group For example, Tek Corporation is engaged in a microwave oven project as well as studies for the manufacture of audio equipment

"In the pharmaceutical division new capacities are being created in order to broaden product ranges The motor component division is constantly required to broaden product ranges to assist in increasing the local content of motor vehicles "

Turning to the debt-equity ratio of 0,57, Mr Moolman said he would be happy if the group moved between 0,4 and 0,7

"We can handle our debt within those parametres, depending, of course, on the interest rates "

Bleaching agent draws fire

(983) B/day 14/7/88

Opposition to skin-cream move

DIANNA GAMES

THE Pharmaceutical Society of SA (PSSA) and the SA Society of Retail Pharmacists, which have condemned the substance hydroquinone used as a bleaching agent in skin-lightening creams, yesterday opposed any plans to register the substance as a medicine.

The PSSA, in a circular to its retail pharmacist members, said each pharmacist should, in the light of information about the substance and its "adverse effects", consider whether it was in the public's interests to sell skin-lightening creams

It said "Numerous reports by dermatologists on its (hydroquinone) severe and irreversible damage to skin is well documented in medical journals"

Journals had reported that hydroquinone, even in a 2% concentration, induced ochronosis — a marked darkening of the skin in patches.

It said strong concern was expressed at the PSSA's last GM that companies were applying for registration as medicines of certain products containing hydroquinone to circumvent government's prohibition

Twins Propan, which holds about 70% of the R70m skin-lightening cream market, is to apply to the Medicines Control Council to have the cream registered as a medicine

Government recently gazetted a ban on the use of hydroquinone in cosmetics from July 1 After representations from manufacturers, the ban was postponed until January 1991. Health Minister Willie van Niekerk said he had decided to grant a phasing-out because of legal, economic and health implications.

Ian Ellis, Twins GM, said all evidence of the damaging effects of skin lighteners was from cases prior to 1983 when the content of the cream was changed in line with US regulations

Phenolic ingredients, also used in acne creams, had been taken out of the creams and the level of hydroquinone cut from around 5% to 2%

Deferred ban riles pharmacy bodies

Star 14/7/88

183

By Lloyd Coutts

Pharmacists have reacted strongly to the postponement until 1991 of the ban on skin lighteners, originally scheduled for July 1

A joint circular to all pharmacists was distributed yesterday by the Pharmaceutical Society of South Africa and the South African Association of Retail Pharmacists

The action followed a Government notice allowing the industry a "phasing out" period of two years

The circular said there was substantive proof that hydroquinone in skin-lighteners was harmful

Both organisations suggested that a pharmacist should consider whether it was in the public interest that his pharmacy should continue to have these products on sale

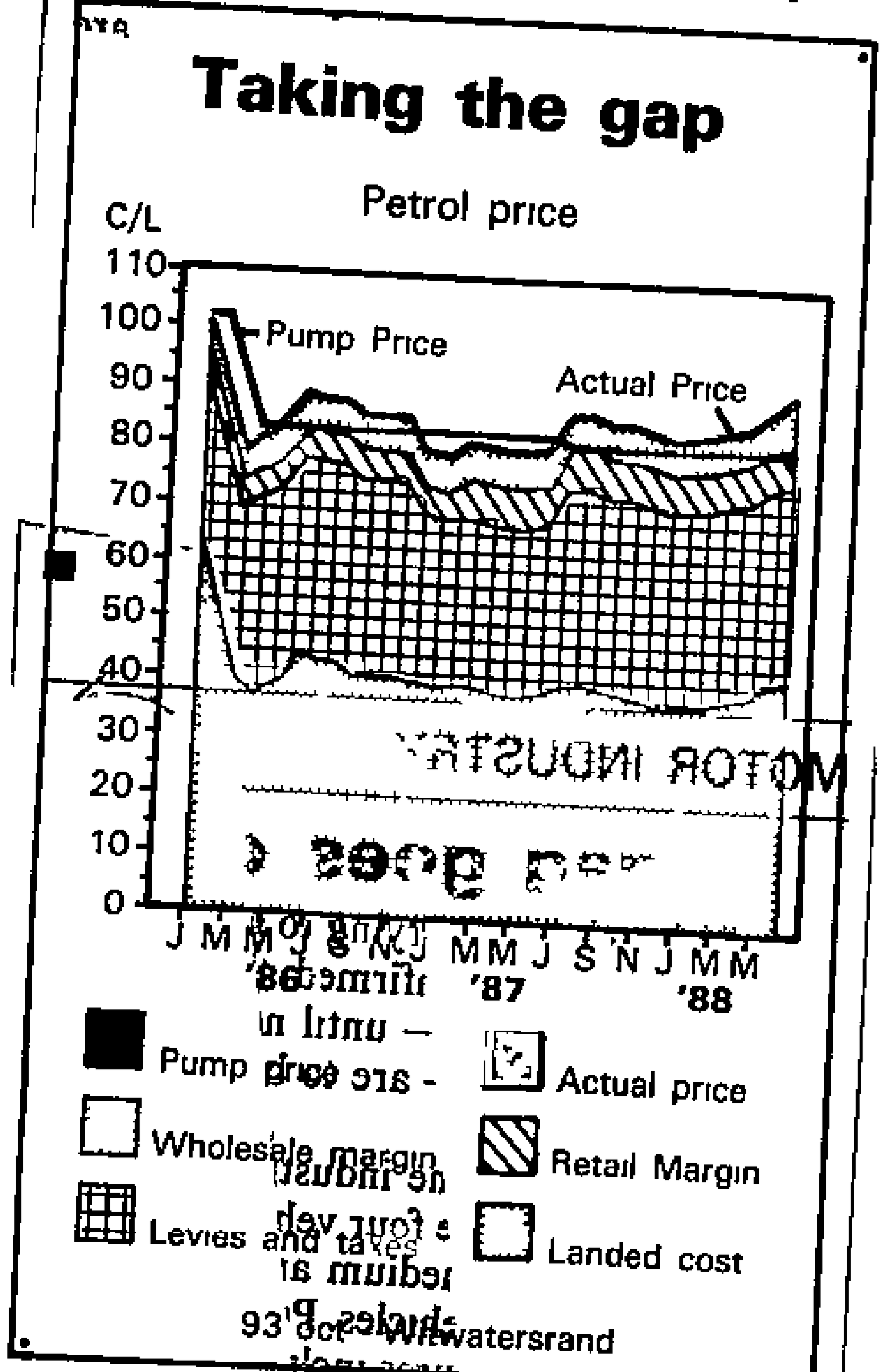
FM 15/7/88

PETROL PRICE

All pumped up

The writing is on the wall as far as the pump price of petrol is concerned An intolerable gap has opened up between the actual petrol price (calculated according to a formula) and the pump price (see chart).

Government has hinted that an increase in the pump price is imminent Deputy Minister of Economic Affairs and Technology George Bartlett recently outlined the problem



Bartlett maintained the retail price of 93 octane petrol in the PWV area is 82c/*l* "which is lower than the price had been during 1985 and 1986 And current prices, *in constant terms*, are lower than 1978 fuel prices "

The basic price of fuel in SA (that is, the price excluding taxes, duties, and levies) amounts to more than 58% of the total price, compared to 33% in the UK and 36% in West Germany Finally, the Equalisation Fund is now largely being used to "prevent a general price increase " According to the Department of Mineral and Energy Affairs, in April this year motorists in the PWV area (zone 13A) underpaid 3,684c/*l* for 93 octane petrol

The latest preliminary estimates of the position on the "slate" (the ledger account for over- and under-recovery against the pump price) indicated a deficit of around R98m as of the end of April The international list price for April was, in rand terms, 32,126c/*l* (0,602c/*l* higher than in March) It was the fourth successive month that the international price had shown an increase against the previous month

Although the oil price is now at US-$14 a barrel (Brent crude futures for August), the decline in the rand has far outweighed any favourable trend in oil It fell nearly 6% from 2,2455 to the dollar on June 1 to 2,3775 now Furthermore, the outlook for the currency remains poor

But balancing the books is not the only problem Petrol sales have surged because of declining prices, the revival in the economy and higher personal incomes Government now has reason to be concerned about the effects on the balance of payments — with Sasol producing at full capacity, all additional demand translates into added crude oil imports

Conclusion an increase in the pump price seems inescapable ■

MEDICINE COSTS

183

Registering protests

Just when government has made cost containment in medicine a prime goal of its health care policy, the Medicine Control Council (MCC) is threatening to spike it

The cost of registering a medicine is to increase by 500% on January 1 from R1 000 to R6 000 An extra R450 — nearly three times the previous R120 — will be payable each year to keep a medicine registered

The cost is for each application, so if a medicine is taken, say, in syrup and tablet form, registration costs R12 000 The industry has until September 10 to submit its comments

An MCC spokesman says "Our costs, in terms of staff, materials and computerisation, have sky-rocketed, but we delayed an increase for several years as a contribution to cost containment"

Drug companies have griped before about the system of testing in SA Even medicines which have passed the most stringent tests overseas must have the tests repeated in SA. Somewhat disingenuously, the MCC argues side-effects can vary from country to country

FINANCIAL MAIL JULY 15 1988

183

Opinions are divided as to the impact of the increases on medicine costs Tony Lennard, local MD of Danish multinational Leo Laboratories, says "If we registered four new medicines, often with very limited runs, it would mean R24 000 off our bottom line As a small company, we can't absorb this kind of increase easily and we'd have to pass it on to the consumer

"The increase is very sudden and shows government's commitment to reducing medicine costs is only skin deep"

But SA Druggists MD Tony Karis says R6 000 is a tiny proportion of drug development costs "It would cost at least R100 000 to formulate a medicine, assuming the primary research has already been done, and that excludes the marketing costs

"If a multinational wants to bring in a medicine with limited demand, it is probably making a loss on it anyway"

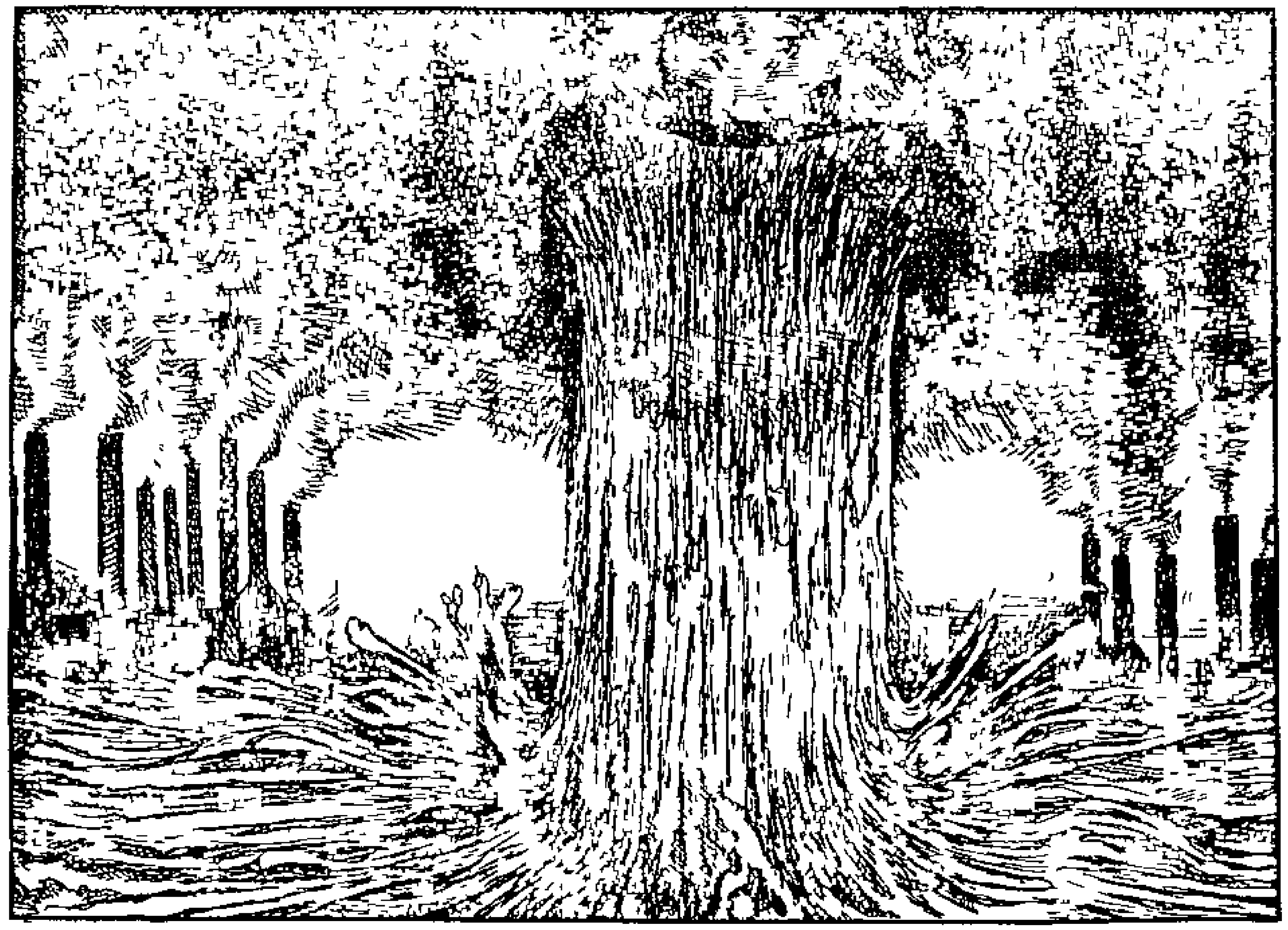
But Karis concedes he is in the minority He says most pharmaceutical companies consider the increases unjustified The Pharmaceutical Manufacturers' Association is meeting next week to decide its reaction Its views are expected to be hostile. ■

whole page (183)

Junkyard, South Africa

Evidence increases that chemicals used in the notorious Vietnam War defoliant 'Agent Orange' are being dumped in South Africa, one of the few countries which has not yet banned the substances. New research reveals that the chemicals are more widely used than previously believed. Rain samples show poison traces 10 000 times over the 'safe' limit.

By EDDIE KOCH



VAST quantities of chemicals used to make Agent Orange appear to have been dumped in South Africa by multi-national companies in the wake of a world-wide ban on 245-T, the most dangerous ingredient of the notorious defoliant

The chemical 245-T produces dioxin, one of the most toxic poisons known to man, and is banned for sale and use in most of the Western world and many parts of the Third World South Africa is one of the few countries that still allows it to be used

Government officials say only small quantities of old supplies of 245-T are available in South Africa and that no ban has been imposed on the substance as these will soon be depleted

But massive amounts of 245-T have been found in rain water at two sites near Pietermaritzburg in Natal

Chemwatch, an environmental group monitoring the use of herbicides in South that contain the ingredients of Agent Orange, recently revealed that samples of 245-T in the rainwater were found to be 10 000 times higher than the limit considered safe in the United States

The findings, contained in a secret Department of Agriculture report, were leaked to the press by Chemwatch and have sparked fears that pollution of the air and rain by 245-T and 24-D has reached crisis proportions

Agent Orange, a mixture of equal parts of 24-D and 245-T, was used by the US armed forces to destroy vast tracts of forest and jungle that gave cover to communist guerrillas during the Vietnam war.

Since then the defoliant has been blamed for a spate of babies being born with tiny hearts, small lungs, too many toes and stumps for legs both to the wives of Vietnam veterans in the US and to villagers in Vietnam.

Mystery surrounds the origins of 245-T supplies in South Africa.

Government and industry sources are tightlipped on the issue and Farm Ag, the only company known to be distributing herbicides containing 245-T in South Africa, refused to tell thought stocks of 245-T were bought up in Europe and the US about four or five years ago, before the chemical was banned in those countries.

The only company in the world that is known to have produced 245-T recently was located in New Zealand and jointly owned by Dow Chemicals, the American compnay that sold Agent Orange to the US army, and a local company called Ivor Watkins. The firm closed down at the end of last year but may have sold off its old stock.

Dow Chemicals had a plant in South Africa before it disinvested in April last year and sold out to a local company, IC Chemicals. But it still has active interests in the country and supplies herbicides to the South African chemical giant, Sentrachem, through IC Chemicals.

Agricura, a Sentrachem subsidiary, distributes herbicides throughout the of old stocks of 245-T

Dow has been the subject of a huge law suit in the US as hundreds of Vietnam veterans attempted to obtain compensation from the company for diseases suffered by them and deformities that afflicted their children

Although it is not certain who sold the supplies of 245-T to South African firms, it is clear that this country was seen as a market that could soak up large supplies of the herbicide because no ban applies here

The United Nations' World Health Organisation estimates that at least 10 000 people are killed in the Third World by pesticides, many of whose ingredients are banned in the West, every year

The UN's Food and Agriculture Organisation, concerned by the massive amounts of toxic chemicals that are dumped each year, recently passed a resolution that Third World countries should give prior and informed consent before allowing dangerous pesticides to enter their territory

Chemwatch said the levels of 245-T found in Natal's rain were up to three times the amounts recorded in Vietnam after its forests were subjected to bombardments from the air of more than four million litres of Agent Orange.

Chris Kanna, a toxicologist at the US Environmental Protection Agency, told South African reporters that the amounts of 24-D found in the samples was far higher than the minimum standards laid down by US federal agencies and that they would "take action" if such quantities were found in the US

The Chemwatch representative told *Weekly Mail* that the 245-T found in Natal was combined with heavy doses of 24-D "In effect this means that many areas of the province were hit by rainfalls of diluted Agent Orange," he said

The level of 245-T in the Natal samples was 690 000 picograms per litre while the US safety limit was 70 picograms per litre, he said As a guide to the levels of 245-T in the air, these measurements were an "absolute minimum"

Dew samples would contain much higher concentrations of the Agent Orange type herbicides as these are less diluted by rainwater Chemwatch has been informed that the Department of Agriculture is in possession of tests done on deposits of dew, as well as a range of other test results, but is keeping these secret.

The leaked information about 245-T in Natal's rain follows hard on the heels of disclosures that large amounts of 24-D and lesser traces of 245-T have been leaking into the Hazelmere Dam near Verulam in Natal. The Farm Ag factory is located on the banks of the dam.

Chemwatch has produced a dossier linking the use of 245-T and 24-D to the apparently high rate of birth defects in Natal. Numerous medical studies have provided strong evidence to show 24-D causes foetal damage and kidney and liver cancer.

The discoveries have sparked a storm of protest by environmental groups, trade unions and political parties

The Chemwatch representative said the government had more than enough evidence to justify an immediate embargo on the use of both chemicals.

The South African Chemical Workers' Union has committed itself to a campaign around the issue. "We believe that if we don't investigate the use and manufacture of these chemicals we will have failed in our duty to protect the lives of our members as well as their health and safety," said Sacwu education officer Abel Majola.

came from.

Farm Ag director Frank Richardson would only say the firm was using up old stocks of the chemical and would no longer market products containing 245-T once these were used up

He said the Department of Agriculture's registrar for fertilizers and stock feeds, Dr Max Orban, had full details of which company supplied Farm Ag with 245-T

But Orban told the *Weekly Mail* he did not have this information and said that even if he did, he would be prevented by law from divulging information about products registered with his department.

Orban would only say that he Tordon.

One of Agricura's herbicides, known as Tordon 225, contained 245-T and carried the Dow logo on its labels. But Agricura's manager of marketing services, NC Anderson, said this version of Tordon was no longer produced by his company.

Loyd Morgan, manager of IC Chemicals' agricultural division, confirmed that his firm was supplied with Dow herbicides, but said Dow had stopped supplying 245-T after it was banned in the US

He said it was possible that Farm Ag had bought the chemical from the Dow factory in New Zealand but had no evidence for this Morgan said France was another possible source

Putting poison in perspective

A GOVERNMENT committee responsible for protection from poisons has issued a press statement on Agent Orange that "puts the toxicity to man and beast of these products in perspective".

The Interdepartmental Advisory Committee Safeguarding Man Against Poisons (Indac) said the dangerous element of the Agent Orange used in Vietnam was dioxin, a highly toxic substance produced during the manufacturing of 245-T.

Indac chairman Dr IH Wiese said products on the South African market containing 245-T have been tested and found to contain less than half the amount of dioxin considered by the United Nations to be safe.

The UN's Food and Agriculture Organisation says the safety limit of dioxin is 0,1 milligrams per kilogram of 245-T; all products in South Africa have dioxin levels below 0,5 milligrams per kilogram.

Agent Orange used in Vietnam had dioxin levels of 45 milligrams per kilogram.

"Supplies of 245-T on the South African market are being rapidly depleted because international manufacture of this herbicide has been terminated," said Wiese.

Indac has recommended that existing supplies of 245-T may be used up because it has low levels of dioxin.

The committee says 24-D, the other ingredient of Agent Orange, contains no dioxin. "The toxicology of 24-D is not under suspicion," it said.

"This herbicide is currently used internationally, although it is subject to certain local use restrictions to prevent damage to sensitive crops. It is not banned anywhere in the world."

A Chemwatch representative acknowledged that dioxin levels in South African herbicides were much lower than those found in Agent Orange. But he said 245-T was volatile and produced higher levels of the deadly poison in hot climates

Medical literature on the effects of the herbicides indicates that dioxin is not the only element of Agent Orange suspected of causing cancer and birth deformities.

A seminal study by Dr Sheila Hoar and Dr Aaron Blair based on observation of farmers in Kansas found those exposed to 24-D for more than 20 days a year ran a sixfold higher risk of developing a cancer known as Non Hodgkins lymphona.

Chemserve

.S Tv 19/7/88

improves earnings 183 by 26 pct

An increase of 26 percent in earnings a share, from 92,2c to 116,2c, has been posted by Chemical Services (Chemserve) for the six months to June, compared with the same period last year

The results show net income before tax up 29 percent to R11,8 million on turnover up 35 percent to R125,2 million

The dividend has been lifted 23 percent to 38c, increasing cover from three to 3,1

The directors comment that while trading conditions "were both sluggish and highly competitive, and while financing costs rose significantly, the group was able to chieve a 26 percent growth in net attributable income

"Improved contributions came from most sectors with formulated chemicals continuing to advance

"Allied Colloids and Chemserve Steinhall, however, both suffered from raw material price increases and competition and in consequence their results declined

"It should be noted that following the acquisitions of a further 40 percent in Industrial Oleochemical Products this company, which was previously as associate, is now a subsidiary and its results are consolidated"

The board says that additional plant capacity at Allied Colloids and Akulu-Marchon was commissioned during the period

The group's net borrowings as a percentage of equity rose to 60 percent at end-June, mainly as a result of the acquisition of the additional shares in Industrial Oleochemical Products as well as an increase in working capital

"The 49 percent holding in Exatachem was sold on July 1 The sale will have a negligible impact on earnings a share and net asset value "

Of prospects, the directors note "Indications are that the rate of improvement in earnings will continue for the remainder of the year"— Sapa

Plant shutdowns slow earnings growth at AECI

Star (K3) 20/7/88

By Sven Lunsche

Despite two major plant shutdowns chemical and explosives giant AECI reported a 15 percent increase in earnings a share to 61c for the first half of 1988

Last year's interim dividend of 25c was maintained although the dividend cover was lifted from 2,1 to 2,4 with a further raise to 2,6 expected

The two planned shutdowns involved the main ammonia plant at Modderfontein and the Chlor-Alkali Coalplex plant at Sasolburg, but production difficulties after an explosion at Coalplex necessitated a further six weeks closure

Managing director, Mike Sander, yesterday declined to detail the impact of the shutdowns on earnings But he revealed the cost of refurbishing plant during such closures was about R30 million — even before accounting for the loss in income contribution

"The shutdown limited the availability of a range of products particularly PVC and caustic soda, necessitating the importation of substantial support tonnages at prices which could not be fully recovered from customers," Mr Sander said

AECI's net trading income in the first half climbed by R20 million to R173 million on turnover up 22 percent to R1,805 billion Mr Sander noted that domestic sales volume increased by 11 percent and that most divisions performed well as exports were aided by a weakening rand

Financing costs were reduced by R2 million to R30 million and despite a higher average level of borrowings and a hardening of short term interest rates, the gearing ratio was brought down from 59 percent to 53 percent at the end of June this year

AGRICULTURE

"Demand in agricultural markets improved somewhat from a lower base while substantially higher levels of activity were evident among many users of plastics, industrial chemicals, fibres and paints," Mr Sander said, adding, however, that most fertilizer plants in the division were running well below capacity utilisation

He is more optimistic on the performance of AECI in the second half

"With the return to normal operating conditions at Coalplex and the increase in capacity, profits from the industrial chemicals and plastics sector should improve significantly in the second half of the year, particularly as the firmer trend in the international prices of chemicals and plastics is expected to be maintained," Mr Sander said

He is also confident about prospects in the fertilizer division "Given continued moderate growth in the domestic economy and normal weather patterns in the summer rainfall region, the rate of improvement in profits should at least be sustained in the second half," Mr Sander said

He added that demand for fertilizers should boom in the second half, when demand is at a seasonal peak, especially since international food prices have been boosted dramatically by the drought in the US Midwest

Mr Sander also said that a decision on the R600 million Botswana soda ash plant was imminent

In spite of major shutdowns

AECI share earnings rise

(183) CAPE TIMES 20/7/88

JOHANNESBURG — In spite of two major plant shutdowns, earnings a share from AECI rose from 53c to 61c in the half year to end-June compared with the same period last year.

MD Mike Sander yesterday declined to detail the impact of the shutdowns on earnings But he revealed the cost of refurbishing plant during such closures was between R10m and R30m — even before accounting for the lost contribution to income

The shutdowns involved the Chlor Alkali plant — down for six weeks longer than expected after a major explosion — and the main Ammonia plant

Attributable earnings rose to R94m (R81m) on net income of R97m (R84m)

Net trading income climbed to R173m (R153m) on turnover of R1805m (R1479m)

Sander said most divisions performed well, and exports, in particular, were helped by the falling rand

The directors note "Domestic sales volume increased by 11% relative to the first six months of 1987

"Demand in agricultural markets improved somewhat from a lower base while substantially higher levels of activity were evident among many users of plastics, industrial chemicals, fibres and paints

"Production difficulties in the Coalplex plants at Sasolburg, following a scheduled maintenance shutdown, limited the availability of a range of products, particularly PVC and caustic soda, for an extended period

"However, with the return to normal operating conditions at Coalplex and the increase incapacity, profits from this sector should improve significantly in the second half of the year, particularly as the firmer trend in the international prices of chemicals and plastics is expected to be maintained"

Financing costs were reduced, in spite of a higher average level of borrowings and a hardening of short-term interest rates

On prospects, the directors comment "Given continued moderate growth in the domestic economy and normal weather patterns in the summer rainfall region, the rate of improvement in profits should at least be sustained in the second half"

Sander says explosives and chemicals are trading well, while plastics are "going very strongly indeed" since the re-opening of the Chlor-Alkali plant.

SA Nylon Spinners has had a "great year" and fertilizers should do well in the second half, when demand is at a seasonal peak, especially since the maize price has risen strongly following the US drought

The go-ahead on the R600m Botswana soda ash plant is finally imminent

He expects the group to build up dividend cover in coming years to provide greater contributions to new projects from own funds — Sapa

DRUG FIRMS REGROUP

Local pharmaceutical companies, once the poor relations of giant multinationals operating in SA, are regrouping

The SA Pharmaceutical Manufacturers and Distributors Association has been reorganised as the National Association of Pharmaceutical Manufacturers (NAPM) Its 17 members control 40% of the market, with sales of R400m

NAPM parts company with the established Pharmaceutical Manufacturers' Association (PMA) on a number of issues — among them, its support for higher tariffs on fully imported medicines and for increased use of generic drugs

Its largest member, SA Druggists, left the PMA in protest against the association's decision to take the Pharmacy Council to court over generic substitution by pharmacists

There are already voices calling for a merger between the PMA and NAPM Among them is Noristan MD and PMA president Hugo Snyckers, who says

"It would be useful if we could belong to one association We all share an interest in the success of both ethical and generic medicines and we agree on the need to set high standards for the manufacturing of medicines "

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FUEL LEVY 183

It's worth a fortune

The Exchequer's new direct "fuel levy" was worth R171m and R202m respectively in April and May, the first two months of the fiscal year Annualised, this could be worth some R2bn a year — but the money would have been raised anyway

The amounts, reflected under Customs & Excise, are the first significant numbers to be reflected in government's bid to reduce "off-balance sheet" items

The new arrangements have had a significant effect on cash flows into the Exchequer For the first three months of the fiscal year to end-June, Customs and Excise recorded an increase of 126% year-on-year to R1,3bn

Most of this can be attributed to the inclusion of the fuel levy The overall effect is an increase of 20% in revenue which, on the face of it, is well ahead of estimates

For 1988-1989, in comparing globular amounts when analysing State finances, the effects of the fuel levy — on both sides — will have to be discounted

The general aim of the new accounting policy of bringing amounts "on-balance sheet" was outlined by Finance Minister Barend du Plessis in the March Budget "Levies charged by central government, which presently flow directly to special funds outside the Budget, will henceforth be channelled unearmarked to the Exchequer

"Their application will be subjected to the process of priority determination together with all other revenue. This includes the fuel levies, which presently flow to energy-related funds and the National Road Fund."

Du Plessis said the number of funds outside the Budget funded by earmarked levies is "not insignificant " As a first step in consolidation, the 1988-1989 Budget dealt only with fuel levies

Funds, gathered both directly and indirectly from "fuel" levies, include

☐ The Central Energy Fund (CEF),
☐ The Equalisation Fund (EF),
☐ The National Road Fund (NRF),
☐ The Motor Vehicle Accident Fund (MVA), and
☐ The Oil Pollution Fund (OPF).

The last two were financed directly from the CEF Before the "on-balance sheet" change, apart from a tax element that accrued to the fiscus unearmarked, the fuel levy included **(see diagram, which shows the effect for petrol only)**

☐ 4c/*l* for the CEF,
☐ 1,7c/*l* on diesel and 2,6c/*l* on petrol deposited in the CEF for transfer to the MVA,
☐ 10c/*l* on diesel and 8c/*l* on petrol transferred to the NRF; and
☐ A separate levy of 5,7c/*l*, collected by oil companies, channelled to the EF without the intermediation of the Exchequer

The effect of all the changes on petrol, from April 1, is

☐ 22,5c/*l*, the new "fuel tax," flows straight to the Exchequer via Customs and Excise,
☐ 4c/*l* flows to Customs and Excise, and
☐ 6,7c/*l* flows to the EF

As the "exclusive aim" of the EF is to smooth out fuel prices from substantial, unpredictable short-term fluctuations in the exchange rate and crude oil prices (among others), Du Plessis has decided to keep the EF self-sufficient outside the Budget

Oil companies will, therefore, continue to collect and transfer levies directly to the EF.

At the time of the Budget, Du Plessis said that to reduce pressure on the EF the levy would be increased by 1c/*l* to 6,7c/*l*, but "this will not cause the fuel price to increase " So far, so good, as predictions go

Moreover, it has been decided to discontinue the OPF over an unspecified period This, like the NRF, will meanwhile be funded by parliamentary appropriation

The MVA was previously funded by a levy of 1,7c/*l* on diesel fuel and 2,6c/*l* on petrol The destiny of the MVA is different

The objective is to set up the MVA as self-sufficient outside the Budget This could be done, says Du Plessis, by arranging for oil companies to pay direct to the MVA as they do to the EF But because the levy should come only from purchasers of fuel who use roads, the amounts can't be estimated

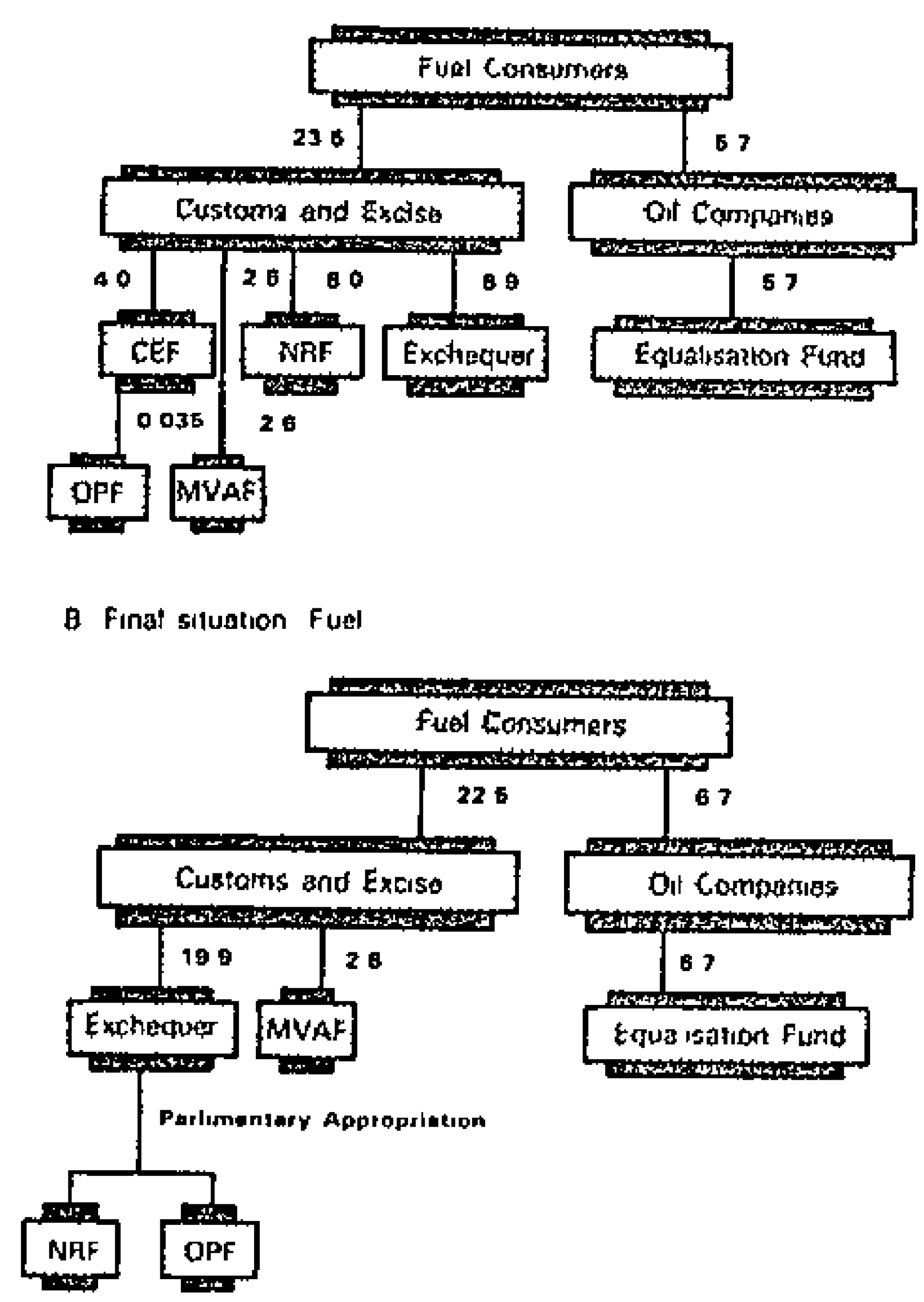
From April 1, the MVA has been funded by a drawback of 1,7c/*l* on diesel and 2,6c/*l* on petrol, without the involvement of the CEF "Any deficit would have to be made good not by a supplement from the Exchequer, but by an increase in the levy "

The old arrangement of 10c/*l* on diesel and 8c/*l* on petrol flowing to the NRF by a drawback of revenue also ceased on April 1 The proceeds accrue unearmarked to the fiscus Says Du Plessis "An amount that will place the fund in the same position to continue its necessary functions will have to be voted in the estimate of expenditure "

Du Plessis has told Treasury to give attention to other earmarked payments to specific funds, for treatment in the next Budget ■

Changing from old to new

Fuel levy



CEF = Central Energy Fund
NRF = National Road Fund
OPF Oil Pollution Fund
MVAF - Motor Vehicle Accident Fund

Anger over skin cream move

Sowetan 25/7/88

183

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By SY MAKARINGE

THE National Black Consumer Union last week vowed to embark on a massive campaign to discourage the use of skin lighteners following the Government's refusal on Thursday to ban the creams with immediate effect.

The Minister of Health and Population Development, Mr Willie van Niekerk, reiterated the Government's stand when he told NBCU's delegation at a meeting on Thursday that the ban on skin lightening creams would only come into effect in January 1991.

The ban was supposed to have been imposed on July 1 this year.

The union's delegation, which included a dermatologist and a legal adviser, said it was disgusted at the Government's decision to grant marketing extension for these "harmful products".

It said there was evidence that these "hazardous products" had damaged faces of millions of black consumers in this country.

The NBCU said it believed the skin lighteners, which contain a harmful substance called hydroquinine, should be banned with immediate effect.

A spokesman for the union said it was in the light of the Minister's refusal to rescind his earlier decision that it decided to embark on a campaign to discourage the use of the creams.

"We have all the power and the right to protect ourselves against these products. Let's totally refrain from using these skin lighteners," the spokesman said.

Mr van Niekerk said in a statement released a few weeks ago that the postponement of the ban to 1991 was due to legal, economic and health implications.

Why so hard to swallow this medicine?

Star 25/7/86

183

Manufacturers of generic medicines will have to launch education programmes if they want products to be accepted by the public and the medical profession So says Mr Aubrey Lampert, director of a generic medicines company, speaking to The Star's Medical Reporter, TONI YOUNGHUSBAND

The generic medicine furore appears, on the surface to have died down, but manufacturers say they still face opposition from both the medical profession and the "ignorant" public

While sales of generic substitutes have shown pleasing results in recent years, there is still doubt in many quarters that these medicines are as safe and as good as their ethical counterparts

Ignorance, believes Mr Aubrey Lampert, is the generic manufacturers' greatest obstacle

"The manufacturer is going to have to launch an extensive education campaign if his products are to be accepted. He will have to ensure the dissemination of information to educate the public. People don't understand generic medicine," says Mr Lampert, a director of a leading Johannesburg generic company

BRAND NAMES WIN

The lay public tends to cling to what it has known for many years, to familiar brand names which are well advertised And doctors receive frequent visits from ethical drug representatives who constantly promote their products

The generic drug is not advertised nor is it packaged in bright, eye-catching colours

It is a copy of an ethical drug for which the patent has run out

Before a generic can go on sale, it must be approved by and registered with the South African Medicines Control Council When registered locally, no research history is required The generic rides piggyback on research done by the original manufacturer

The big difference between ethical drugs — those whose brand names we are so familiar with — and generic substitutes is the price

Generics can cost up to 60 percent less than their ethical counterparts For instance, says Mr Lampert, one well-known ethical tranquilliser costs R23,64 for a container of 100 tablets while its generic substitute costs R8,50 for 1 000 Another popular drug costs R251,56 per 500 while its generic sells at just over R32 per 500

With enormous financial savings like this, why then the opposition to generics?

Mr Lampert believes backyard chemists whose fake generics caused an uproar in the 60's and early 70's are to blame for the poor reputation these medicines have

And, of course, there are the ethical drug manufacturers who have repeatedly slammed generics as worthless and dangerous

They have repeatedly pointed out they are the ones spending millions of rands in research and development It takes years before their products have final approval and reach the pharmacy shelves They must then recoup their research expenses through, among other things, the prices they charge for their products

Then 16 years later, these products are merely copied by a multitude of generic manufacturers who do no research and charge less

Mr Lampert says these companies have 16 year' grace to recoup their research expenses And he believes they can cut their costs "But how is that going to look? For years they have been justifying their prices, how can they suddenly lower them"?

The generic war reached a climax when ethical companies threatened to pull out of South Africa as they were "no longer serving any purpose"

But, says Mr Lampert, when this threat produced little reaction they sought other avenues of support

The Government steadfastly refused to become involved in the generic war but doctors and pharmacists were drawn into it

Doctors are trained at university to use certain drugs and they tend to stick to those while pharmacists have financial considerations in prescribing ethicals

"If the pharmacist gets 10 percent off every medicine he sells he is obviously going to prefer selling a drug that costs R54 rather than its generic substitute which costs only R4"

A RAY OF HOPE

One ray of hope for generics is medical aid schemes, Mr Lampert believes "We believe some day soon medical aid schemes will tell their members they will pay generic medicine rates only and any extra charges brought by using ethical drugs will have to be borne by the patient"

Generics are fast becoming popular among the working classes, pensioners and hospital patients

So far, Mr Lampert points out, only one generic has proven less effective than its ethical counterpart and the reasons for this are unknown

"These drugs are safe and effective How can they not be? They are exact copies of the original ethicals It is time people realised this," says Mr Lampert

Star 29/7/88

Everite worth a closer look

183

By Ann Crotty

Investors should take a close look at the annual results of Everite At first glance, the 11 percent increase in turnover to R323,7 (R291,7 million) and the 11 percent improvement in operating income — before interest and depreciation — to R51,3 million (R46,2 million) does not look wildly exciting

But these figures do not give an accurate picture of the very strong performance that Everite achieved during the financial year to end-June The turnover figures are not comparable because of the sale of the group's concrete division to Fraser Alexander in July 1987 and the acquisition of Turner & Newalls building products operation

In addition there was the deconsolidation of Everite's PVC pipe division following its merger with AECI's Durapenta to form DPI plastics DPI plastics is now treated as an associate company so its contribution no longer appears at the turnover level Group financial manager, Neil Carter, indicates that the comparable figures would show an improvement in the region of 25 percent

Operating income, after interest and depreciation (the latter includes additional cost on revaluation to replacement cost of fixed assets which was down 42 percent in financial 1988) was up 36 percent to R29,1 million

A slight reduction in the tax rate, from 46 percent to 42 percent, helped to boost net income 29 percent to R16,9 million (R13,1 million) The net income figure was further boosted by an extraordinary item of R2,6 million following the sale of the concrete division

Earnings, before extraordinary items, were 19,1c which represents an increase of 13 percent on the previous year's 16,9c A dividend of 11c has been declared, 26 percent ahead of 1987's 8,75c

The increase in dividend means that dividend cover is down from almost 2 times to 1,7 times Mr Carter points out that the profit from the sale of the concrete division underpinned the more generous payment But in addition he stresses that if it were not for the group's conservative depreciation policy, declared earnings would be in the region of 24c which means that the dividend would be more than two times covered

Operating margins before interest and depreciation remained at 15,8 percent This was a significant achievement given the extent of the restructuring that the group undertook during the year

Mr Carter notes that these costs continued into the third quarter of the year and that it was only in the final three months that the benefits began to show

Assuming that the bulk of the costs are now behind them, and the rationalisation measures are reaping good rewards, the current financial year should produces strong results from this group

The group's holding company Everite Holdings reported earnings of 56,5c a share and a dividend of 33c

SENTRACHEM (183)

Higher returns targeted

Activities: *Develops, manufactures and distributes chemical and related products and services.*
Control: *Sanlam holds ultimate control*
Chairman: *A J van den Berg, managing director J H van der Walt*
Capital structure: *89,5m ords of R1 each, 26,0m pref ords of R1, 50m var rate red cum prefs of 1c and 50m "B" var rate red cum prefs of 1c Market capitalisation R376m*
Share market: *Price 420c Yields 4,8% on dividend, 15,4% on earnings, PE ratio, 6,5, cover, 3,2 12-month high, 640c, low, 375c Trading volume last quarter, 1,4m shares*
Financial: *Year to March 31*

	'85	*'86	'87	'88
Debt				
Short-term (Rm)	86,1	162,7	178,9	98,4
Long-term (Rm)	594,4	548 6	541,3	413,6
Debt equity ratio	1,50	1,34	0,92	0,78
Shareholders interest	0,27	0,27	0,31	0,36
Int & leasing cover	—	1,31	1,42	5 1
Debt cover	0,03	0,09	0,12	0,36

Performance:

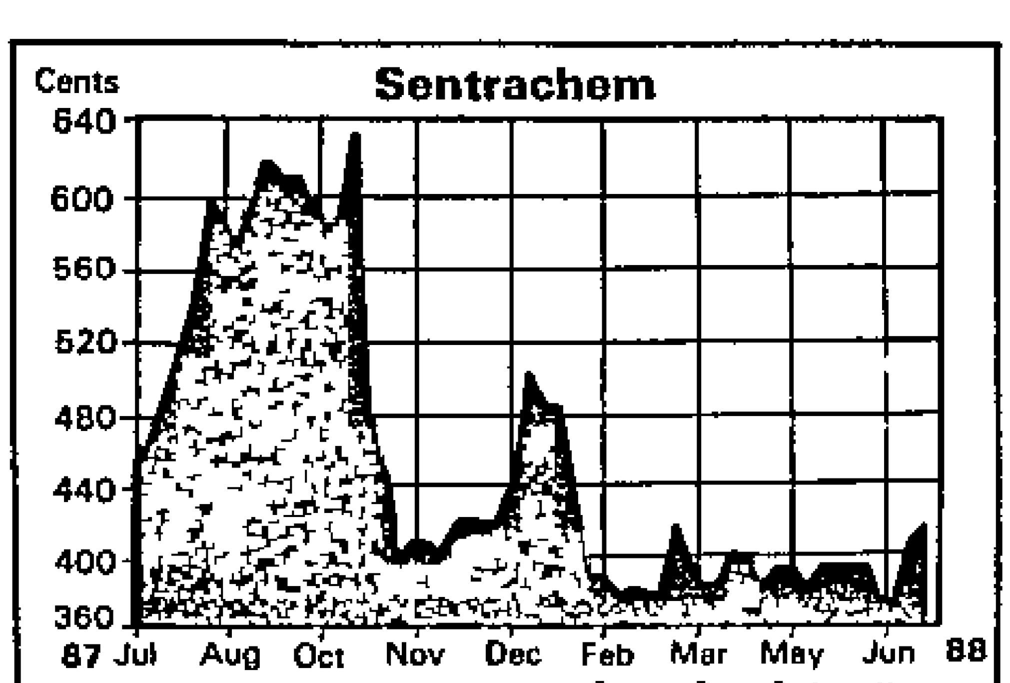
	'85	*'86	'87	'88
Return on cap (%)	5,6	8,2†	3,8	7,4
Turnover (Rm)	812	775	1 141	1 254
Pre-int profit (Rm)	44,8	63,2	63,6	130,4
Pre-int margin (%)	5,5	8,2	5,6	10,4
Taxed profit (Rm)	(13 1)	17 6	35 3	66 9
Earnings (c)	(27,3)	18,7†	47,1	64,7
Dividends (c)	—	—	—	20
Net worth (c)	431	456	439	591

* 9 months financial period
† annualised

After the recovery shown in the 1988 financial year, it may be tempting to regard Sentrachem as essentially rehabilitated Attributable earnings rose 64% to R69,2m, payment of dividends was resumed and the balance sheet is healthier

But management, realistically, recognises that there is still a long way to go Chairman Abie van den Berg and MD Johan van der Walt comment that, although the growth in profits is gratifying, it took place from a low base and the after-tax return on average capital employed has only reached 9% They add that management aims to increase this return to above 16%, which would be required to support further capital investment

"It will be difficult to achieve this target within the next two years but thereafter we expect returns to reach and be maintained at satisfactory levels," they say Notably, as an indication of what might be seen as closer to normality, in 1982, before Afprene and other problems struck, the figure was 19% and ran from 19%-25% from 1974-1981




Sentrachem's Van der Walt ... increasing capacity

Levels of profitability are generally improving The capital turnover ratio has risen from 0,72 in 1984 to 1,13, the highest since 1,19 in 1982 After-tax return on average fixed capital rose from 4% to 17%, which compares with 30% in 1982

While turnover advanced by 9,9%, the current ratio slipped from 1,69 to 1,52, with stock rising 20,5%, debtors by 19,3% and creditors by 11,2% However, the current ratio was influenced by a restructuring of debt, which left the short-term portion of suspensive sale and finance lease liabilities at R94,1m (R65,8m), short-term borrowings at R4,4m (R113m) and bank balances at R73,2m (R297m)

At trading level, the rubber division, although approaching break-even, remains the only activity making a negative contribution to profits (**see table**) Management notes that the natural rubber programme is in place and testing has yielded encouraging results. "Raw material efficiencies at the Newcastle plant continue to improve, and these, with other savings, are contributing to reduction of losses at the plant," they say

Fedmis, thanks to a "dramatic reversal of fortunes," ended the year with a small profit, and the contribution from agriculture also rose However, the only division whose results failed to improve was Agrihold, which "had a difficult year dealing with fierce competitive pressures in a depressed and overtraded crop protection chemicals market " Both Agrihold and Fedmis are expecting better this year

In the industrial chemicals division, the biggest contributor to trading results, production capacities are becoming limited Commissioning is planned for the last quarter this year of the NCP division's new chloralkali plant at Chloorkop, giving the group self-sufficiency in this sector

TRADING DIVISIONS

Profit contributions (%)

	1987	1988
Industrial chemicals	41	31
Foodstuffs	34	23
Plastics	25	22
Agriculture	(1)	20
Mining chemicals	10	6
Rubber	(9)	(2)
Total	100	100

Expansions have come on stream in plastics, where markets for raw materials remained strong and Safripol increased output of polypropylene after commissioning its propylene terminal While there were some setbacks, all the plastics businesses are expecting better results Foodstuffs sales showed buoyant growth, helped by new products, and full benefit of new capacity should be seen this year Benefits are also being gained from new products in mining chemicals

A striking feature of the 1988 result was the surge in cash flow which more than doubled from R87m to R182m, the pace of growth partly obscured by a R55m swing in the year's deferred tax adjustment Overall, a steady improvement in returns should be achieved over time Progress has been made with exports, and the group should not be unduly vulnerable to an economic downturn

At 420c, the share is probably fairly priced for the present but a further rerating must come

Andrew McNulty

PLATE GLASS

Warning of snags

The Lubner brothers are concerned They forecast a further improvement in profits from last year's record high, but they warn of a host of possible snags They are not alone in this — practically every company reporting

FM 29/7/88

(183) FM 22/7/88

CHEMSERVE (183)

Ups and downs

Main feature of interim figures to end-June from Chemical Services (Chemserve) appears to be the acquisition of a further 40% of Industrial Oleochemical Products (IOP) Chemserve took its initial 45% holding last year With the additional 40% leading to consolidation in the latest figures, while attributable income of associates increased only marginally, profit net of tax and outside shareholders' interests increased by 31,3% compared to the first six months of 1987

At the same time, the acquisition was financed by short-term borrowings So both short-term borrowings and interest jumped sharply — the former from about R13,5m at the December year-end to R23,8m in the latest abridged balance sheet and the latter from R819 000 for the first six months of 1987 to R1,7m Chemserve financial director Lex van Vught says it is not expected that the payback period for the additional holding will be particularly lengthy

FM 22/7/88 95

CHEMSERVE'S PROGRESS

Six months to	Jun 30 '87	Dec 31 '87	Jun 30 '88
Turnover (Rm)	92 9	109 5	125 1
Trading profit (Rm)	10 0	16 0	13,6
Attributable (Rm)	5 74	8 55	7 23
Earnings (c)	92 2	137 4	116,2
Dividend (c)	31	49	38

Apart from the additional stake in IOP, says Van Vught, "it was a satisfactory rather than an especially exciting six months" Also, he points out that, following an average 34% growth in earnings over the past four years, Chemserve is operating off a high base He believes that the latest improvement in earnings of 26%, as against the comparable period of 1987, should be maintainable for the full year

While there were improvements in profits from most group sectors, results from Allied Colloids, following a splendid year last year, declined. Van Vught notes that the rough times experienced in the uranium industry, where further plant closures have occurred, affected Allied Colloid's business Further, the company has run into considerable competition during the past six months Van Vught says, however, that the position is already improving and that, while Allied Colloids is not looking forward to results on the scale of 1987, the year-end position should look better

The interim dividend has been increased from 31c to 38c, at a slightly lower rate of 22,6% than the improvement in earnings. On the latest forecast it appears that shareholders are looking forward to annual earnings this year of around 290c (229,6c) Higher retained earnings for the year may be considered desirable to help reduce the short-term debt level, so dividends of about 98c (80c) look to be in prospect At 1 850c, the shares on that possibly conservative basis are on a forward dividend yield of 5,3%, and a forward p e of 6,4 In view of the record, they look reasonably priced

David Ross

Chemserve's Van Vught . . . maintaining earnings growth

SAFIMED

183 FM 22/7

Acquiring more

One way of wiping out the opposition is to take them over The problem is that this can hammer the balance sheet

In the case of Safimed, which changed its name from Salters-Fisher Medical Holdings, the group succeeded in acquiring no less than 11 of its established competitor companies in one year at a cost of R78m, but still held its debt equity ratio to only 0,34 As a result of these takeovers, turnover climbed 227% in the 13 months to end-March and, although

22/7/88

183 FM 22/7/88

Activities. *Manufactures and distributes surgical, medical, pharmaceutical and veterinary products*
Control *Directors hold 44,2%*
Chairman: *S Engelberg, managing directors N N Fisher, A Lampert*
Capital structure: *46m ords and 4,8 deferred ords of 10c each Market capitalisation R92m*
Share market: *Price 200c Yields 4,2% on dividend, 9,5% on earnings, PE ratio, 10,5, cover, 2,3 12-month high, 330c, low, 170c Trading volume last quarter, 206 000 shares*
Financial: *Year to March 31*

	'87	'88*
Debt		
Short-term (Rm)	3 0	13,2
Long-term (Rm)	2,1	5,4
Debt equity ratio	0,32	0,34
Shareholders interest	0,54	0 47
Int & leasing cover	8,0	11,9
Debt cover	0,94	0 53

Performance	'87	'88
Return on cap (%)	20,9	11 2**
Turnover (Rm)	36 0	117,8
Pre-int profit (Rm)	6,2	14 1
Pre-int margin (%)	17 1	12,0
Taxed profit (Rm)	2,7	7,3
Earnings (c)	15,2	19 0**
Dividends (c)	3,3	8,3**
Net worth (c)	80	108

*13 months
**Annualised

the acquisitions were paid for in shares and only R10,6m in cash, EPS grew 25% Though debt cover suffered from a relatively low gross cash flow of R10m, this should improve as some companies were only acquired late in the financial year

Safimed also diversified into manufacturing generic medicines, veterinary products, surgical dressings and hospital apparel, and has expanded activities in distribution of veterinary ethicals and animal health products Additional pharmaceutical registrations and trademarks were bought for R10,9m

The merger with competitor Fisher Group seems to have gone smoothly Motivation for the takeover was Fisher's strength on the veterinary side, while Salters was strong on medical and pharmaceutical products The merger therefore presented opportunities for the companies to use each other's selling infrastructure.

Consolidation, rationalisation and digestion of the acquisitions could provide continued organic growth for years Remaining competitors are mainly multinational companies and there are thus few opportunities for further major takeovers though disinvestment opportunities still exist

Increasing demand for generic medicines should provide growth, according to chairman Stanley Engelberg The Aids scare has created substantially increased demand for a wide range of group products such as syringes and gloves for control and prevention of disease

Though the share is rated lower than the sector, being on a 4,2% dividend yield against the sector average of 3,1%, it should be a good growth stock that could remain relatively unaffected by economic fluctuations

Louis Venter

AECI

183

Shutdowns hurdle

Somewhat modest profit growth — for these days — from AECI for the six months to end-June belies an outlook for the full year that could brighten considerably under the influence of the weak rand as well as improving world commodity prices and local agricultural conditions

Net trading income rose by 13% on the year-ago figure on a 22% increase in turnover, indicating a narrowing of margins EPS advanced 15% to 61c and the interim dividend was an unchanged 25c

MD Mike Sander says that "modest" interim results had been expected because of unusual, simultaneous shutdowns for scheduled maintenance of two plants at the Coalplex complex in Sasolburg In addition, an explosion at Coalplex's Chlor Alkali plant put it out of action for a further six weeks, making the results "even more modest"

The costs of scheduled shutdown of a plant — normally R10m-R30m purely for the work involved — are largely amortised But more serious losses may result from loss of sales in tight market conditions and the resulting need to import at higher prices — which may partly explain the squeeze on margins AECI was insured for the direct damage of the explosion, which Sander says cost "a large number of millions" The Coalplex plants are now back on stream, with capacity increased by 25% after "de-bottlenecking" Production growth from these plants for the full year should thus be in line with normal levels

Sander is also optimistic about other divisions Demand is strong in explosives and chemicals, plastics, fibres and paints The absence of a mine strike this year will undoubtedly mean an improvement against last year's second-half results, which were hurt by the six-week strike

Farmers are generally more optimistic, with the weather apparently entering a wetter cycle and higher international prices for farm commodities due to the US drought Even so, the local fertiliser industry still has far too much capacity

Worldwide, says Sander, demand for the kind of products AECI and its customers sell is tight and prices have risen This, combined with the lower rand, is apparently proving a boon for AECI's export account, but particularly provides opportunities for AECI's downstream customers This benefit far outweighs the rising cost of imported materials. The longer-term inflationary effect is a concern, but Sander says AECI takes cover for sudden rand declines Much of the machinery used in capital programmes is now made locally

Sander says that although AECI currently has no major capital investment projects, it can grow through organic expansion of existing facilities "Critical negotiations" with the Botswana government about the Sua Pan soda ash project should be completed within three weeks, says Sander, but he does not confirm that AECI, which would like to invest a maximum of R100m, will definitely go ahead

AECI's synfuels project remains distant Sander says such a project cannot be started at the same time as Mossgas, but once that goes off-peak, another project will be needed and he believes AECI's methanol plant will be one of those approved

At June 30, gearing was little changed at 0,53 (0,49 at December year-end) and financing costs were slightly lower despite higher interest rates

AECI's sales rise seasonally in the second half Sander is confident that full-year results will be "pleasing" Comparison with his description of the 15% interim growth as "modest" indicates that AECI's 22% earnings growth last year could yet be matched or exceeded Growth in dividends may not be as pleasing, because AECI, in response to chronic inflation, is raising its dividend cover gradually on the tide of higher earnings Cover was increased from 1,9 in 1986 to 2,1 last year and the target is about 2,5

At 1 050c, the share fell 30c on the day the results were announced and stands on a p e ratio of 6,3 times, which probably represents reasonable value on historical earnings, but the prospects may justify an upward adjustment

Teigue Payne

MODEST IMPROVEMENT

Six months to end	Jun '87	Dec '87	Jun '88
Turnover (Rm)	1 479	1 797	1 805
Pre-tax profit (Rm)	121	182	143
Attributable (Rm)	81	132	94
Earnings (c)	53	85	61
Dividends (c)	25	41	25

AECI's Sander ... critical negotiations

Malbak forges ahead

Star 22/7/88

By Ann Crotty

Malbak management is forecasting earnings per share of 100c for the 12 months to end-August and a dividend payment up by 25-30 percent which means that shareholders can look forward to a dividend in excess of 25c a share

The 100c forecast represents a 54 percent increase on financial 1987's actual weighted average performance and is 40 percent ahead of the pro forma earnings

Referring to the group's third quarter performance, to end-May, the directors note a continued improvement in profitability and state that earnings per share are well ahead of last year and budget.

"As a result of the major acquisitions made during 1987 and further acquisitions during the current financial year, group turnover is 202 percent ahead of last year "

OMNIA (183) FM 29/7/88

More recovery

Activities. *Manufactures and distributes granular and liquid fertiliser*
Control: *19% owned by Anglo-Alpha*
Chairman· *R K J Winkler*
Capital structure *36,9m ords of 50c and 10m 15% cum red prefts Market capitalisation R70m*
Share market: *Price 190c Yields 2,6% on dividend, 13,4% on earnings, PE ratio, 7,5, cover, 5,1 12-month high, 190c, low, 90c Trading volume last quarter, 1,4m shares*
Financial. *Year to December 31*

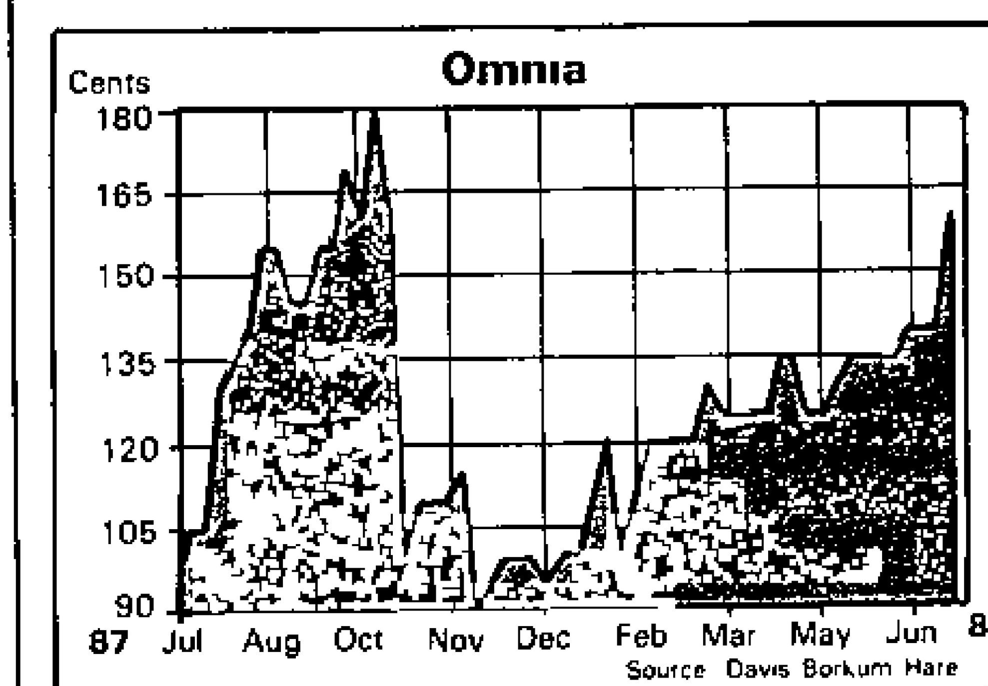
	'84	'85	'86	'87
Debt				
Short-term (Rm)	5,7	19,8	24,7	34,6
Long-term (Rm)	48 2	54,0	44,6	37,1
Debt equity ratio	1 5	1,26	1,27	1,50
Shareholders interest	0,25	0,34	0,34	0 30
Int & leasing cover	0 91	0,97	1,28	2 06
Debt cover	0,06	0,08	0,11	0,21

Performance

	'84	'85	'86	'87
Return on cap (%)	—	8,7	8,3	11,2
Turnover (Rm)	152	157,7	163	181
Pre-int profit (Rm)	12,1	15,1	14,2	20 1
Pre-int margin (%)	8,0	9,6	8,7	11,1
Taxed profit (Rm)	(0 61)	0,58	3,3	10,9
Earnings (c)	(18,9)	(1,2)	9,5	25 5
Dividends (c)	—	—	—	5
Net worth (c)	245	127,6	165	148

Not much more could have gone wrong for Omnia over the past four years, but, in keeping with most of the fertiliser industry, it experienced a better year in 1987

Problems started with the building of a R65m nitrogen facility in 1981, using borrowed funds Then the market collapsed, following the drought and floods, and combined with ruthless price cutting and soaring interest rates, which boosted interest payments The result was a loss per share of 18,9c in 1984, but the extent of the turnaround can be seen from last year's EPS of



25,5c

Inland fertiliser sales continued to fall in 1987, but Omnia managed to offset this with sales to bulk blenders, increased exports and sales of other products

Two subsidiaries, Bulk Mining Explosives (BME) and Omnia Farming Enterprises, were important in turning the company around Omnia supplies raw materials for blasting purposes to BME, some of which must be mixed on mining sites, which Omnia undertakes, resulting in savings for the mines This division is expected to be a larger profit contributor in future Another local subsidiary, the farming division, operates a farm on the Highveld and made substantial profits last year

Omnia has 27% of a liquid fertiliser operation in the UK and 21% of a company in the US The British operation, which is not consolidated, last year contributed to group profits for the first time in 12 years and is expected to do better The US company has had a positive cash flow for more than four years, but is reinvesting funds in drilling operations overseas

Chairman Joe Winkler expects demand from the mining industry to increase and an improvement in the agricultural sector is seen as possible Sales of chemical bulk materials by the agricultural division will be extended to the industrial market

Debt cover remains extremely low, but there has been a sharp improvement in gross cash flow, which more than doubled from R7,4m to R14,9m Operating margins and returns on equity and capital have also improved sharply These developments, with Winkler's statement that the dividend could rise substantially, indicate a more positive scenario for the share But the dividend yield of only 2,6% suggests the market has largely discounted the good news *Louis Venter*

(183) FM 29/7/88

Tek Industries workers face unemployment

CP 10/3/7/88

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CP Correspondent

ONLY the preferred few will be eligible for jobs at East London's Tek Industries after the dismissal of 900 workers two months ago.

The company announced that 200 jobs would be advertised following "protracted negotiations between the company and the National Union of Metal Workers of South Africa".

It said preference would be given to dismissed workers as well as those with past service records.

"New jobs are likely to be available in the next year because of market pressures on the company to increase production," it said.

By giving preference to former employees it hoped to "re-establish the sound relationship that existed with many former employees, particularly those with longer service".

Workers at Tek were dismissed on April 7 after they refused to sign a new booklet containing rules and regulations.

Numsa's regional secretary, Viwe Gxarisa, said workers were dismissed while negotiations on grievance procedures were underway.

He said 20 workers were dismissed earlier under the "pretext" that they were on probation and had failed to abide by the conditions of employment.

Earlier attempts aimed at negotiating the return of 900 workers reached a stalemate after both sides disagreed on proposals.

Numsa had proposed a negotiated re-instatement of all workers on full pay.

According to the union, management was prepared to talk to them provided they withdraw their proposal. The company also demanded that a previous dismissal of 20 workers be negotiated as a separate issue from the dismissal of the 900.

Meanwhile, black workers said white and coloured workers had been recruited. White workers are believed to form the majority in the new labour force.

This is not the first time white workers have been employed to replace dismissed black labourers in East London.

Several companies in industrial disputes with black workers last year employed white workers in their place. — Elnews

Exchange rate aids Swimline profits rise

CAPE TIMES 1/8/86

183 (820)

Financial Editor

EXCHANGE rate profits helped to boost Swimline Holdings' attributable income for the year to June by 150% to R2,6m although turnover rose by only 9,6%. Earnings rose to 12,8c (6,9c) a share and a maiden dividend of 4c was declared.

Swimline, a manufacturer and distributor of swimming pool chemicals and accessories which was listed on the Johannesburg Stock Exchange last year, is one of an increasing number of SA companies to invest in offshore operations both as a rand hedge and to help their penetration of overseas markets.

By arrangement with the registrar of companies they are not obliged to give details of their overseas subsidiaries or even name the countries in which they operate.

Before taking the exchange rate profits into account Swimline lifted after tax income by 89,8% to R1,98m for the year ended June 30.

This was achieved off a modest 9,6% increase in turnover to R20,4m (R18,6m) after floods affected a large part of the group's market in both halves of the financial year.

Attributable income was boosted by a further R598 000 to R2,6m following exchange rate gains on the group's foreign loan to finance a management buy-out of an overseas company

"Swimline expanded into an offshore market during the year when we provided loan capital to facilitate the management buyout of a company in the swimming pool trade," said group chairman John Puttergill, group chairman.

"We believe the acquisition of an offshore company has been vindicated in that it has not only expanded our trading base, but it is already acting as a hedge against the diminishing value of the rand."

Puttergill disclosed that Swimline also diversified into the video market during the year.

It bought the assets and business rights of a company established to produce video cassettes in SA Its brand, Eyline, will reach the market this month and Puttergill forecasts that it will make a substantial contribution to future earnings.

Puttergill said that the establishment of a trichloroisocyanuric acid plant in conjunction with AECI, which has a 26% stake in Swimline, was under review and he expected to make an announcement about this soon.

"Our budgets for the current year are already showing substantial growth in earnings and while these may not achieve the 150% achieved during the past year, they will certainly exceed the 30% growth projected in our prospectus by a comfortable margin."

Workers down tools in pay row

183

ARGUS 5/8/88

Labour Reporter

ABOUT 40 workers at the Montagu Gardens depot of BP stopped work today over a wage dispute

A spokesman for the workers, members of the Chemical Workers Industrial Union, said the parties had reached deadlock with employees seeking a R160 a month across-the-board increase or 15 percent, whichever was greater, and the company offering R150 a month or 14½ percent

He said a company offer of R155 a month was withdrawn when it was rejected

Employees sought a service bonus of R5 a month for each year of service BP had offered R2 a month but this offer had also been withdrawn when the pay offer was rejected

Workers also wanted hours of work reduced

BP spokesmen were not available for comment

Small business moves into chemical industry

8/8/88 B/Day (183)

HELOISE HENNING

SMALL business interests in the chemical industry, traditionally the province of big business, are pushing back the high barriers of entry into chemical manufacturing.

Last week a Small Chemical Interest Group was launched in Johannesburg to foster development of small tonnage chemicals valued between R10 000 and R6m a year. Small tonnages are typically used by cosmetics and fine chemical manufacturers.

The group's formation had the acknowledgement of Sasol, AECI and Sentrachem with representatives at the first 117-strong meeting. Small tonnages are a nuisance in big business and they would become primary suppliers to the small producers.

Convenor of the group, Institute of Chemical Engineers member Louis Mielke, says an investigation into the small ranges has been started to find the export and import opportunities for "contract molecular distillation".

Speakers at the launch addressed topics like the shortage of small tonnnage chemicals, starting a small chemical business, the need for a register of small contractors and available chemicals and venture capital for small manufacturers.

Chemical producer to expand locally

12/8/88 Star 183

Finance Staff

South Africa is a main target area in the expansion plans of West German chemical producer, Benckiser-Knapsack

The company's managing director, Dr Dietrich Lang, said during a recent visit "I am here to research the potential of the local chemical market and to seek out business opportunities with Hoechst South Africa."

In a joint venture, Benckiser and Hoechst AG of Germany, manufacture and supply what is claimed to be the world's broadest range of speciality phosphates

"Until now, our presence in South Africa has been confined largely to food-grade phosphates," said Dr Lang

"However, our ability to address a broad range of industrial and manufacturing processes has convinced us that South African should be included in the company's global marketing strategy"

Dr Dietrich Lang .. South Africa a key point in expansion

The company, through its link with Hoechst, sees tremendous potential in South Africa and plans to extend its activities into at least 12 application fields

183

SA DRUGGISTS

Making more

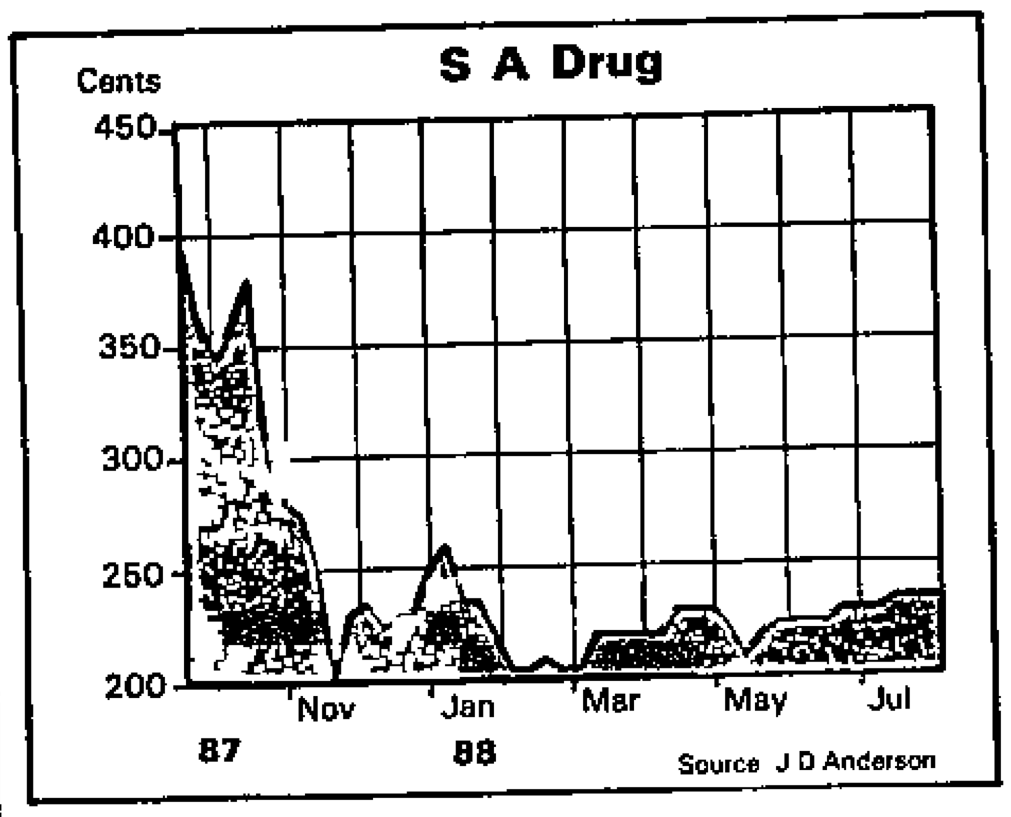
Activities: *Innovates, manufacturers, markets and distributes medicines and allied products*
Control: *Federal Volksbeleggings Ultimate controller is Sanlam*
Chairman· *P J van der Walt, managing director A M Karis*
Capital structure· *141,2m ords of 30c Market capitalisation R332m*
Share market: *Price 235c Yields 3,4% on dividend, 9,9% on earnings, PE ratio, 10,1, cover, 2,9 12-month high, 410c, low, 200c Trading volume last quarter, 313 000 shares*
Financial: *Year to March 31*

	'87	'88
Debt		
Short-term (Rm)	11,0	4,68
Long-term (Rm)	42,3	14,1
Debt equity ratio	0,57	0,13
Shareholders' interest	0,40	0,55
Int & leasing cover	4,01	7,07
Debt cover	2,41	7,49
Performance	**'87**	**'88**
Return on cap (%)	23,5	25,0
Turnover (Rm)	566,8	675,0
Pre-int profit (Rm)	52,2	64,3
Pre-int margin (%)	9,20	9,52
Taxed profit (Rm)	23,3	32,3
Earnings (c)	19,9*	23,3
Dividends (c)	n/a	8
Net worth (c)	82,8*	98,7

*Pro forma figures

183 FM 12/8/88

Between the de-listing following the acquisition by Federale Volksbeleggings in 1983 and re-listing last September, SA Druggists has increasingly become a manufacturer marketing its own products as well as a distributor Between 1985 and 1988 the contributions to operating income by manufacturing and marketing subsidiaries increased from 45% to 60%, during which period the income has more than doubled in nominal terms



Overall the report contrives to give a much more hi-tech impression than previously Company activities take place at two separate groups within SA universities, and associate Bioclones and wholly owned Sevarac are involved in long-term development of biotechnology and biochemicals Exports have also begun to feature, although in the past year these were partly hampered by the higher rand and are meeting sanctions resistance Last year saw the opening of what the company claims is the largest and most modern pharmaceutical manufacturing facility by subsidiary Lennon in Port Elizabeth

MD Anthony Karis stresses that the local pharmaceutical industry has reached a stage "where the business norms that have prevailed for the past three decades will change considerably to a climate of strong competition in the health care arena " In particular, the increasing cost of health care — especially among indigent patients but also among medical aid patients — is leading the company towards development of new generic medicines

Last year's share offer helped to reduce the level of debt to very small proportions While chairman Petrus van der Walt mentions that opportunities may arise to take over disinvesting foreign concerns as attractive propositions appear, it appears unlikely that very large increases in the debt structure will be undertaken lightly While lower margins may affect profitability, Karis suggests that "a further sound increase" is expected for earnings in the current year

Unless the JSE stages a further collapse, the shares look fairly priced, even though they are highly valued in current yield terms It appears that growth should continue further in the years ahead *David Ross*

More fuel in inflation furnace

(183)

14/8/88

Times

SHARP increases in petrol and diesel prices in September will hoist the consumer price index (CPI) by about 1,7 percentage points and dash hopes of reducing inflation.

By Don Robertson

The CPI hit a four-year low of 12,4% in June Economists now estimate that by the end of the year the inflation rate as measured by the CPI will rise to 15% or 16%

The 15,8% increase in the petrol price will be the first in 31 months and has been caused mostly by the declining rand

The new fuel prices will result in an early rise in the CPI of 0,7 percentage points, but the multiplier effect through the additional cost of transport will add another percentage point by the first quarter of next year

A motorist travelling 1 600km a month in a two-litre car can expect his petrol bill to rise by about R30 a month

Phil Erasmus, chairman of the Public Carriers Association (PCA), says the cost of transport will increase by about 3% Higher licence fees for heavy trucks will add another 2% to costs

The Deputy Minister of Economic Affairs and Technology, George Bartlett, says that too-cheap fuel has increased road use to the detriment of rail transport

Building

Kobus Jooste, president of the SA Agricultural Union, who with representatives other organisations met Mr Bartlett on Friday, says the additional cost to farmers will be about R150-million a year He concedes that the increase is unavoidable

Expensive fuel will push up building costs They are expected to rise by between 21% and 25% this year, says Lou Davis, executive director of the Building Industries Federation of SA (Bifsa)

Material manufacturers will have higher input and transport costs which will be passed on to contractors who will have to pay more for running on-site plant and equipment

Cees Bruggemans, chief economist at First National Bank, says fuel prices have been held at an artificial low for some time There could be a wave of price rises later this year on other products whose prices have been kept down

Assocom says the rise will have a serious effect on the cost structure of the economy and it is unlikely that the recent improvement in the rate of inflation can be maintained

Other economists say the new fuel prices could have been designed to curb consumption and so protect the current account of the balance of payments (BoP)

For political reasons, the authorities have supported the price of fuel since December at a cost of R551-million The money was drawn from the Government-operated equalisation fund

Exhausted

However, with the retail price of petrol running at as much as 7,9c a litre below the production price, the fund would have been exhausted by the end of September

Since December, the under-recovery has mounted rapidly In January it was 1,089c/l, 1,219c/l in February, 1,796c/l in May, 6,401c/l in April, 7,896c/l in June and 7,906c/l in July

In June last year, the slate operated by the oil companies, had a surplus of R195-million However, it was whittled away each month and in April had fallen into a deficit of R98-million This was settled by a payment from the equalisation fund

The price of 93 octane petrol on the Reef will rise from 82c/l to 95c/l The price of 98 octane at the coast will go to 79c/l from 92c The price of 87 octane fuel will increase from 79c/l to 91c on the Reef

The price of diesel will rise to 87c/l from 76c, and paraffin will cost 14c/l more

The structure of the petrol price will also be changed In spite of the September increase, an under-recovery of 8,1c/l is estimated An additional 1c/l will be allocated to the Motor Vehicle Assurance Fund The fuel tax will be increased by 3c/l, and the equalisation fund will get an extra 0,3c/l The dealer margin will rise by 0,6c/l

The under-recovery of 8,1c is based on an exchange rate of R2,45 to the dollar, but is averaging R2,50 to the dollar this month

However, Mr Bartlett says there will be no further fuel-price increase this year as the equalisation fund will receive an additional 0,3c/l

Mr Bartlett says fuel-price increases from 1980 to 1987 were 45% below the rise in the CPI, which meant that in real terms it declined by 45%

Although the volume of crude-oil imports could fall, further steps are needed to protect the balance of payments (BoP)

In the first half of this year, all SA's imports rose to R18,24-billion from R13,23-billion in the six months to June last year Exports rose by only 6,4% to R21,67-billion from R20,36-billion — a decline in volume terms As a result, the BoP current account surplus fell from R7-billion to R3,43-billion

Imports in June were R3,55-billion compared with exports of R4,02-billion, reducing the surplus to R463,8-million — the second lowest this year

The growing import bill was caused mainly by capital equipment purchases, stock replenishment and high-tech items, such as computers, which were bought ahead of tighter sanctions

The worsening position was alleviated in March, April and May as interest rates abroad eased This encouraged importers to seek trade credit instead of SA finance The resultant capital "inflow" assisted the BoP

However, foreign interest rates have firmed and trade credits have become expensive

The authorities were reluctant to take any action, fearing that interest rates in SA would rise The Government was afraid of the political consequences of this, says Azar Jammine, director and chief economist of Econometrix

"We are now in trouble We cannot continue to import at levels which are 40% above those of last year while exports remain static

"The authorities have three options — they can lift interest rates, impose direct credit controls through the banks, or impose import duties or surcharges They have no alternative, they have waited too long"

Union dispute at nine major companies in oil industry

BDay 14/3/88

THE Chemical Workers' Industrial Union (CWIU) has declared a dispute with nine major employers in the petroleum industry for refusing to agree to bargain certain issues with the union at a national level, the union said yesterday.

The dispute affects 3 000 workers and three out of four of SA's crude oil refineries, CWIU general-secretary Rod Crompton said

He said the union had applied to the Manpower Minister to appoint a conciliation board

The companies involved are BP, Caltex Oil, Cera Oil, Mobil Oil, Mobil Refining, Sapref, Shell Oil, Shell Chemicals and Veetech Oil.

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The CWIU alleges the companies have refused to negotiate for public holidays, maternity leave, education assistance, job security and social responsibility programmes

Programmes

"The oil companies are very vocal about their efforts in the field of social responsibility.

"Some of them spend on one project more than the average worker will earn in a lifetime," Crompton said.

He said the union was also concerned that the boost to corporate image should not replace social needs as the criteria for selection of recipients.

"The union finds it shocking that the oil companies refuse to discuss these projects with the very workers who create the profits to make these social responsibility programmes possible," he said. — Sapa.

da's Justice Mini

Justice Minister Al-
se has resigned from

THEO RAWAI

has left Venda at ar
standstill with shops

19/8/88 FM

LOVASZ CHEMICALS 183

Well ahead

Activities: *Originally a chemical trading organisation, manufacturing operations are becoming increasingly important*

Control: *The directors (almost entirely the Imerman family) own 17,3m shares*

Executive chairman: *V S Imerman, managing director S Imerman*

Capital structure: *26,7m ords of 5c Market capitalisation R22,7m*

Share market: *Price 85c. Yields 5,3% on dividend, 13,9% on earnings, PE ratio, 7,2; cover, 2,6 12-month high, 235c, low, 75c Trading volume last quarter, 449 000 shares*

Financial: *Year to February 28*

	'85*	'86*	'87*	'88*
Debt.				
Short-term (Rm)	—	—	—	2,2
Long-term (Rm)	—	—	3,3	6,1
Debt equity ratio	—	—	—	0,62
Shareholders' interest	—	—	—	0,44
Int & leasing cover	—	—	—	4,5
Debt cover	—	—	—	0,4
Performance.	**'85**	**'86**	**'87**	**'88**
Return on cap (%)	—	—	—	12,6
Turnover (Rm)	14,7	20,0	30,8	44,6
Pre-int profit (Rm)	1,3	2,4	2,9	3,9
Pre-int margin (%)	9,1	11,8	9,3	8,7
Taxed profit (Rm)	0,85	1,1	1,5	2,9
Earnings (c)	4,3	5,7	7,3	11,8
Dividends (c)	—	—	—	3
Net worth (c)	—	—	—	50

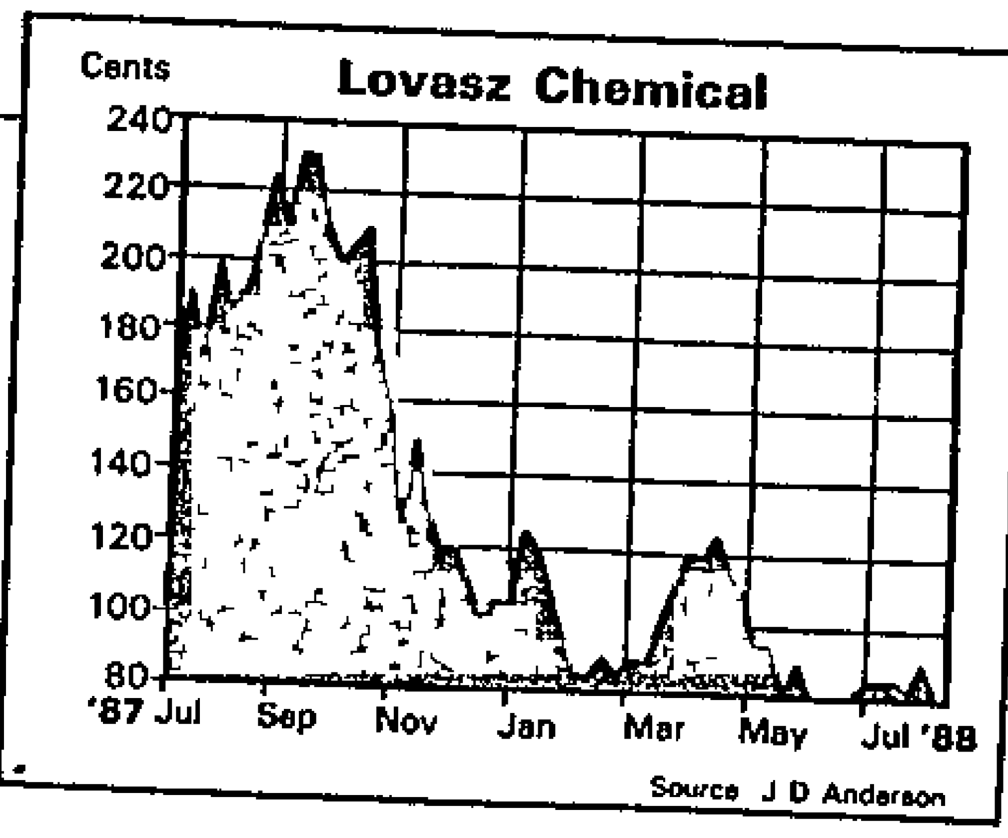
*Pro forma prospectus figures

One of 1987's listing phenomena, the 2m share public offer was 151 times subscribed that June, attracting R302m That the share now stands at a 15% discount on the issue price is a telling comment both on the new issue hysteria and subsequent events

Results comfortably exceed the prospectus forecasts. turnover by 27% and EPS by 14%. However, the dividend is pegged at the forecast 3c, and executive chairman Vivian Imerman says it is intended to maintain cover of 2,5 to 3 times, against the 2,2 to 2,5 times projected in the prospectus.

Imerman says management has been further strengthened with the acquisition of a speciality chemicals operation. A new chemical commodity and plastics division has been set up. The long-term objective is to move into prime chemical manufacturing.

Since the financial year-end, a joint venture agreement has been concluded with Biocon of Ireland, through the acquisition of 50,1% of Acetico Biochemicals (Pty), which makes hi-tech speciality food additives and enzymes To cost R1,5m, this will be financed by the issue of shares.



In his chairman's report, Imerman was confident that the economic upswing would be maintained If so, and provided the rand did not appreciate significantly against a basket of major trading currencies, he said the group was well placed for a further increase in earnings this year.

Financial director Gerald Katzeff says that though economic conditions are no longer so favourable, the group is still trading above budget

One of the more substantial of 1987's new listings, the share also seems to have some interest as a rand hedge, to judge from the chairman's remarks. Given a favourable general market sentiment, it should prove a sound long-term holding. *Michael Coulson*

Cape Times 23/8/88

Weak rand boosts Swimline earnings

183

JOHANNESBURG — Swimline, the Ciskei-based manufacturer and distributor of swimming pool chemicals, pumps, filters and pool accessories, has raised attributable income by R673 000 to R2,65m following exchange rate gains on the goup's foreign loan.

This represents a 154,2% increase which allowed the group to raise earnings a share by 92,8% to 13,3c (6,9c)

After-tax income was raised by 89,8% to R1,98m for the year ended June 30 This was achieved off a modest 9,6% increase in turnover to R20,4m (R18,6m) after floods affected a large part of the group's market.

John Puttergill, chairman of Swimline Holdings Limited, in his chairman's review to shareholders, said it was only at the sliding rand exchange rate that sufficient investment would take place in both import replacement and export orientated projects for the economy to show real growth — Sapa

Shock end for Fedmis

28/8/90 Star

183

By Magnus Heystek, Finance Editor

The heavily overtraded fertilizer industry has claimed its second major victim in less than 18 months.

Following the collapse of Dr Louis Luyt's Triomf group last year, Sanlam-controlled chemicals giant Sentrachem has now decided to withdraw from this market

This leaves only Sasol Fertilizer, a subsidiary of listed Sasol Limited, and AECI as the remaining major players in the local fertilizer industry with Omnia Holdings very much a minnow in this league.

Sentrachem has decided to split the sale of assets of its fertilizer manufacturing subsidiary Fedmis, which has only recently been returned to profitability after three horrendously unprofitable years, for which it will receive R175 million in total

AECI gets the plants at Phalaborwa in the Northern Transvaal and in Milnerton outside Cape Town, while Sasol obtains the manufacturing facility at Sasolburg Omnia Holdings gets control of the export-import terminal at Richards Bay What each member of this consortium contributed individually has not been disclosed

While this injection of capital into Sentrachem further boosts the already much-improved balance sheet to a gearing of 0,3, down from 0,6 before the deal, it will not have any significant impact on earnings for the current year. Sentrachem says this improvement will place the group in a very much stronger position to make planned new investments without undue strains on its capital structure.

The local fertilizer industry, although looking much healthier than the abysmal years of 1985 throught to 1987, still suffers from virtually semi-permanent over-capacity

The industry has the capacity to produce roughly 5 millions tons of fertilizer a year, while sales last year were barely more than 3,2 million tons.

Although Sentrachem declined to comment on such a possibility, it seems likely that at least some of the Fedmis plants will be mothballed in an effort to reduce capacity. Spokesmen for AECI last night refused to comment

Fedmis has a market share of about 28 percent, but with one drawback. it has no direct access to raw-materials unlike Sasol and AECI which are major producers of the basic ingredients of fertilizer

While Sentrachem plays down the monopolistic implications of the sale of Fedmis to Sasol and AECI, farmers, however, will have all more the reason to feel aggrieved with the move, as it leaves them with even fewer alternative sources of local supply

AECI, Sasol boost market share

25/8/88

Sentrachem sells Fedmis for R175m

B/Day

183

LINDA ENSOR

CHEMICAL giant Sentrachem has sold off the assets of its fertiliser subsidiary Fedmis for about R175m to AECI, Sasol and Omnia in what constitutes a further rationalisation of the industry

In terms of the deal, finalised yesterday, AECI is to take over and run Fedmis's Milnerton operation, Sasol Fertilisers is to take over the Sasolburg complex and AECI and Sasol will take over the Phalaborwa phosphate plant in a joint venture that will secure supplies of raw material used in the manufacture of fertiliser for both

The Phalaborwa plant will be run by AECI's fertiliser arm, Kynoch.

Omnia is to take over Fedmis's share of the ammonia terminal in Richards Bay while Fedmis is to retain the Kuils River operation as a property

Sentrachem MD Johan van der Walt said the R175m deal was based on the book value of assets plus the recovery of working capital

He stressed while the three fertiliser companies were involved in the deal, competition in the industry would not be dramatically affected and thus Competition Board approval had been granted As far as production of fertiliser for purchase by farmers was concerned, all three would operate independently

"The deal allows the industry to rationalise capacity, production and transport and should provide the farmer with a more cost-effective product and service," he said He added some operations may be curtailed

As a consequence of the deal, AECI's and Sasol's market share increases — Sasol's substantially

Fedmis suffered losses in 1986 but achieved a major turnaround in the year to end March after radical restructuring and internal cost-cutting The number of

● To Page 2

183 B/Day 25/8/88

Sentrachem sells Fedmis for R175m

● From Page 1

employees was slashed from about 3 800 to about 2 100

Since the early '80s, the depressed fertiliser industry has been bedevilled by drought, low prices, price wars and overcapacity About 2-million tons were sold in 1987 on a total industry capacity of about 4-million tons

Although 1988 has seen some upturn, says Van der Walt, the market continues to be fragile

The cash injection strengthens Sentrachem's balance sheet, reducing gearing to 30% — well below the target of 60% — at a time when interest rates are rising The funds are to be used for a restructuring of the group's portfolio which has to date been unbalanced in favour of rubber and agriculture

Van der Walt said the disposal of Fedmis was part of a long-term refocusing of Sentrachem's activities Other schemes, including fairly major capex projects, would be implemented in the next few years

He said Sentrachem would expand in those areas in which it was strong, namely industrial chemicals, plastics, rubber and agricultural chemicals, either through increasing capacity or by means of acquisition

Cape Times 25/8/88

Day 2 of BP drivers' 'strike'

183

Staff Reporter

A GROUP of BP drivers yesterday stopped work for a second day while waiting for a reply to their demand for the suspension of a supervisor — but BP management said yesterday's stoppage did not affect deliveries of petrol

A Chemical Workers' Industrial Union (CWIU) spokesman said yesterday that 35 bulk-vehicle operators at BP — supported by other workers — were calling for the suspension of a supervisor and had stopped work on both Tuesday and yesterday

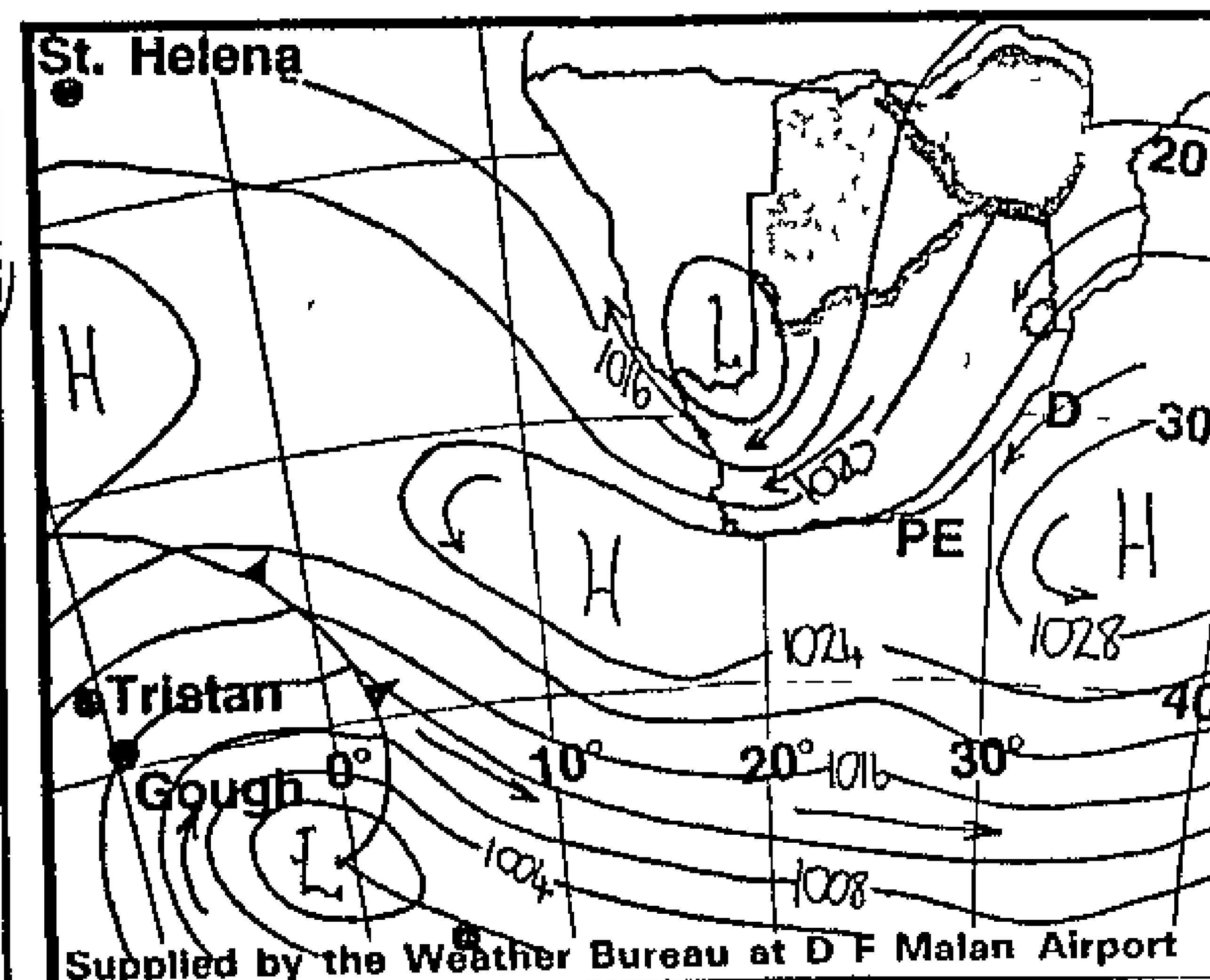
They had sent a letter to management containing their demands for an commission of inquiry and would continue their stoppage today until a reply was received

A BP spokesman said that while there had been a "small disruption" of deliveries on Tuesday, deliveries were back to normal yesterday.

The CWIU spokesman said there was an estimated backlog of 100 deliveries to BP, Shell and Trek garages from the stoppage on Tuesday

Workers had staged a demonstration at BP's Montague Gardens Terminal yesterday

The BP spokesman said in a statement that 35 employees continued to refuse to work yesterday



Partly cloudy, mild

CAPE PENINSULA and vicinity and Western Cape Coastal Belt Partly cloudy and mild becoming cloudy and cooler along the coast Fog patches will occur later Wind moderate northerly but strong south-easterly over the extreme southern parts The minimum and maximum temperature will be between 12 and 21 deg C

Coastal belt Cape Infanta to Plettenberg Bay Partly cloudy and mild with isolated showers

Coastal belt Plettenberg Bay to Port Alfred Cloudy and mild with fog patches, clearing partially

Namaqualand and the South Western Cape Interior Cloudy and mild with isolated thundershowers, clearing

Pretoria, Witwatersrand and the Eastern Highveld Fine and mild with fog patches

Transvaal Partly cloudy and mild

Free State Partly cloudy and mild with isolated showers

Natal Partly cloudy and warm

Namibia Partly cloudy and mild becoming warmer

Botswana Fine and mild

YESTERDAY S READINGS

	noon	8pm
Barometer	1018 4	1014,7
Humidity	60 0	70
Temperature	20 8	18

max 22 0 min 10,7

(At D F Malan 24 hours to 8pm)

Hours of sunshine 5 3

Wind (D F Malan) 8 pm Southerly knots

TIDES (TABLE BAY) TODAY

High 0129 1402

Low 0750 2010

Sun sets 1823 rises 0715

Moon rises 1605 sets 0551

TIDES (TABLE BAY) TOMORROW

High 0217 1444

Low 0831 2053

Sun sets 1823 rises 0713

Moon rises 1722 sets 0633

PHASES OF THE MOON

Full Moon, Aug 27

Last Quarter Sept 3

New Moon, Sept 11

First Quarter, Sept 19

POOL, SEA TEMPERATURES

Muizenberg Pool 15, Sea 13

Sea Point Pool 14 5, Sea 13

Newlands 16

Long Street 24

WEATHER ELSEWHERE

	min	max
Athens	20	34
Brussels	12	18
Buenos A	N/a	N/a
Geneva	08	21
Hong Kong	27	31

TV TODAY

***Programmes supplied by SABC**

TV1

6 00-8 30 Good Morning SA

3 30 Ons wetenskaplikes

3 40 Insekgedrag, menslik betrag

4 00 Liewe Heksie

FERTILISER

183

Shake-up expected

The fertiliser industry seems set to undergo its next major shake-up When the *FM* went to press, it was widely believed that Sentrachem was on the verge of selling all or part of its wholly-owned fertiliser arm, Fedmis

Sentrachem MD Johan van der Walt declined to make any comment ahead of a press conference which the group was due to hold on Wednesday afternoon However, market speculation was that AECI's Kynoch and Sasol Kunsmis had negotiated to buy Fedmis, which would be held through a jointly-owned company.

If so, this would further reduce the number of significant players in the fertiliser industry, following the rationalisation of a couple of years ago when Kynoch bought Louis Luyt's Triomf operations At present the only major producer other than Kynoch, Fedmis and Sasol is Omnia, which is also the only specialist fertiliser company listed on the JSE

Although the health of the industry appears recently to have improved, profitability remains low The producers and industry analysts have long said that further moves would have to come What is expected now is that if this week's deal comes off there would follow a reduction in the industry's overall capacity, or at least an improvement in its efficiency

Thus, even though Omnia — which is thought to be operating at full capacity at present — may not be participating, it should benefit from improved profitability and less competitive pricing in the industry

For Sentrachem in particular, there appears to be logic in either full or partial withdrawal from fertiliser production Fedmis was for some time a loss maker, but last month Sentrachem stated in its annual report that in the year to end-March, its fertiliser arm had produced a "dramatic reversal of fortunes" and ended the year with a small profit But management also noted that Sentrachem's after-tax return on average capital employed had only reached a level of 9% and the objective was to increase this return to above 16% which would be required to support further capital investment

Sentrachem's Van der Walt ... seeking better returns

The kind of deal being talked about for Fedmis would mean that Sentrachem could dispose of assets currently earning low returns, while the sale may also bring considerable funds into the group

Sources place a possible value of about R100m on the deal, which is roughly the book value of the assets but well below the current net worth of the company This could provide funds which may be used for more profitable investment or to prune Sentrachem's interest-bearing debt

Benefits for the larger and more diversified AECI would be less direct and may take longer, with much depending on the deal struck, but it too has extensive exposure to the industry

An intriguing question raised by these expectations is the attitude of government and, more specifically, the Competition Board It is known that Luyt attempted some years ago to initiate rationalisation in the industry but apparently he met with an unsympathetic response from Pretoria

Trading volume in Sentrachem shares picked up in the past week, and the price of the ordinaries rose from 400c to 425c

Louis Venter

FM 26/8/88

Giants square up in battle for fertiliser

(183) 24/5/88 Sharo

THE battle lines are drawn between AECI and Sasol in the R750-million-a-year fertiliser market after the sale of Fedmis this week.

AECI, Sasol and Omnia are dividing the assets of Fedmis for R175-million Sentrachem is the seller Fedmis was No 2 in fertiliser

AECI and Sasol emerge as the main players in fertiliser — as they are in explosives

Omnia says it will not chase the slice of the market left by Fedmis But far from a cosy market-sharing arrangement, a free-for-all is expected

Joint venture

AECI will acquire the Fedmis ammonia and fertiliser plant in Milnerton, Cape Town, and in a joint venture with Sasol the phosphate plant at Phalaborwa

Sasol Fertilizer will take over the complex at Sasolburg, and Omnia gets the Fedmis share of the ammonia terminal at Richards Bay.

Shareholders in AECI, Sasol and Omnia are entitled to feel short changed on information. Nobody is dislosing who pays how much for what and what the effect of the transactions will be on profits — or market share.

Market information is closely guarded, but it is thought that Kynoch has the largest stake, followed by Omnia and Sasol.

The question is, who will get the Fedmis share of the market which is estimated at about 600 000 tons?

The name of the fertiliser game is volume and Kynoch and Sasol will be eager to grab as much of the market as possible.

Albie de Waal, deputy general manager of the Sasol group, says that because fertiliser deals are conducted between the salesman and

By Don Robertson

the farmer, the winner will be the company which acquires most of the Fedmis sales team

Rationalisation in the industry in the past few years has resulted in the Potchefstroom plant of Triomf Fertilizer being absorbed by AECI. Triomf's Richards Bay plant was acquired by Indian Ocean Enterprises

Benefits

Oliver Hill's Swaziland operation dropped out of the market, leaving AECI's Kynoch, Fedmis, Sasol and Omnia

But the four had to share a market which plunged to 2-million tons last year — the lowest in many years Production capacity is about 4-million tons a year and several plants have been mothballed

John Skeen, managing director of Kynoch, says further rationalisation was necessary Fedmis took advantage of the marginal improvement in the market to shed its interests

Dr Skeen says benefits of rationalisation include improved capacity use, savings on expensive transport, a more stable market, a better supply balance and the ability to close old plants

He says that although Kynoch is profitable, the returns would not be please shareholders. However, he expects the more stable market to rectify the position

Neville Cross, managing director of Omnia, says his company's access to ammonia through Richards Bay will end a strategic problem it had

The company is operating at near capacity, but Mr Cross says any increase production will be for more profitable customers

Mr Cross believes the market will rise by about 10% this year

W/Mail 2-8-91

183

Oil giants in a dispute over social action plans

The oil companies run into trouble with unions over how their social action money is spent. EDDIE KOCH reports

OIL companies are involved in a nation-wide dispute with workers demanding their union has the right to take part in decisions about the way corporate profits are spent on social action programmes — and the conflict could spark industrial action at three crude oil refineries

Funds that petroleum companies invest in projects designed to promote social change have long been a volatile issue, with many anti-apartheid groups claiming the corporations are merely trying to boost the industry's image and resist pressures for disinvestment

But this is the first time a union has formally declared an industrial dispute over the controversy and the move will shift issue from the realm of public debate into the combustible arena of collective bargaining

The Chemical Workers' Industrial Union (CWIU) has asked the government to appoint a conciliation board to try and resolve the dispute If this is not appointed this week, the unions will hold a series of nation-wide meetings with its shop stewards and members to discuss possible industrial action.

CWIU general secretary Rod Crompton told the *Weekly Mail* that the major employers had refused to negotiate with the union over their social responsibility programmes and a range of other demands that include paid maternity leave, education assistance and job security

The companies involved are BP South Africa (BPSA), Caltex Oil, Cera Oil, Mobil Oil, Mobil Refining, Sapref (jointly owned by Shell and BP), Shell Oil, Shell Chemicals and Veetech Oil (largely owned by Shell). Together they employ some 3 000 workers and own three of the country's four petrol refineries Sapref is the biggest refinery in the southern hemisphere

"Our members feel it is their labour that has created the profits that are being distributed like presents to boost their corporate image and the union finds it shocking that the oil companies refuse to discuss these projects with the very workers who make them possible," said Crompton.

Many programmes were designed to either create a privileged elite or to train skilled personnel for the benefit for the industry, he added. Included in this category was BP's involvement in schemes to upgrade District Six in Cape Town and research grants that aid the chemistry departments of some universities.

But BP has rejected the union's claims. "There are no issues on which BPSA have refused to negotiate with the CWIU ... Indeed BPSA has an ongoing commitment to negotiate with the union for employees at work sites where the union has achieved recognition," said a company press statement.

"BPSA regularly publishes a comprehensive report on its social responsibility activities and sends every employee a copy."

Shell also said it has always been prepared to discuss "fringe benefits and wider employee issues" and is opposed to the CWIU initiative because it proposes that negotiating take place on an industry wide basis

BP's social responsibility programme extends to schools

"Shell and the CWIU have already met to discuss these as part of last year's wage negotiations (and is) willing to continue the discussions with the union at any time These discussions, however, would only be in respect of those of our operations for which the union has been recognised," said Shell's official release.

But Crompton said the union wanted to bargain collectively with the companies over social responsibility, and the other demands, because "there are obviously considerable sums available and with economies of scale these can be put to best use

"If the companies are genuine and not concerned to get publicity coverage and boost their image then surely it does not matter where they negotiate with us."

The fracas has clearly become embroiled in the CWIU's campaign to pressure the oil companies into negotiations and the union is obviously hoping the sensitivity around social responsibility and disinvestment will give them some extra leverage to achieve this wider objective

But during previous disputes, the oil companies have refused to move away from plant level bargaining because they believe this will extend the influence of the union beyond its actual membership

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'Millions a day' get frittered on medicine

By RENEE MOODIE
Medical Reporter

SOUTH AFRICANS spend about R2 000 million a year — or almost R5,5 million a day — on medicines, it was said at the launch of a new medical publication yesterday

Professor Peter Folb, chairman of the Medicines Control Council and head of the UCT department of pharmacology, was speaking at the launch in Pinelands of the "South African Medicines Formulary", which was compiled by members of his department.

He said there was a "worrying tendency" to over-prescription of drugs in South Africa, which had been documented by medical aid societies and hospitals

The "Formulary", the first comprehensive medicine-prescribing guide for use by health professionals in South African conditions, was published by the Publications Division of the Medical Association of South Africa (MASA) in association with the Pharmaceutical Society of South Africa.

Prof Folb said that while spending on medicines in South Africa fell in an intermediate range internationally, white South Africans probably spent about as much as North Americans. Black South Africans probably spent as much as that spent per capita in countries like Nigeria.

Twenty percent (R400 million) of money expended on medicines was spent by the pharmaceutical industry on promoting their products.

"Much of this information is fair and accurate but it is also likely to be motivated by self-interest. The aim of the "Formulary" is to provide medical people and the public with objective information in the public interest," he said.

Dr John Straughan, co-editor with Dr Elizabeth Conradie of the "Formulary", added that over-prescription was part of a social ethos.

Prof Folb said the "Formulary" aimed at promoting a rational, cost-effective and objective use of medicines.

"There is the prospect that unless we use medicines carefully, the continued availability of essential drugs cannot be guaranteed in the future.

"Having essential medicines depends on local and international infrastructure and industry, governmental attitude to that industry, the resources of a country, systems of distribution and the amount of money available.

"In most countries — except advanced nations — people do not have access to critical medicines like penicillin," he said.

In the foreseeable future, South Africa would not be self-sufficient in essential medicines. "We do not have the technology or the expertise," he said, adding that as yet the country had not suffered from sanctions in this area.

SATURDAY, SEPTEMBER 10 1988

Disputes rock oil industry

W/C ARGUS 10/9/88

with petroleum bosses"

By DICK USHER
Business Staff

TWO major disputes are looming in the vital oil industry, either of which could have serious implications

The Minister of Manpower has granted a conciliation board to hear one dispute, over a demand by the Chemical Workers' Industrial Union (CWIU) for national collective bargaining, and the union has applied for a board to hear the other but this has not yet been granted

If the board fails to settle the national bargaining issue the union has the legal right to hold a ballot and call a strike, an issue which company spokesmen say is "very, very sensitive"

In a Press statement this week CWIU referred to the hearing as a "CWIU showdown with petroleum bosses"

It involves nine major petroleum companies, including Shell, Mobil, Caltex, BPSA, Veetech and Cera-Oil over their refusal to bargain nationally at an industry-wide level

CWIU claims to have noted common strategies and approaches by managements during wage negotiations and demanded that "employers come out into the open together and negotiate certain employment conditions"

These include public holidays, maternity and paternity leave, educational assistance, job security and pensions

More controversial issues are demands for a bigger say for workers in social responsibility programmes and an end to PAYE while workers do not have proper political representation

Bargaining

Company spokesmen said they regarded collective bargaining as a domestic issue to be conducted on a domestic level rather than nationally

The second dispute is over disinvestment

The CWIU is campaigning for disinvestment by all multinationals, including oil companies

Claiming that the collective bargaining climate was less favourable where South African management had replaced foreign management after disinvestment, the CWIU is seeking prior agreement on the course of action to be taken by companies in the event of them disinvesting

This would include sufficient notice of the intention and economic protection for workers

183 B/day 14/9/88

Tenders add to high cost of medicines

IN HAMPERING the restructuring of SA's health system, government was hindering the ways in which the spiralling cost of medicines could be reduced This was the view of several speakers at yesterday's seminar in Johannesburg on "Medicines — the costly cure?"

A more flexible medical aid system, greater use of generic substitute medicines and the standardisation of prices from manufacturers were some of the suggestions made towards cost reduction

William Bannatyne, vice-president of the SA Association of Retail Pharmacists, criticised government for the lack of a national health policy, forward planning and co-ordination

He said these were partly caused by constitutional delay in "sorting out" general and own affairs. "There are too many commissions and investigations — we are always waiting for reports"

Government was also implementing short-term solutions to budgetary problems which would result in long-term problems One of these was the road government was taking towards

DIANNA GAMES

greater socialisation of medicine rather than the much-needed privatisation, Bannatyne said

The provinces last year said they would commission district surgeons to dispense medicines to State patients And government recently told pharmacists they had one year's notice that government was removing all old age dispensing in urban areas from private pharmacists

Standard price

Bannatyne and Sid Hurwitz, executive director of SA Druggists, called for a standard price on medicines from manufacturers which could reduce prices by as much as 20%.

There are at present three different prices from manufacturers for tenders (mostly the State), doctors and retailers These can vary as much as 50% on individual products, hitting the community pharmacist hardest.

Hurwitz said there was too little flexibility with medical aids and there was very little, if any, competition between schemes, which generally encouraged over-servicing and over-prescription

And, he said, pharmacies were not allowed to substitute generic medicines even though the provinces allowed it in their hospitals

Other major factors, Bannatyne said, were the cost of raw materials and the transfer pricing system whereby local subsidiaries pay a proportion of the product cost to the main research base for further research and development.

Dr Gunter Faber, director of Beecham Pharmaceuticals' international division, said 80% of the cost of any medicine was that of importing raw materials, as the local market did not warrant local manufacture

Faber, a member of the Pharmaceutical Manufacturers' Association, said as an organisation they were against substitution Multinational pharmaceutical companies had invested R600m in SA, provided thousands of jobs and enabled continuing contact with medical developments internationally

(183) 8/day.

Unethical to promote Vesperex — evidence

EDYTH BULBRING

AN EXECUTIVE director of a drugs company told the Johannesburg Magistrate's Court yesterday it was unethical to promote a dependence-producing drug like Vesperex.

William David Marais of Lennon Peterson Agencies said Vesperex, a schedule six drug, was never given as a free sample and it was company policy to refuse sample requests for the drug from doctors

Marais was giving evidence at the trial of Jean Henri Coppez, 37, of Bryanston, and Maseraadeen Mohideen, 36, of Mayfair, who pleaded not guilty on Monday to 11 charges of fraud and alternative charges of forgery and dealing in Vesperex tablets

The state alleges Coppez and Mohideen fraudulently ordered 284 800 Vesperex tablets for a non-existent pharmacy and debited the company's account by more than R130 000 from July 1985 to July 1987.

Marais said he had told employees none of the company's products were to be discounted without his prior knowledge or debited to the company's account. Coppez, a former employee, had been present at these briefings.

Last year it was drawn to his attention that Vesperex tablets were being debited to the company's account. Some orders were going out at less than the wholesale price and others were not paid for

Mosbay strike looks a winner

SATURDAY SEPTEMBER 24 1988

w/c Argus 24/9/88

Business Staff

ANOTHER oil and gas project in the Mossel Bay area could get off the ground in the next few years.

This is the conclusion to arise from the latest drilling results announced by Soekor, taken in conjunction with recent technological developments

During the past 18 months Soekor has revealed several oil strikes In March last year, the E-AAI well, with a flow rate of 5 000 barrels of crude oil a day and 6-million cubic feet of gas, was discovered about 120 km south west of Mossel Bay

In May, a much more exciting discovery was made in the form of the E-ADI well, which is 5,5 km south east of E-AAI This well has a flow rate of 7 000 barrels of oil a day and 58-million cubic feet of gas

Last week Soekor announced that two more small oil deposits had been discovered nearer to the Mossel Bay coast

The importance of these discoveries should be assessed in the light of technological developments in the global oil industry — in particular, Shell's recently-disclosed new method discovered for converting natural gas into oil

Indeed, the near-monopoly held by crude oil in providing the world's transport fuels is about to be broken by schemes underway at major oil companies to produce petrol and diesel from natural gas

Shell and BP, the world's second and third largest oil companies, are pushing rapidly ahead with development of the schemes, which could be producing commercially within 10 years

The plans, which would facilitate the exploitation of the world's vast but largely untapped reserves of natural gas, have been made possible by technological break-throughs which have markedly reduced the costs involved in processing natural gas into liquid fuels

The technologies promise to increase the availability of relatively low-priced petrol and diesel fuel at a time when the grip of Opec oversupplies of oil to the non-communist world could otherwise become as strong, if not stronger, than prior to the first oil crisis in 1973

Shell is in advanced negotiations with Petronas, the Malaysian state oil company, to build a gas conversion plant at Bintulu in the Saranak province to produce high quality middle-distillate products used in diesel and aviation fuel

The plant, which could be operational in 1993, would have a capacity of 12 000 barrels a day and cost about $500-million

BP similarly claims to have developed a new conversion process Although the details are being kept secret, the process would manufacture ordinary petrol from natural gas And it claims that it would be competitive even with oil prices at less than $20 a barrel

The company plans to start construction of a demonstration plant for the process next year that would allow it to test the process on a relatively large scale before moving to full commercial development

The Mossel Bay project, which is due to come on stream in 1991, is one of the few in the world which incorporates a gas-to-petrol and diesel process It is based on the same local technology as that used by Sasol to convert coal into oil and is called the synthol method

FUTURE PROJECTS

It would not be practical to discontinue the Mossel Bay scheme to take advantage of Shell's technology, even assuming it were available

The Shell development could nevertheless be relevant to any future gas-to-petrol projects established at Mossel Bay

With the Mossgas project, natural gas is to be converted into liquified form — a costly process If the Shell process is cheaper, it could materially improve the prospects for the development of a much larger synfuel industry exploiting the oil and gas deposits off the Cape coast

FERTILISER CARVE-UP

(183)

Quick impact

As anticipated August 26), Sentrachem is withdrawing from the fertiliser business and Fedmis is to go to the remaining players, AECI's Kynoch, Sasol Fertilizers and Omnia The deal takes effect from September 1, and could have a swift and sharp impact on profitability for certain groups involved

FINANCIAL MAIL SEPTEMBER 2 1988

FM 2/9/88 (183)

After its earlier repurchase of Kynoch and more recent acquisition of Triomf's Potchefstroom plant, AECI has clearly emerged as the industry leader The latest developments are expected to boost AECI's EPS by 10% in its next financial year For Sasol, now the second-largest in fertiliser, the bottom-line effect will be much less dramatic, but the reshuffle has cleared the decks for a head-on contest with AECI in this industry The synfuel/chemicals producer has indicated it is determined to expand into downstream activities that will balance profit from petroleum products

With the exception of Sasol, which reported another earnings decline this week, share prices of the companies concerned have firmed since the announcement Omhold showed the best improvement, of 9%

Benefits will come both in terms of market share increases and rationalisation of production facilities Fedmis is believed at present to hold about 28% of the market, but how this will be carved up between the new owners is not yet clear Kynoch will undoubtedly emerge with upwards of 50% of the market and will gain more from rationalisation of plants than sudden increases in production

Pieter Viljoen, MD of Sasol Fertilizers, says that assets to be acquired will fit in well with the present operation, which will be substantially enlarged. In addition, it is believed that Sasol could be taking up to half of Fedmis' sales force

Kynoch chairman Chris von Solms declines to comment on the expected rationalisation. However, there appears to be logic in various moves· for example, both Fedmis and Sasol produced fertiliser granules at Sasolburg; some of this capacity will be wound down Fedmis' Milnerton plant will go to Kynoch as the latter is already active in the Cape Both Kynoch and Sasol will obtain phosphoric acid from the jointly owned Phalaborwa plant

One reason why Sentrachem is selling Fedmis is that it had to buy in most of its raw materials The company was considered overcapitalised and earned low returns, losing R40m in 1986 The R175m to be received from the sale of Fedmis reduces Sentrachem's gearing from 0,6 to 0,3 Sentrachem will be getting a little more than the book value of about R85m for fixed assets, with the rest of the price paid for stocks and funds from debtors Stocks will be sold to the new owners

Use of the funds to reduce debt would only increase Sentrachem's EPS by 2c Hence, the group plans to invest most in new capital projects Disinvestment opportunities could also be pursued Even so, gearing should remain within the target of 0,6

Omhold, the first fertiliser company to manufacture liquid fertiliser locally, has proved a survivor in the industry It is believed to be one of the lowest-cost producers and MD Neville Crosse confirms that Omnia will now be operating at full capacity. It is acquiring Fedmis' interest in the ammonia import terminal at Richards Bay, thereby gaining access to additional ammonia sources, and will no longer have to rely on its competitors' spare capacity *Louis Venter*

Kynoch's Von Solms ... more profitable assets

FINANCIAL MAIL SEPTEMBER 2 1988

FM 23/9/88

MEDICINE COSTS

183

One way exit

Medical wholesalers say the cost of medicine to the consumer could be at least 20% lower if there was a single exit price from the manufacturer

At the moment, most drug companies sell their products at three widely different prices The State Tender Board, which buys 80% of drugs, gets them the cheapest — often at cost Dispensing doctors usually get drugs at a heavy discount But the wholesaler, who sells on to retail pharmacies, pays the highest price.

SA Druggists Wholesaling GM Sid Hurwitz says· "I can gets drugs cheaper if I buy them through a third party, such as a doctor, than if I buy direct from the manufacturer The price can vary by as much as 50% for identical quantities of the same product to different providers of health care "

Hurwitz and other wholesalers consider the current variable pricing to be a restrictive practice and have asked the Competition Board to outlaw it

Manufacturers, at least officially, are sympathetic to Hurwitz's view Pharmaceutical Manufacturers' Association president Hugo Snyckers says "A single exit price may not be consistent with a free market, but medicines are a special case."

Pills . . . why pay more?

Snyckers also believes the role of the tender system can be diminished

"Government should only use the system to buy the essential list of medicines, as prescribed by the World Health Organisation. But the rest should be bought on the same terms as the private sector Otherwise the market will continue to be skew "

Hurwitz contends that another way to reduce prices would be to bring in more competition through generic substitution.

"At the moment, the community pharmacist has no say over the brand of product he can dispense as he is not allowed to substitute the brand on the prescription Generic manufacturers, therefore, have no incentive to market their brands to pharmacists. If they did, it could bring in a measure of price competition — to say nothing of the considerable savings of substitution per se."

But this view is hotly contested by manufacturers and doctors alike, who are adamantly opposed to substitution That battle goes on, with vested interests no doubt continuing to lobby against lower prices ■

TRUCKING

Local muscle

A decade ago, specialised trucking in SA was a case of each company doing its own thing, selling its own products The change came with the introduction of the local Atlantis Diesel Engine (ADE)

At present, government's local content policy is that the powertrain (ADE engines, ASTAS transmissions and drive wheel axles) of medium and heavy trucks and buses should be supplied locally The future direction of the local content programme for these vehicles will depend on an investigation by the Board of Trade and Industry

Be that as it may, this comparatively young industry is alive and well in SA and industry spokesmen are generally optimistic for the future

ERF are into premium-quality, custom-built trucks, building to order only Says MD Dai Davies "We're pushing out 200 to 300 trucks a year, depending on the vehicle mix But we rarely bring in a dramatically new model Rather, it's a process of gradual development "

Davies says cost increases have been a big problem "Overseas, costs are minimal because of the low inflation rate but here it's difficult because of high inflation, inefficient labour and poor forex "

Propower remanufactures engines and drivetrains as well as using glider kits for the refurbishing of trucks which consist of cabs, front axles, steering mechanisms, radiators and main frames.

Probuilt has 300-odd repair shops and a large diesel engine remanufacturing facility at Atlantis in the western Cape, custom-designed to remanufacture ADE engines at a rate of 4 000 annually

TRADE UNIONS 183

Leave but love us

The Chemical Workers' Industrial Union (CWIU) supports sanctions and disinvestment against SA as tools to help end apartheid At the same time, it wants the multinational companies where its members are employed to negotiate with the union beforehand the terms of their possible disinvestment — so that "the social wealth of SA remains the property of the people of SA"

To this end, the union filed a unique application on August 30 for the Minister of Manpower to appoint a conciliation board, in which 39 foreign-owned companies are cited as parties to the dispute

Among the companies are BP, Shell, Caltex, Total, Sapref, Ciba-Geigy, Colgate Palmolive, Elida Ponds, Unilever, Gillette, Hoechst, Fedgas, Pilkington Glass, Reckitt & Coleman, SA Cyanamid, Revertex, Dunlop, Price Candles, Vulco Latex and Cookson Chemicals None of the companies accepted the union's first entreaties to negotiate the matter, which were contained in letters in July and November last year

If, by September 30, the Minister does not set up a conciliation board, or if one is set up but fails to resolve the dispute, strike action "becomes a possibility," warns CWIU General Secretary Rod Crompton

According to the union, the terms of reference of the conciliation board should encompass the inability of the parties to reach agreement on joint negotiations on the disinvestment issue, notice of disinvestment, separation pay, social security, information to be provided to the union, pension/provident funds, and trust funds Further, in the event of partial disinvestment and in addition to the above, additional information, guaranteed conditions of employment and shareholding

The companies (which have set up an informal contact group chaired by Hoechst's Ian Thompson), have, not surprisingly, baulked at what amounts to a demand for full disclosure of such information According to one employer spokesman, most of the companies cited do not wish to negotiate the issue at industry level, but are quite happy to do so at plant level, largely because each one is different In any case, he maintains, most of them are very supportive of the Thatcher stance against disinvesting and have no intention of pulling out of SA

A Unilever spokesman suggests that "it is unrealistic to expect 39 separate and independently managed companies to bargain as a single entity What is more, Unilever believes that there is no point in attempting to negotiate the terms of a hypothetical improbability"

"That's what they all say," Crompton rejoins "If it's true, why are they prepared to negotiate the issue at plant level at all?" He says the union wants to establish disinvestment procedures in industries particularly susceptible to pressure to leave and also because what passes for disinvestment is "corporate camouflage"

Most so-called "disinvestments" the union claims, "were suddenly presented to employees as a *fait accompli* and in some cases (for example, Sterling Drugs), immediately after the company concerned had publicly announced that it had no intention of disinvesting whatsoever" Some companies, it continues, claimed in SA that they were not disinvesting while announcing overseas they had "disinvested" The union also claims that, contrary to certain reports, "these 'disinvestments' were not resulting in job losses, but rather in less favourable conditions of employment for the same employees, and a less favourable collective bargaining relationship for the union, introduced during and under the guise of disinvestment"

Closely linked to this, CWIU maintains, is the phenomenon of "disinvested" companies remaining within the control of the very same owners who claimed to have disinvested This is done indirectly through franchise and licensing or technology agreements and explains the apparently contradictory statements made locally and internationally

In the union's view, notice and terms of disinvesment must be agreed on as all 39 respondent companies are susceptible to disinvestment pressure to varying degrees and all are capable of disinvesting whether their local management supports the decision or not

"The only way the union can avoid 'disinvestments' being presented as a *fait accompli* is for a prior agreement to be reached between the parties on the course of action the parties would follow should they be affected by a disinvestment decision," the CWIU has submitted ■

27/9/88

Hydrogen peroxide venture

(183)

ST 5/10/88

By Sven Forssman

AECI Chlor-Alkali and Plastics and CG Smith Sugar are to construct a R50 million hydrogen peroxide plant on the AECI Umbogintwini factory site south of Durban in a joint venture, it was announced yesterday

Construction will begin within the next few months and commissioning will be completed in 1990

The plant will supply the entire South African market — about 3 500 tons per annum as pure hydrogen peroxide — and is expected to cope with increased demand over the next few years

All hydrogen peroxide — one of its uses is as a bleaching agent in the textile and pulp and paper industries — is presently imported, and as the raw materials for the process are sourced locally, the project offers substantial benefits in terms of import replacement and beneficiation of local raw materials

Experience overseas indicates a rapid growth in demand due to the favourable environmental properties of hydrogen peroxide Similar growth is expected in South Africa carefully towards the end to avoid burning

SA businessmen urged to invest in informal sector

Star 5/10/88

By Michael Chester

Investment by business in black education and housing should be matched by investment in the informal economic sector, Mr Lawrence Mavundla, president of the African Council of Hawkers and Informal Businesses, told a conference in Johannesburg at the weekend

"Unless more blacks are given an opportunity to become economically independent, they will forever rely on the formal sector to provide housing and bursaries for them," he said.

"If a man has a means of earning his own living, not only can he provide housing and education for himself, but he also has the choice of deciding where he wants that housing and education to be, rather than be forced to depend on the choice tied to the requirements of the sponsor."

Addressing an "Update" conference run by the Aiken and Peat firm of accountants, Mr Mavundla said investment in the informal sector could offer businesses a positive profit return by exposure and entry to new and widening markets for their products and services.

He quoted estimates by Professor Brian Kantor, head of the business school of the University of Cape Town, that the informal sector now contributed 40 percent of the national economy over and above the official measurement of gross national product

In 1984, he said, there were said to be 7,2 million black students at school, but an independent survey had found that accommodation at third-tier level was limited to only 15 900 a year.

This compounded the problem of unemployment, which Cosatu's unemployed workers' co-ordinating committee believed now stood at 6,5 million.

The solution lay in black economic independence

Travel agents set for Perth

South Africa will be represented at the 22nd world congress of the Universal Federation of Travel Agents' Associations (Uftaa) in Perth next month, which takes place with the blessing of the Australian government, says Uftaa director Mr B Singer.

Oil firms will ask for more

Star 5/10/88

183

By Claire Robertson
Pretoria Bureau

Major oil firms operating in South Africa are to approach the Government to ask for a larger slice of the petrol price should profits be threatened by a drop in demand following a recent retail fuel price rise, according to Mr John Drake of Shell.

Mr Drake, who is the managing director of Shell's oil division, said the oil companies were concerned that a number of factors could affect their margin.

These included a possible drop in demand, rising inflation and a sudden change in prices set on the international market

Oil firms received about four percent of the price paid by the consumer They did not share in the recent retail price increase and had not had their portion of the price increased for about two years.

Mr Drake said he did not foresee an increase in the consumer price if the adjustment was granted by the Government

Oil firms' results had been helped by a buoyant demand before the recent increase but were hindered by inflation and could be further harmed if demand dropped

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STERLING DRUG

What's in a name?

The names have changed, but little else Andrew's Liver Salts has become Drew's Sparkling Salts and Phillip's Milk of Magnesia, Phipp's Milk of Magnesia

These are just two of the brand-name changes consumers will have to get used to now that the final details of Sterling Drug's divestment from SA have been settled

Adcock-Ingram (AI), which bought the company from its US parents this year, has re-named it Saphar-Med — the name of a dormant AI company The Chemical Workers Industrial Union (CWIU) says that's all that's new The union is still in dispute with the company over the terms of the buy-out

Saphar-Med MD Chris Rose says a condition of sale was that the company had to tamper with the names of some of its best-known products "Sterling head office in the US insisted name changes had to be phonetically different We insisted they should be as closely aligned as possible to the previous brand names"

Certain pharmaceutical brands have also changed their names, though not much For instance, Beserol is now Besenol. But brand names unique to SA, such as Panado and Compral, remain unaffected

Saphar-Med will have to obtain its raw materials from different sources, as all links with Sterling have ceased But the registration numbers of drugs registered with the Medicines Control Council remain the same

Only two products will disappear altogether. Lysol disinfectant and the drug Ladogar In both cases Sterling was the only source for raw materials.

Rose says now that Saphar-Med is a wholly-owned SA company, there will be new investment "After the passing of the Comprehensive Anti-Apartheid Act, Sterling was unable to invest in plant expansion and some of our brands were under-exploited"

He says a new marketing campaign will concentrate on high-potential brands including Wet Wipes (previously Wet Ones), Stearn's Pine Tar Syrup and Panado It is also free to seek manufacturing licences for products outside the Sterling fold ■

7/10/83 FM

Druggists have a case for comparative advertising

Star 8/10/88

183

CHRIS MOERDYK

CONSUMERS of prescription drugs are suffering severely from restrictions on comparative advertising

Local pharmaceutical advertising specialist Greg Norman says that almost every drug ever manufactured has been compared with the existing market leader to prove its viability before going to market.

More importantly, the comparisons have been conducted under the strictest clinical conditions according to international standards

"So the comparisons that are made are accurate, honest and prove a drug's superiority over another with the nett effect being to the advantage of both doctor and patient"

Whether for or against comparative advertising, says Mr Norman, it must be agreed that there are areas where comparisons would cut through a whole lot of advertising puffery and get straight to the honest advantage one product might have over another

GREG NORMAN

"The fact is that the advertising authorities have chosen not to entertain the idea because of the control that would be required to ensure that all comparisons were legal and above board

"However, one area which has been overlooked for too long is that of pharmaceutical and medical advertising

"Many experts have argued about the value comparative advertising may have for the consumer, especially in a country such as ours where the majority of the population might not even be able to afford the superior product But what is extremely important is that the South African medical fraternity be allowed to know the truth.

At the moment, although every pharmaceutical company might have comparative data, they are not allowed to use it because comparative advertising was made illegal by the Advertising Standards Authority

"This decision was no doubt taken after reviewing the consumer market ignoring the more important medical market, even though the pharmaceutical industry had the infrastructure to carry out comparative advertising under extremely strict control"

The state-run Medicines Control Council, he says, has some very strict rules governing the practices and procedures of all pharmaceutical companies currently marketing products that have been registered under the Medicines Control Act of 1965

One of the laws pertaining to the marketing of registered pharmaceutical products is that every pharmaceutical company must have a qualified pharmacist as its managing director

The managing director is responsible for all claims the marketing department might choose to make in favour of its company's products There is strict control on what may or may not be claimed by a particular product.

Every registered drug requires support data gleaned from years of clinical research Application is made to the MCC and approved on the ground of the supportive data as well as the opinions of the council members, who in turn would validate their concerns internally before approving or disallowing the use of certain information or claims

"Once approval for registration is given the registered company is bound by law not to infringe the claims allowed by the MCC Contravention can result in the managing director facing Supreme Court action and even jail

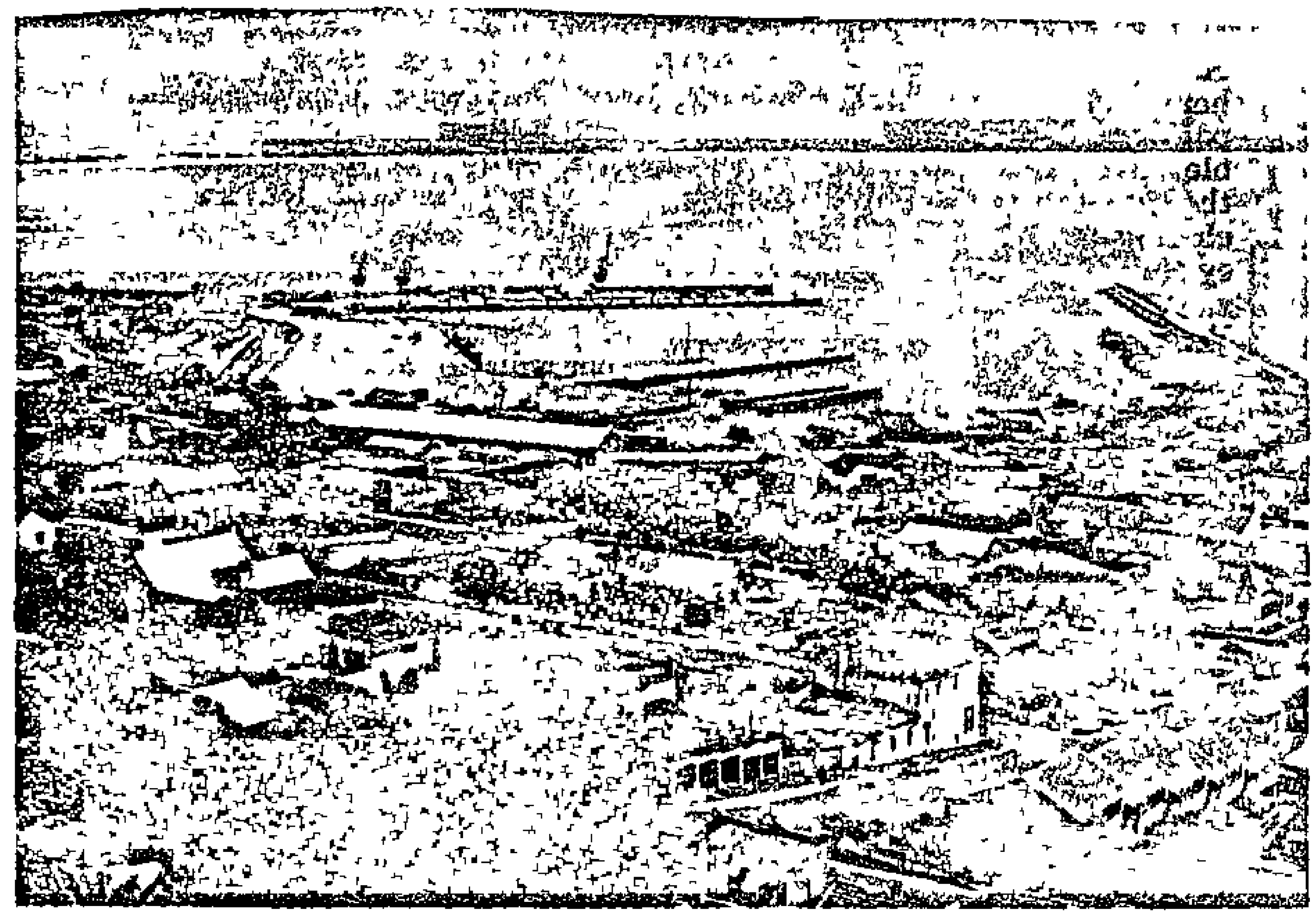
"There is no doubt that the pharmaceutical industry qualifies to be allowed the right to practise comparative advertising The already existing laws provide for responsible action on the part of the drug company and the state's medical authorities already hold all comparative data passed by them for registration

"The question now remains, will the Advertising Standards Authority give allowance to the state and the pharmaceutical industry?

There is no doubt a very strong argument in favour of ensuring that the doctor knows exactly what drug is superior to one he might be prescribing at present — and that the patient is getting the best medication"

Mossgas ushers in Cape coast property boom

Cpt Times 8/10/88



FOCAL POINT: Mossel Bay — operational base for the giant Mossgas project and focal point of the boom in the property market in the southern Cape.
Picture JOHN VAN DER LINDEN

The property market in the Southern Cape is riding high. ROGER WILLIAMS found the reason is a huge renewal of interest in residential as well as business and industrial property in the fast-developing stretch of the Garden Route between Mossel Bay and Plett.

FRESH interest in residential and holiday homes along the Southern Cape coast and a mounting, Mossgas-related demand for business and industrial premises at George and Mossel Bay have given new impetus to the property market in the area

A measure of the progress made in a decade at Mossel Bay, to be the base for the government's massive synthetic fuel project, is that the value of building plans passed by the municipality has soared from just under R1 m for 97 plans in 1977/78 to R30 m for nearly 600 plans in 1987/88

In July/August this year alone, 121 plans worth R3 640 550 were passed

The rateable valuation of property in the Mossel Bay municipal area has risen from just over R31 m in 1978 to about R210 m in 1988

The town's average growth-rate since 1975 has been a remarkable 6,2%

Figures obtained from centres along the Garden Route show that in the first eight months of 1988, 800 properties were registered at Mossel Bay, 620 at George, 156 at Sedgefield, 430 at Knysna and 320 at Plettenberg Bay

While resorts closer to Cape Town, such as Hermanus, are relatively quiet, those on the coastal strip between Mossel Bay and Plettenberg Bay are surging ahead, with demand exceeding supply in most places

A high proportion of the inquiries is said to be coming from up-country and overseas

Southern Cape property agents contacted by Top of the Times this week all reported they were busier than usual at this time of year, and agents at George claimed that theirs had become the fastest-moving growth point, not only in the Cape, but also in the Republic

They said the recent hike in bond rates and steeply rising building costs had not slowed the momentum gathered by the property market in the past few years

The Cape Town-based firm Pam Golding Properties has announced that the strong revival of interest in residential and holiday homes in the Southern Cape has induced it to open two branches in the Knysna-Sedgefield area recently, and that it plans to open offices in George and Plettenberg Bay within the next 18 months

Mike Bisset, the firm's executive director, said "Things are really on the move there There's a sense of development throughout the Southern Cape, with a lot of young people moving in and starting a wide range of businesses

"We are finding that the resurgence of interest in the Garden Route is attracting buyers mainly from Johannesburg and Cape Town, with ever-increasing interest from Natal

"Recent increases in building costs have contributed to a heavy demand for existing homes rather than plots"

Union dispute with nine oil companies makes little progress

W/C Argus 8/10/88

THE conciliation board dealing with a dispute between the Chemical Workers' Union and nine oil companies has made little progress

It adjourned after its first sitting and there will be talks between the union and individual employers in the interim

The dispute is over the employers' refusal to negotiate on an industry-wide basis with the union

Demands for industry-wide negotiation have come from several unions in the past year, either to one employer with several operations or to individual employers in the same industry, and have mostly been resisted.

CWIU's demands included industry-wide negotiation on social responsibility, pensions, public holidays and educational assistance

Initial debate at the board was around the terms of reference, which specifically excluded social responsibility, pensions and taxation, and it was agreed to deal with the question of industry-wide negotiations first.

According to a statement from the union, employers had several reasons for their reluctance to accept industry-wide negotiations.

These included interference with their freedom of association, not being prepared to deal with the union alongside their competitors, they were not necessarily part of the same industry, not being convinced that it was feasible, and employees would not benefit.

The union argued that the petroleum companies associated at various levels sharing resources such as refineries and transport, having the same raw material, crude oil, having similar working conditions for employees, and because petrol prices were fixed competition was limited to marketing

Positive step

The union views the dispute seriously and hoped that the exploratory talks with senior management from individual companies would ease the situation "from the constraint of the multi-company conciliation board proceedings"

This is viewed as a positive step towards reaching settlement on the issues

The union said it was not contemplating industrial action "at this delicate phase" of negotiation but would report back to members in order to "take its campaign for industry-wide negotiations in the petrol sector further" W/C Argus 8/10/88

'Car owners prefer independent stations'

Star 10/10/88.

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By Caroline Mehliss

Consumers prefer independent service stations to carry out motor repairs and services on their cars rather than the agency from which the car was bought, a study by the University of Port Elizabeth has found

Two of South Africa's largest car manufacturers estimate that client retention by car agencies after expiry of the car's guarantee period is as low as 30 percent

The study found consumers feel independent service stations do car repairs better for the following reasons

- Repairs are done correctly the first time
- Complaints result in quick reaction
- Considerate and friendly service
- Reasonable prices
- Convenience. The service station is usually located close to the consumer
- Quick service in the case of minor repairs
- Timeous notice if vehicle has to remain in workshop overnight
- Personal contact with the mechanic.

Business Report

Sasol plans to spend R900m on new projects

JOHANNESBURG — Plans to spend almost R900m on new projects in the Eastern Transvaal have been unveiled by Sasol's MD Paul Kruger

Speaking after the corporation's annual general meeting here, Kruger said the expenditure would be spread over the next four years and includes R500m to develop a new coal mine and R390m on plants to supply raw materials to the plastics industry

"The mine will be in the Secunda area and should be on stream by 1992"

Open-cast operations would be interlinked with underground workings The mine would produce about 7m tons of coal a year and boost Sasol's coal production by some 20%

Sasol already has four mines producing just under 35m tons of coal a year, equal to about 27% of SA's total output

Sasol's success in expanding synthetic fuel production was responsible for the decision to open the new mine

The stage has now been reached when Sasol's existing coal mines could supply only 88% of its needs, so that it is having to "buy out"

In spite of the increase in synfuel production, Sasol will gradually shift its marketing direction from fuel production for the chemical industry because of poor producer product prices, said Kruger

Major improvements in profitability had been achieved in all Sasol's sectors of business, with the exception of the synfuel division, in the past year

The recent increase in fuel prices did not address the problem of the synfuel's industry, according to Sasol chairman, Joe Stegmann, in his chairman's review in the annual report

No provision was made for increased tariff perotection for this industry

Stegmann noted "We have been advised that the government will deal with the indigenous indutry's request for increased tariff protection by the end of October

"It is hoped the government's decision will reflect their commitment to the undertaking given to prospective investors at the time of privatisation

"At both Sasol 2 and Sasol 3 new production records were established in the year Cost increases at these plants were kept well below the general inflation rate

"However, Sasol 2's overall profitability is considerably enhanced by its larger chemical production capacity compared with Sasol 3 But the return on Sasol 2's large capital investment, even on an historical cost basis, is not satisfactory" — Sapa the year to June, improvement in the rand exchange rate and a rise in the US$ oil price kept the value of Sasol's synfuels turnover almost constant, increasing only 1% He suspects that US$ oil producer prices will remain soft for at least two years, possibly improving in the following three.

The recent increase in fuel prices did not address what Kruger sees as the problems of the synfuels industry He notes further that in the 1979 prospectus, government assured prospective shareholders that "should the ratio between the rise in general cost factors and the rise in the price of petroleum products materially deviate from the assumptions made for the purpose of the economic evaluation of (Sasol), protection . may be adjusted upwards or downwards "

He says the broad assumption was that the ratios would remain constant Kruger believes that, in view of this undertaking, government's response may have important consequences for the success of the privatisation programme in general.

Capital expenditure is to be substantial this year A new development is to be a coal mine in the Secunda area for completion by 1993 at a current cost of about R500m, which will produce 7 Mt a year. Expenditure will be financed from cash flow, and gearing is not expected to change from present conservative levels

After two years of moderate declines in earnings, Kruger expects an improvement this year, even without protection for synfuels. Further ahead, he has high hopes for the entry into polypropylene production. The plant at Secunda should be completed at the end of 1989 The world market for polypropylene has been expanding at more than 10% a year for 10 years, and "large quantities" of the total planned 120 000 t plant will be for export, which he believes will be profitable.

"The only markets we understand are free markets," he avers. That may look a little strange, in conjunction with demands for protection for synfuels *David Ross*

main contributor was Aberdare, which increased market share and improved margins The total cable division contributed about 33% of turnover

Next year Aberdare should cease to be the main contributor Benefits from the merger of Asea SA and Brown Boveri SA as BBT will start to filter through, as well as growth from BBT's new products Import substitution is also expected to have an impact

But further growth won't depend only on acquisitions Between 75%-80% of profits come from original industries, growth from acquisitions should be less important in future Crosby says the company is not put off by Eskom cutbacks, as it never banked on some of the large expansions, like Majuba

A p e of 7 reflects investors' confidence in continued growth *Louis Venter*

MIDAS

Top torque

Results at the interim to end-August remain spectacular Earnings improved by 84%, from 27,8c to 51,2c Further, MD Georg von Loeper expects the rate of improvement to be matched this half, which suggests earnings for the year to February around 116c (61,2c) The interim dividend has been hiked by 75%, from 8c to 14c Dividends this year could total 35c (20c), for a forward yield of 4,9% and forward p e of 6,1 at the current price of 710c That makes the share look reasonably priced

Attributable profit of R6,74m (R3,25m) was reduced by an extraordinary item, taken above the line, of R1,5m, representing write-off of goodwill in two acquisitions, Akals and Champion Motor Supplies The low tax rate of 19,9% (32,4%) was obviously an impor-

Midas's Von Loeper ... continued low tax

himself also reportedly holds about 35%

It is thought that M&R will buy another 10% from a pension fund If it does intend increasing its holding over 50%, JSE approval would have to be sought and an offer made to minorities Neither Hammerschmidt nor Du Plessis were available for comment *Teigue Payne*

SASOL

(183)

Synfuels slog

At a press conference in the splendid new head office block in Rosebank, occupied only two weeks ago, Sasol MD Paul Kruger made a call for protection for synfuels, revealing figures which must surprise many analysts.

Urging the merits of government protection, Kruger said synfuels contributed less than half Sasol's profits last year. This included R50m (R75m) dividends from Sasol 3 Taking the group on its own without Sasol 3, the percentage was "significantly less than 50%" At the same time, synfuels represent nearly three-quarters of group assets, including Sasol 3. Kruger expects a response from government in the last week of this month or the first week of next.

Kruger sees the problem largely as the result of cost inflation in SA. He says that in

14/10/88 FM

the year to June, improvement in the rand exchange rate and a rise in the US$ oil price kept the value of Sasol's synfuels turnover almost constant, increasing only 1%. He suspects that US$ oil producer prices will remain soft for at least two years, possibly improving in the following three

The recent increase in fuel prices did not address what Kruger sees as the problems of the synfuels industry. He notes further that in the 1979 prospectus, government assured prospective shareholders that "should the ratio between the rise in general cost factors and the rise in the price of petroleum products materially deviate from the assumptions made for the purpose of the economic evaluation of (Sasol), protection . . . may be adjusted upwards or downwards."

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"The only markets we understand are free markets," he avers. That may look a little strange, in conjunction with demands for protection for synfuels.

David Ross

FM 14/10/88 (183)

Trek's growth record intact

(183) Star 18/10/88

Finance Staff

Trek Beleggings has maintained its record of earnings growth by boosting taxed profit to R18,2 million for the eight months to the end of its new financial year on August 31

On the same basis, turnover rose by 9,6 percent, while operating income, adjusted to exclude abnormal income related to railage incorrectly charged in the previous year and recovered in the current year, was up 39 percent

A dividend of 52c has been declared A dividend of 70c was paid for the previous financial year to December 1987.

Chief executive, Mr Sarel Steyn, says the recent petroleum products' price increases are likely to depress demand in the short term Demand is expected to increase again in the long term, however, and Trek expects growth in sales, albeit at a modest rate, in the 1988/89 financial year

"Against this background, and bearing in mind our exposure to movements in international crude oil and refined product prices, as well as in the exchange rate, I am confident Trek will continue to show satisfactory growth in profits and return on shareholders' funds," he says

Star. 18/10/88

Prochem disappoints

(183)

By Magnus Heystek

Despite a healthy increase of 33 percent in turnover, a combination of higher finance costs and extraordinary expenses hampered Protea Chemical's performance in the financial year to end-August 1988, with attributable earnings showing an increase of only 12,5 percent, well below market expectations

This translates into earnings per share of 20,1c compared with 18,6c earned in the previous financial year The final dividend has been pegged at 4,5c, bringing the total for the year to 7,25c a share (7c in 1987)

Perhaps the only good news contained in the final results is a that gearing, although up from 47 percent to 55,1 percent, is still well inside the group's stated objective of a gearing between 35 and 75 percent. This is bound to provide some protection at least in an economic scenario of rising interest rates

Prochem's turnover increased by 33 percent to reach R297,9 million (1987 R223,6 million) while the operating income climbed to R21,4 million (1987 R18,5 million), an increase of 15,8 percent Attributable earnings amounted to R9,4 million, up from R8,3 million

Below the line Prochem is reporting a loss of R2,6 million, arising from the once-off costs associated with the sale of Cremark Chemicals and the write-off costs associated with the acquisition of Bintech

Prochem's chairman Mike Struwig says market conditions have been difficult for the group

KANHYM/PROCHEM (183) KM 21/10/88

More Malbak group

A number of Malbak group companies have reported Notable is **Kanhym**, which has declared its first dividend (5c) since 1982

This was made possible by an EPS climb of 37% from 27c to 37c, despite raw meat prices rising 38% Better margins, less debt and lower overheads also helped Margins improved from 3,7% to 4% thanks to tighter cost control and carefully directed selling.

Head office expenses were cut by R2,4m as benefits from decentralisation flowed through Next year, executive chairman Dirk Jacobs estimates that head office costs will be slashed another R5m to R1,5m

The focus was on higher-margin fresh and processed meats Fresh meat accounts for 56% of turnover margins are higher than for feed lots, and so on Processed meats, only 19% of turnover, yield the highest margins

The balance sheet also improved Debt is down from R100m to R68m, bringing gearing down from 76% to 49% It is expected to fall further, to 40%.

A 5c dividend is almost a token, but it could double next year on unchanged fully diluted EPS of 36,6c

The gap between the preference and ordinary shares is narrowing as conversion nears A pref dividend of 40c is payable at the end of the year, yielding 18% on the present pref share price of 220c If the ordinaries firm to 220c at the time of the conversion they will be on an historic p e of 5,9

By contrast, **Protea Chemicals** (Prochem) recorded a less impressive performance but is budgeting for a strong improvement

Chemicals traditionally trade well Last year's growth of only 8% in EPS surprised many investors MD Mike Struwig explains that the group was short of commodities for trading, which has now been corrected

Despite this and competitive conditions, market share increased significantly Cremark Chemicals underperformed, harming the manufacturing division's performance

Kanhym's Jacobs . . . tighter cost control

21/10/88 (183) 127

Its sale should go a long way in restoring divisional profitability

Accounting policies also slowed growth Goodwill is written off the year after acquisition, as is all research and development

In a move away from its traditional trading role, Prochem is expanding its manufacturing division New products of strategic importance such as refined chemicals are being developed These yield higher margins than the trading division

The technological division is developing hi-tech chemicals and substances such as potassium superoxide, whose technology is closely guarded by the world's few existing manufacturers The group is fast becoming a force in the explosives auxiliary industry

The shares are fairly priced at a p e of six and yield of 6%

Louis Vencer

INDUSTRIAL CHEMICALS (183) FM

Peroxide bond

SA should be self-sufficient in hydrogen peroxide from 1990, when a joint venture between C G Smith Sugar and AECI is scheduled to start operating

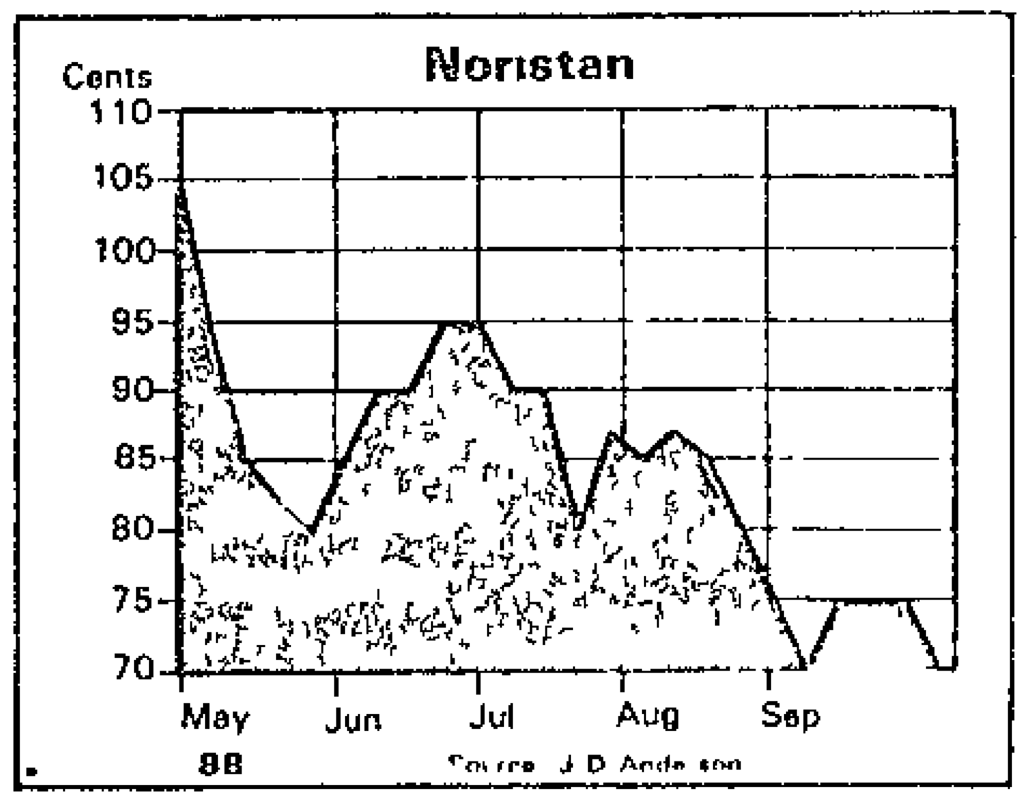
The plant will be built at a cost of R50m at AECI's' Umbogintwini factory site south of Durban The partners will each have 50% of the equity and the plant should meet local demand, currently 3 500 t/year, as well as projected demand into the foreseeable future.

14/10/88

Hydrogen peroxide is used as a bleaching agent in the textile, pulp and paper industries, as a reagent in chemical processes, for purification of waste water and in the mining industry

Says project GM Keith Harris. "C G Smith acquired access to the technology as part of its diversification programme away from sugar AECI were natural partners as they produce hydrogen as a by-product of their chlor-alkali process "

The technology is described as "tried and trusted" and is the basis of hydrogen peroxide plants the world over Harris says a more efficient process exists, but hasn't yet been properly tested in production ■



NORISTAN (B3) FM 21/10/88

Anti-cyclical growth

Activities: *Manufactures pharmaceutical products and cosmetics*
Control. *Brota Investments*
Chairman· *N Stutterheim, managing director H H Snyckers*
Capital structure: *42m ords Market capitalisation R27m*
Share market: *Price 65c Yields 3,7% on dividend, 23,7% on earnings, PE ratio, 4,2, cover, 6,4 12-month high, 110c, low, 65c Trading volume last quarter, 166 000 shares*
Financial. *Year to June 30*

	'87	'88
Debt:		
Short-term (Rm)	8,7	7,7
Long-term (Rm)	4,0	1 3
Debt equity ratio	0,19	0,04
Shareholders interest	0,62	0,71
Int & leasing cover	3,03	3 35
Debt cover	0,32	0 74
Performance	'87	'88
Return on cap (%)	10 5	18,1
Turnover (Rm)	49 2	56,1
Pre-int profit (Rm)	3,7	7,1
Pre-int margin (%)	9,8	16 7
Taxed profit (Rm)	2,8	5,7
Earnings (c)	7,7	15,4
Dividends (c)	2,0	2,4
Net worth (c)	64	78

Doubling EPS and dividends for two consecutive years is an excellent record, but this is not the end Noristan offers unusually strong anti-cyclical growth and seems to have little downside potential

In this pill-popping age, there would seem to be only financial advantages in being the only local company to manufacture aspirin Noristan has been in existence since 1953 and Salusa, which it acquired in 1973, was formed in 1965 to market proprietary medicines Subsequently acquisitions were made to enlarge the ethical and generic pharmaceutical operations, which produce a wide spread of products ~~selling to~~ private enterprise, government and provincial departments Chairman Niko Stutterheim says that the company is driven by "market needs" Being in healthcare, there should always be demand for its products

During the year to end-June, the pharmaceutical division launched some new licensed products The division, which generates 74% of operating profits, should provide substantial organic growth Salusa has been transferred to it which will now allow the consumer marketing division to focus on marketing Kanebo Silk Cosmetics and expand its activities in the toiletries field, but the full impact will only be felt in the next financial year The Noriscel division, which produces high-value chemicals, makes a material contribution to operating profits

Unusual incentives

The balance sheet is strong with R7m in cash, translating into a low debt equity ratio of 0,04 Solid returns are earned while the pre-interest margin is high at 16,7

There is an unusual staff incentive scheme under which all staff are given 4 000 phantom shares after one year's service They receive dividends and, although the shares are not negotiable, employees are paid the market price of ordinary shares when they retire

Though a low rand hits costs as most raw materials are imported, exports should help as markets are developed and future disinvestment should create opportunities At a p e of 4,2 the shares are undervalued, especially as the dividend is safe at the 6-times cover.

Louis Venter

Conlog to manufacture galvanic isolators

183 Star 24/10/88

Industrial Beat

STAN KENNEDY

The growing petro-chemical industry will benefit from a decision by electrical control company Conlog to start local manaufacture of galvanised isolated barriers for the protection of hazardous areas

Barriers are essential safety equipment in petro-chemical processing operations, off-shore oil and gas platforms, fertiliser plants and pulp and paper manufacture

Modern IS (intrinsicaly safe) technology electronically limits to a safe level the amount of energy in an electrical/electronic circuit within a hazardous area Barriers ensure that energy about to enter the defined hazardous area is stepped down to within stipulated safe limits

The barriers, which have not yet been released in Europe, will be state-of-the-art and will be an enhancement of the Pepperl & Fuch ZG range of galvanic isolators and will be known as the KHD range

The local manufacturing agreement with Pepprl & Fuchs of West Germany took effect last year and production facilities are now in place at the company's Durban plant

Afrox upgrading

Afrox is spending R500 000 on a major upgrading of its Pietersburg branch because of the rapid growth of gas and welding products business in Northern Transvaal

The company has maintained strong links with the farming, mining and industrial sectors in the area since the depot was established in 1962

Mr Jimmy Marriott, general manager, Northern Transvaal region, says "We are extremely positive about current and future growth prospects in the Far North Our objectives include further penetration of the markets in which we already operate and the development of new opportunities"

He attributes the company's growth in the area to high customer service levels, the ability to supply quality gas and welding products and the high standard of technical back-up

The building programme, which includes exapnsion of the administrative facilities and warehouse, is expected to be completed before the end of the year

Venture capital

Venture capital should work to the advantage of both the entrepreneur, who has the vision but no finance, and the investor, who wants a reasonable return on his money, says Mr John Wilkinson, recently appointed managing director of Corfin Finance

South Africans have failed to grasp the meaning and advantages of venture capital which, he says, is a great success story for entrepreneurs and investors overseas

"Investors are either frightened by the venture capital concept or see it as a way of making quick money

"Although there is an element of risk, it does not mean that investors should adopt a short-sighted approach and miss the golden opportunities that arise"

He says the majority of entrepreneurs, not having the necessary capital to fund a potentially profitable operation, are missing out on these opportunities

"The underlying concept behind venture capital is to take a small business and, with the correct capital structure, turn it into a multi-million rand business"

He sees the potential in the developing black business sector becoming a Utopia for the entrepreneur and the venture capital investor

Enhanced drying

Anikem, one of the largest speciality chemical companies in South Africa, has released newly developed chemical treatment programmes, which incorporate products, applications, technology and back-up service to enhance the drying of washed coal during preparation

The enhanced drying is said to ensure higher and consistent calorific value, resulting in higher bonuses and lower penalties It decreases drying costs, increases productivity and improves handling and saleability

Other benefits are reduced hang-up lower freight costs and lower freeze conditioning costs

The new generation filter aid programmes are for use on belt, drum or disc filters and the dewatering aid programmes for use on screens, basket and screen bowl centrifuges

Warman Africa, a leading supplier in the metal pump market which last year severed its relationship with Mitchell Cotts Engineering, has moved into a new factory of its own in Kempton Park Mr Sandy Laird (right) seen here with works manager Mr Bill Rundle, says an addition to the existing range of Warman pumps now being produced at the new facility is the PC, specially designed for slurries and solids handling and with 100 percent South African content

Aniline plant in Sasolburg to be restarted

183

Star 28/10/88

Sentrachem's Orchem is to reopen its Sasolburg aniline plant, which should save millions in foreign exchange and help overcome a worldwide shortage of a material so vital to the rubber and mining industries

Chairman, Mr Roy Pithey, says the plant, which was mothballed six years ago because local production had become uneconomical, will be recommissioned by next month

"Aniline prices recently increased significantly SA has imported it for the past six years at a cost of R20 million

"Given the recent rise in cost and the current shortage, it is in SA's interest to produce it locally rather than import it

"Our main objective is to serve the local market which needs a secure supply"

SIGN

Private patients are being forced to pay for state discounts

Medicine costs a bitter pill to swallow

Star 28/10/88 183

By DAWN BARKHUIZEN

Why do we need so many tranquillisers? One reason is that paying for medicine is a traumatic experience

The main shift in Russian policy towards SA appears to be away from the idea that the state should be overthrown by revolution and towards the advocacy of a negotiated settlement

The Soviets see their backing of the ANC's armed struggle as an indispensable form of pressure needed to get whites to the negotiating table

■■■

Statements suggesting that the ANC should seriously consider the issue of white group rights in order to achieve a settlement have emanated from Moscow recently

At the Leverkussen conference the Soviet participants stressed that these statements did not represent official policy — I sensed a degree of embarrassment on the Soviet side over statements coming out of Moscow that could undermine the ANC at the negotiating table

Despite glasnost, Soviet officials will probably be more careful in future

Finally, the Leverkussen conference made it clear that the ANC has made considerable advances in making its main political contacts with internal organisations, but has not yet resolved its dilemma

This is the contradiction between US strategy of political mobilisation in which they are eager to include whites, and the armed struggle with its concomitant bombings which inevitably will repel the great majority of whites

My impression is that ANC strategists are embarrassed by the bombings at the Ellis Park rugby stadium and in Wimpy bars, but that they lack sufficient control at this moment to prevent a recurrence of this

The armed struggle has forced whites to take the ANC seriously but a continuation of it may well drive them resolutely away from the negotiating table — which is where the ANC wants them to be.

■■■

The Leverkussen conference has once again demonstrated the great need for gatherings such as these where first-hand information can be exchanged There is a great need to open the channels of communication

A way must be found of getting South African periodicals and academic journals to Moscow and of disseminating Soviet writings on its foreign policy among opinion-formers in SA The South African passport-holders in Leverkussen were glad to peruse the most recent ANC publications, reluctantly destroying them before leaving for home.

An Old Testament prophet feared that his people would perish as a result of ignorance. Leverkussen momentarily brought a fresh breeze of glasnost to some dark areas of our politics. And one is grateful to the Friederich Naumann Foundation in West Germany and Idasa in SA for making it possible

The South African Government has shown wisdom in not trying to prevent it.

● Hermann Giliomee is professor of political studies at the University of Cape Town and editor of the Afrikaans political journal, Die Suid-Afrikaan

Adcock-Ingram beats earnings growth target

S Tav 28/10/88 (183)

The pharmaceutical group, Adcock-Ingram reports an increase of 48 percent in attributable income to R26,2 million (R17,7 million) and earnings a share of 118 cents (80 cents) for the year to end-September.

The percentage difference arises from EPS being determined on the weighted average number of shares in issue, which changed due to the recent capital restructuring through a rights issue of 462 270 shares

This was immediately followed by a capitalisation issue of 9 shares for every one held

The final dividend is 33 cents (21 cents) bringing the total dividend for the year to 44 cents Dividend cover is 2,7 times

Earnings growth considerably exceeded the group objective Turnover was up by 33 percent to R334,6 million (R250,9 million) and operating income before interest by 52 percent to R49,2 million (R32,4 million) After-tax income rose 48 percent to R25,8 million (R17,4 million)

Chief executive, Don Bodley says that this performance is due to the successful implementation of specific strategies which included aggressive marketing and commitment to reducing the rate of increase of operating costs, thereby improving margins

In the field of research and development Mr Bodley notes the unprecedented success of a locally researched, prescription analgesic/anti-inflammatory preparation which ranked "as the most successful launch ever, in volume terms, of a new pharmaceutical product in the country

In May, Adcock-Ingram acquired Durban-based Sterling Drug Company SA (renamed Saphar-med) Acquisition of locally manufactured Remedia Products followed soon after —Sapa

183 C.Press 30/10/88

Chemical factory for Soweto

GREATER SOWETO CHAMBER OF COMMERCE AND INDUSTR

Black business provides 60 jobs in cosmetics firm

By SINNAH KUNENE

ANOTHER first in the country's black small business development sector will be launched soon

Directors of Medicos, a three-man company which has associates throughout Africa, this week announced its plan to launch a major medicine and cosmetics manufacturing company in Soweto

The directors are Manas Shole, former liquor sales representative and a hair business owner, his partner Lucas Sebobe, and a Zimbambwe-based industrial chemist, Douglas Ruhukwa

The first black-owned and run hair product manufacturing company in South Africa, Black Like Me, is based in GaRankuwa

Shole told *City Press* their factory was near completion and some of the expensive industrial equipment had already been installed

The factory, situated at the Orlando West Industrial Park, would provide jobs for over 60 people, he said

The hair product manufacturing plant will form the first phase and the medicine plant will be launched later

"When the rand started dropping in value, we had to look at the possibilities of using products from the neighbouring states, rather than import them from overseas

"We met some hair businesspeople in Zimbabwe and were fortunate to make contact with Ruhukwa, who was keen to join us in business," said Shole

"Our ultimate goal is to introduce our people to some sophisticated businesses and encourage our youth to get into careers like chemical engineering," he said

Manas Shole . . . hair product manfacturing plant in Orlando West is to be launched first.

R210 000 payout to dismissed workers

ARGUS 1/11/88

Supreme Court Reporter

CAPE Lime Ltd has paid R210 000 in an out-of-court settlement to 80 workers dismissed from its Robertson plant in November last year.

The dismissals followed a series of industrial actions at the plant.

Issues included a demand for management to intervene in the detention of a national union organiser and a strike in sympathy with union members striking at Sasol.

In April, the Industrial Court ordered the reinstatement of the workers.

In his judgment, presiding officer Mr P Roux said. "Even if the actions may have been unlawful, regard still has to be had to both the fairness of ensuing procedural steps and the fairness of the sanction"

Yesterday two Supreme Court review applications were removed from the roll after the settlement was reached

Cape Lime agreed to withdraw an application against Mr Roux and the Chemical Workers Union on the basis that each party paid its own legal costs.

The union withdrew its application against the Minister of Manpower and Cape Lime

As part of the settlement the 80 workers accepted their dismissals from Cape Lime on November 6, 9 and 11 last year.

In addition to R125 684,88 paid by Cape Lime to the union in terms of an order by Mr Roux, the company undertook to pay the union an additional R210 000

SA Drug's growth is on target

Star 7/11/89

(183)

South African Druggists had a successful six months to the end of September, increasing its turnover by 18,9 percent to R360,8 million and its operating profit by 24,2 percent to R35,2 million.

The tax rate was unchanged and attributable income increased 24,8 percent to R17,3 million equal to 12,2c (9,9c) a share

An interim dividend of 4c a share has been declared, 21,2 percent more than 3.25c paid last year.

The managing director, Mr Tony Karis, said the group was on target to attain its objective of annual organic growth of 25 percent.

"The group's divisions, particularly pharmaceuticals and chemicals, had performed well for the Roman Catholic Church i.. ambia said yesterday

BM Times 4/11/88 ~~[illegible]~~

CWIU settles with Caltex

183

DURBAN — A settlement was reached between the Chemical Workers' Industrial Union (CWIU) and Caltex yesterday, ending a two-month-long dispute However, workers at Mobil and Shell SA are still in dispute with management

NE

All our waste tips just going to waste

183 Star 12/11/88.

Fuel lies in mountains of garbage

JAMES CLARKE

JOHANNESBURG, if it followed Grahamstown's example, could produce from its waste tips the equivalent of 40 million litres of fuel a year

While the whole world is worried about urban garbage and the way humanity stands between an ever-increasing heap of the unusable and an ever-diminishing heap of the usable, Grahamstown (population 20 000), in the Eastern Cape, is doing something about it.

Dr Brian la Trobe, industrial chemist-turned-dentist — he is also a former mayor of the town — has created a stir among waste technologists in South Africa by turning the town's garbage into fuel

As a town councillor Dr la Trobe realised the town was running short of dumping sites Most towns are Wherever the town wanted to dump garbage people complained Mostly they were worried about the smell

The smell comes from organic material which, as it decomposes, gives off gases including methane And methane, Brian la Trobe argued in the council chamber, is volatile — a cubic metre equals one litre of high octane petrol

"We can tap that power," he said

His point was emphasised when, at the time, a house in Derbyshire, England, blew up It had been built astride an old rubbish dump which had leaked methane

Dr la Trobe worked out that each Grahamstonian throws away 4 kg of rubbish a day — slightly more than each Johannesburger but only half of what the affluent people of Fish Hoek dump So that Grahamstown's heap of the unusable was growing by 2 500 tons a month

It is 80 percent organic — ideal for producing methane

Dr la Trobe persuaded the Council for Scientific and Industrial Research to make a grant to Rhodes University where chemist Professor Trevor Letcher and biochemist Peter Rose were interested in colaborating

Then Dr la Trobe organised for Grahamstown's daily refuse to be dumped in a clay pit on the edge of town and for it to be covered with a layer of clay Over the years the clay-pit became a honeycomb of sealed-off cells in which the rubbish anaerobically (without oxygen) decomposed to fill the cell with gas

'It is the unsmelliest dump I know," said Dr la Trobe when I met him in his neat home in Grahamstown

He explained the technology Deep into the cells is thrust a perforated pipe to collect the gases The gas is tapped off and slightly pressurised by using a small engine driving an ordinary car radiator fan

Recently Dr la Trobe invited fellow councillors and local newsmen to a braaivleis The venue the town's dump

He amazed his colleagues by plugging the braais into the dump's gas supply and cooking dinner

Professor Letcher who was there to share the triumph, and the boerewors, said "We now aim to investigate the possible commercial use of the methane in Grahamstown You may be looking at the first landfill reactor in South Africa "

Dr la Trobe has travelled the world looking at similar projects He found a brickfield in Bedfordhsire, England which fires 20 million bricks a year purely on garbage gas

At Bishop's Castle in England an abattoir provides all its own energy by composting its meat and manure waste in a digester

In Livermore, California, municipal trucks and cars run on garbage gas while in nearby Modesto they use municipal rubbish to fight crime — the police use it in patrol cars

Dr la Trobe told me that he has driven a methane fueled car — "You simply use a dashboard switch to change the fuel supply from the methane bottle in the boot to the petrol tank "

Dr la Trobe says a town of 100 000 could produce the equivalent of 5 500 litres of petrol a day — almost 2 million litres a year By that token Johannesburg could produce 40 million litres a year

The British, by the end of this year, expect to be burning landfill gas equivalent to well over 250 000 tons of coal — worth around R50 million

"We are way behind," said Dr la Trobe "Yet when I began going down to the dump people thought I was slightly mad Nobody believed me when I talked about producing bio-gas "

Meanwhile, throughout South Africa, millions of tons of waste are — well, going to waste

Star 14/11/84

183

Manufacturers are to blame for inflationary prices, says local wholesaler

Patients 'overcharged' for drugs

By Caroline Mehliss

Drug manufacturers are selling medicines to wholesalers for up to 40 times the price they sell the identical product to the State Tender Board

Once the retail pharmacist buys the drug from the wholesaler with a 17,5 percent markup, and adds his own 50 percent markup and R1,30 dispensing fee, the final price the private patient pays can be up to 80 times the price paid by the State

An example of this is the tranquilliser Valium The State pays the equivalent of 18,5c for 100 2 mg tablets (it actually buys packs of 500 tablets for 92c), the wholesaler is charged R8,35 for 100 tablets, and the consumer R15,18, plus a R1,30 dispensing fee

SURVEY

Another example of gross price inflation is the drug Zyloprim, used to treat gout The tender price for 30 300 mg tablets is 95c, the price to the wholesalers is R21,97, and the retail price is R39,95 (plus dispensing fee)

A survey of 14 well known drugs showed the difference between what the State pays and the wholesalers pay for identical drugs ranging from 1,5 to 40 times, with the average being about eight times

This price differentiation between State and drug wholesalers has been roundly condemned by pharmaceutical associations throughout the country

Mr Jack Bloom, chairman of the Southern Transvaal Pharmaceutical Society, says the private sector is paying vastly inflated prices for medicines because the Government is buying drugs at ridiculously low rates

"The State, provinces, and quasi government medical schemes like Iscor and Transmed purchase about two-thirds of manufactured medicine at one third the total cost of all medicines produced

"Drugs bought by the Government are purchased through the State Tender Board, and in order to beat competition, manufacturers are forced to tender at unrealistically low prices They then have no option but to inflate prices charged to the private sector to maintain overall profit margins "

Mr Bloom says the private patient gets hammered all the way down the line His taxes are used in part to buy medicines for the State, he pays vastly inflated prices for his own medicine and he pays GST on top of that

Pharmacists often bear the brunt of the consumers's anger at high drug prices They are accused of over-inflating prices, but the inflation begins long before the drugs reach the pharmacist and he has no option but to pass it on to the man-in-the-street

Mr Bloom says pharmacists and wholesalers want drug prices to be determined according to a sliding scale, based on quantity, applicable to everyone

This would allow wholesalers who served the private sector to negotiate on an equal basis as the Government if they bought similar quantities of drugs

Mr Bloom says the price of medicines could be cut by up to one-third if the Government accepted a standard ex-factory price from manufacturers based on quantity of sales

Mr Sid Hurwitz, executive director and director of pharmaceutical affairs of SA Druggists Ltd, a large pharmaceutical wholesaler, agrees there would be substantial savings for the consumer if there was one exit price for medicines based on amount purchased

He says the root of the inflationary drug price problem lies with the manufacturers, not the State or pharmacists

"The high starting price set by manufacturers is, where the trouble begins Also, manufacturers have no single pricing structure in the private sector — there are different rates for dispensing doctors, and varying rates for wholesalers If someting was done to level prices in this sector, prices should come down

"I don t think one can lay the blame for high drug prices at the State's door If they have to pay too high a price, our taxes will go up to pay for them And I don't think one can say the retail pharmacy markup of 50 percent is too high.

Does anyone ever question the markups in the retail clothing industry or other areas where markups are just as high if not higher?" asks Mr Hurwitz

Dr Hugo Snyckers, president of the Pharmaceutical Manufacturers Association (PMA), says a single exit price for the State and the private sector would not be feasible

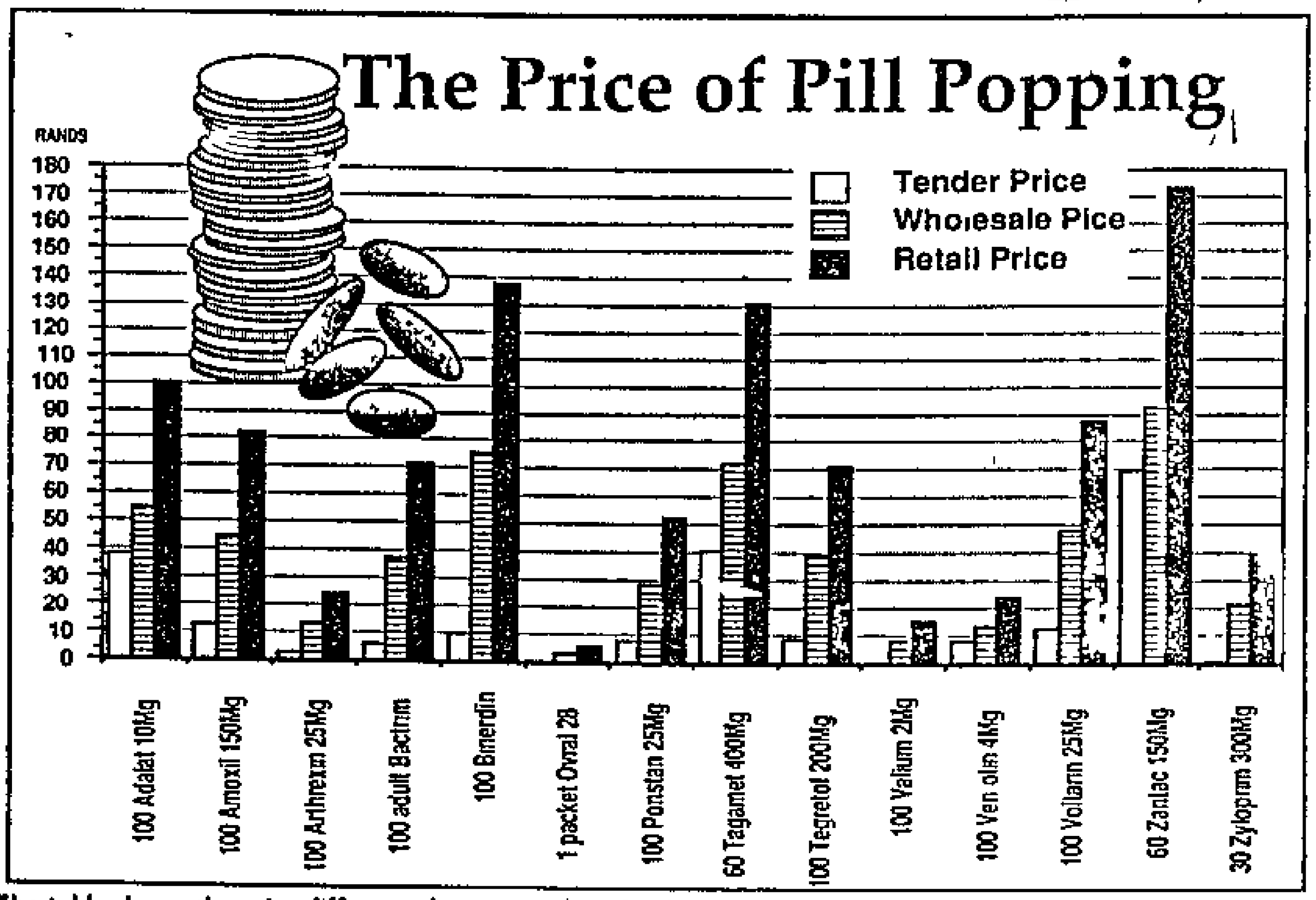
"There is a large section of the population in South Africa that cannot pay for its medicines, so the State has to use taxpayers' money to buy medicines for these less privileged people The State obviously must buy as cheaply as possible to make the taxpayers' money go as far as possible.

FACTORY

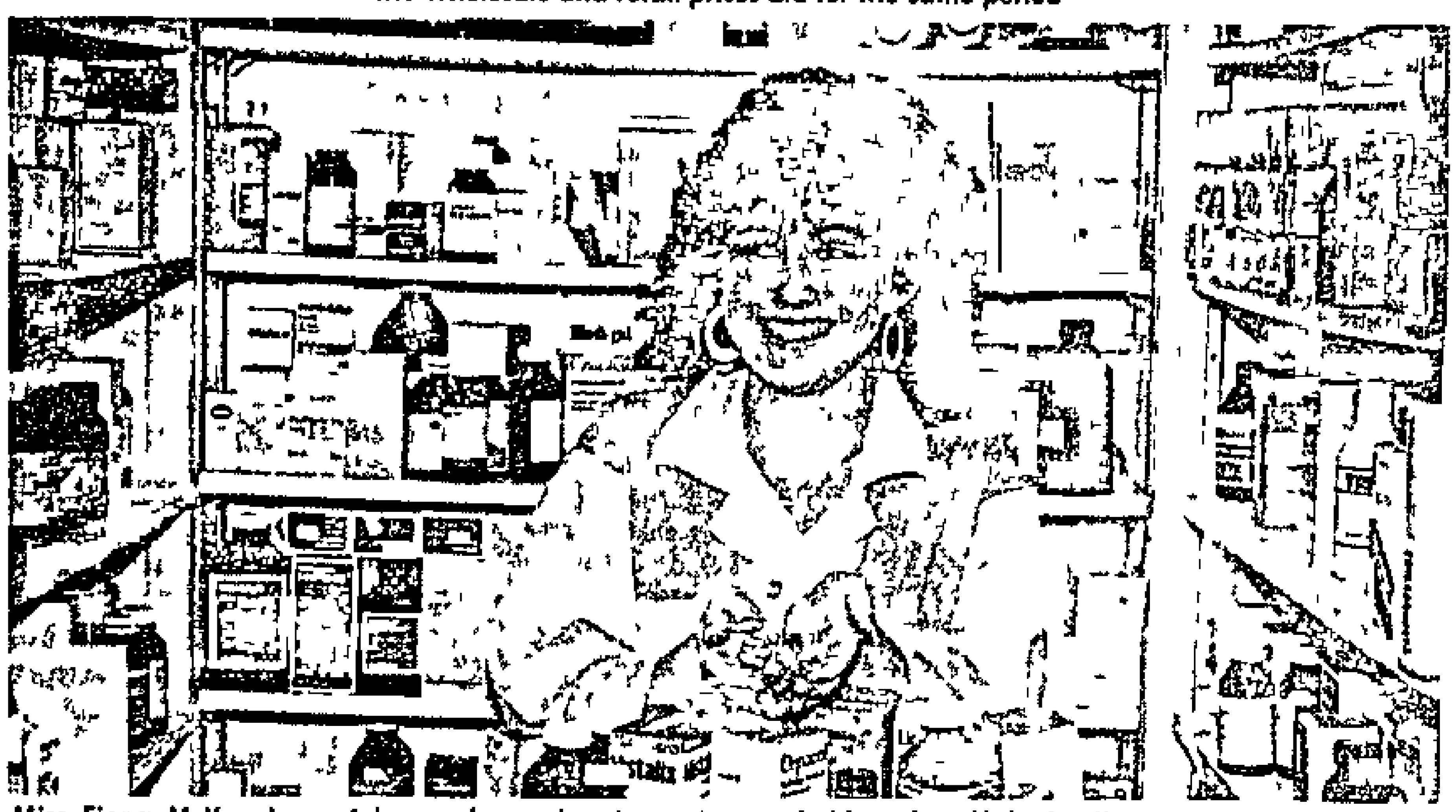
"The PMA is, however, busy drawing up a Government Purchasing List of between 200 and 300 drugs that we consider to be essential

"We propose that State continues to buy these on tender, but all other drugs should be channelled through the private sector at a single ex-factory price If the State wants to buy these drugs, it will have to pay the same as the private sector

"This idea is still in the planning stages, but the Government seems quite receptive to it."



The table shows the price difference between what the Government pays for drugs, what the wholesaler pays, and finally what the private patient pays The tender prices were those ruling at the beginning of the year, and the wholesale and retail prices are for the same period



Miss Fiona McKenzie, a Johannesburg chemist assistant, holds a handful of pills A survey of 14 well-known drugs shows the State pays from 1,5 to 40 times less than wholesalers for the identical drug

Govt not to blame, says Van Niekerk

183

By Bruce Cameron, Political Staff

3/14/11/68

CAPE TOWN — The Minister of Health, Dr Willie van Niekerk, has rejected accusations by the Pharmaceutical Society of South Africa that the Government is responsible for the high price of medicine.

At the same time he levelled an accusation at the society that it wanted "protected free enterprise".

In an interview he challenged the society to tell the public why its members were objecting to a pharmacy in Pretoria that had dropped its prices by 25 percent.

Another pharmacy in Durban had been able to offer a 12 percent discount without affecting its profits.

In its advertising campaign, the society says the high price being paid by the consumer is a result of the "present inequitable pricing structure".

"The pharmaceutical manufacturing industry enjoys three separate water tight markets: the tender market, the dispensing doctor market and the private sector pharmacy market."

The society wants a standard ex-factory price imposed by the Government. Dr van Niekerk said at the weekend that the Government, in calling for tenders for medicines, was obviously attempting to keep prices down.

"It is no use trying to blame the Government — it is a private sector problem. Why must the Government pay more for medicine?

"Bulk buying is also available to private pharmacies, but they can't agree among themselves.

"They are looking for an artificial situation."

Dr van Niekerk said, however, that the basic problem was the cost of medicines and this issue was subject to a Government investigation at the moment.

Govt blames trade for medicine costs

(183) CAPE TIMES 16/11/88

PRETORIA. — The public should not point fingers at the government for the high price of medicines, because the pharmaceutical trade controlled the "whole chain" and put 50% mark-ups on wholesale prices, the Minister of National Health, Dr Willie van Niekerk, said yesterday

Addressing the Transvaal National Party congress, he said figures for last year showed that the pharmacy trade had paid R650 million for medicines while the consumer had in the end paid R1 316 billion, or R1 175 billion without general sales tax.

The government was committed to the lowest possible prices for medicines to the public, he said.

The pharmaceutical trade controlled the entire industry, from the beginning of the price structure through to the consumer, he said.

People pointed fingers at the state tender system for drugs, but suppliers admitted "frankly" that they made profits on sales to the state.

Instead of pointing fingers at the state tender system, the pharmaceutical industry should "get its house in order"

The message from the public was clear that it could not pay the high prices for medicines and "the chemists must answer the public". — Sapa

● More reports on Nat congress, Page 2

Vadek's earnings decline

21/11/88 (183)

By Sven Forssman

Losses incurred in phasing out general paint contracting activities depressed Vadek Paints' earnings per share of 4,7c for the six months to August.

On a turnover of R19 million, Vadek Paints had retained income of R526 000

The comparative figures for the corresponding period last year are not meaningful as the group was restructured prior to its listing in September last year But retained income for the year to February 1988 was R1,3 million

A dividend of 2c has been declared

Looking ahead, the directors say the group's traditional core activities are performing well and that the new Durban decor centre comprising showrooms, offices and depot has been well received.

Vadek shows 'excellent results'

CAT 7 MAT 21/11/88

JOHANNESBURG. — Losses incurred in phasing out general paint contracting activities have tempered otherwise excellent results from Vadek Paints

The group's traditional core businesses have reported strong growth in the first half of the current financial year with profits from that sector for the six months ended 31 August 1988, virtually matching those achieved in the previous year as a whole.

Figures for the equivalent half of the previous financial year are not comparable, but chairman John Vadas points out that the latest earnings of 4,6c a share are calculated after allowing for losses of approximately 1,6c a share on discontinued activities

Vadek's directors have declared a dividend of 2c for the half-year covered 2,3 times by earnings for the half year.

Drawing comparisons for the first half of this year with the previous 12 months, turnover at R19,37m amounted to 63% and operating income at R1,19m to 52% of equivalent results for the previous year

The company, which listed in September last year, acquired Master Coatings as a base from which to develop its contracting division in January 1987

Chairman John Vadas warned in the annual report in June 1988 that switching the company from its traditional general sub-contracting activities to the planned housing, specialized coatings and waterproofing fields could take time and money.

The forecast is that profitability and growth "will be maintained in the second half of the year"

Vadek's shares are currently priced at about 42c at which level they yield 22,4% on historical earnings and 9,5% on historical dividend

These compare with averages for the actuaries indices for the retail sector in which it is listed of 10,6% and 4,1% respectively — Sapa

Doctors get drugs cheaper and customers pay more

Star 24/11/88 (183)

By Caroline Mehliss

Dispensing doctors have been drawn into the drug price controversy

Pharmacists say the present pricing policy where dispensing doctors can buy drugs cheaper than pharmacists is unfair and adds to the high medicine prices that consumers ultimately pay at retail outlets

Doctors are given preferential discounts by some manufacturers, especially for generic drugs, and are often offered bonus free drugs if a certain number of drugs are bought

Two recent examples of this was that if a doctor bought 40 packs of 15 Surgam 200 mg tablets he received 25 packs free, and if he bought five packs of 100 Urbanol 10 mg tablets he received three packs free

DOCTORS

Mr Ray Pogir, honorary secretary of the Southern Transvaal branch of the SA Pharmacy Association, said doctors were a target of manufacturers

"Manufacturers feel it is important to give doctors an incentive to prescribe their drugs as obviously a doctor will be more inclined to prescribe a drug he stocked himself than one he doesn't

"It's not worthwhile for manufacturers to offer these incentives to pharmacists as pharmacists cannot promote a sale, they can only supply what is prescribed

LIMITED

"Doctors keep a far more limited range of drugs than a pharmacist The question arises whether with a dispensing doctor the treatment is tailored to the doctor's inventory," Mr Pogir said

Mr Jack Bloom, chairman of the Southern Transvaal branch of the SA Pharmaceutial Society, said he did not believe doctors should dispense and take business from pharmacists

A dispensing doctor admitted doctors did often get special prices and bonuses, but said the benefit should be passed on to the consumer

"Furthermore, the doctor uses the discounts to subsidise patients who cannot afford to pay for their medicines

Dr Hugo Snyckers, president of the Pharmaceutical Manufacturers Association (PMA), said that, in principal, manufacturers agreed there should only be one exit price to the private sector, but "once one manufacturer offers a discount the others feel they must too"

(183) B/day 23/11/88

Corporate Profile

CHLORIDE SOUTH AFRICA

Business Day

Written by ANNABELLE GORDON

Cap lamp a winner

THE Oldham Maintenance Free (OMF) cap lamp unit is a winner worldwide

Chloride's mining motive powers GM Tommy Snyders says the OMF is a success in SA and abroad The cap lamp is the only maintenance-free recombination unit available to the mining industry anywhere in the world

It was developed to broad specifications set by the SA Chamber of Mines

The OMF fulfils all the specifications required of a sealed battery unit of the same size as the traditional GW lead acid battery It is marginally lighter and burns brighter and longer

The new cap lamp units are replacing the traditional GW lead acid batteries which require regular topping up with distilled water, and are also prone to acid spillage, causing harm to the wearer or damage to the recharging racks in mine lamp rooms

The OMF has a life of about two years, the same as the GW model and is being sold at the same price

The call back of units under warranty is negligible

For an industry that involves more than 650 000 miners wearing cap lamps going underground every day of the week, the maintenance-free lamp could mean a significant reduction in labour costs There is no longer a need for a topping-up machine or other maintenance staff when the battery is on charge

The OMF guarantees 16 amp hours burning capacity, a safety reserve of 60% when compared with the GW capacity of 11-12 amp hours The extra burning time provides a valuable "comfort zone" in an emergency that forces a miner to stay underground for longer than usual

Like the GW, it uses a standard 0,67 amp bulb but will also take a 1 amp halogen bulb for greatly increased light output

Chloride charges into the future

SINCE the introduction of the first cars to SA, Chloride batteries were there to supply the electrical power for lighting and starting

The management of the UK-based Chloride Electrical Storage Co identified the growth potential in this new market In the Twenties they appointed their first distributor, Cape Batteries, in Cape Town, to market their Exide range

Today, some 68 years later, the present management of Chloride SA continues its association with Cape Batteries which still maintains a high level of service excellence and reputation in the Western Cape

As time progressed other distributors were appointed in the major centres and there is a 50-years plu association with Border Batteries, East London and Martin Stone in Durban

In 1938 the Chloride Electrical Storage Company was incorporated and registered in Johannesburg

The confidence shown in SA in the Twenties was well founded A decision was made in 1951 to erect a factory in East London and the first automotive battery was manufactured in 1953 Head office was established in Johannesburg at Randkom House in Braamfontein

The distributor network had grown to a dozen in the major towns Head office was moved to East London in the 1960s

During 1969 a branch network was established replacing distributors with the exception of the aforementioned operations

During this period Chloride entered the standby and industrial markets and were market leaders

In 1949, Oldham & Sons, another UK-based battery manufacturer, entered the SA market in the mine lighting and traction sectors, adding automotive batteries to their range in 1961 All products were manufactured at their Benoni factory

The two companies competed in the market with intense rivalry, but in 1975 they merged, with Chloride acquiring the 70% share holding in Oldham from UK-based Carlton Industries, resulting in the incorporation of head offices at the Benoni site and a rationalisation of the branch/distribution network

In 1986 a decision was made to close the East London factory and incorporate this into the Benoni site The planning and engineering team involved in this project completed the move and installation four months sooner than the most optimistic expectations

Chloride SA has continued to enjoy the benefits of the global technology and development of the Chloride Group currently operating worldwide

This leadership in world technology, combined with local research and development, has led to the introduction of numerous products designed to meet the tough SA mining, industrial, agricultural, standby power and automotive applications

Chloride Group introduced lead acid batteries into the market at the beginning of the century

VANS IN TOP GEAR

CHLORIDE UK established a company in 1981 to develop and market drive systems for high performance electric road vehicles

At the end of 1987, more than 500 chloride-equipped electric delivery vans were in service with 90 fleet users in eight different countries around the world, and had covered a total of 10-million km More than 30 Griffon vans (the US version of the General Motors CF van) have been undergoing field trials with American and Canadian utilities since 1985, as part of a fleet evaluation project initiated by the Electric Vehicle Development Corporation (EVDC)

The success of these trials has led to a programme to develop a US-produced vehicle

Chloride EV Systems is collaborating with General Motors Truck Division, EVDC, the Electric Power Research Institute, various US utilities and a speciality vehicle conversion company to produce an electric version of the GM Griffon van

Prototype testing commenced in 1987, and pre-production vehicles will undergo Federal Motor Vehicle Safety Standards Certificate testing late this year Limited production is planned to commence in Springs 1989, with full production scheduled soon

Falling rand raises prices

BATTERY prices have risen by 12% from the beginning of the month

Chloride SA chief corporate officer Nick Smith says "It is a small increase — below the inflation rate"

He adds "Prices are going up because lead is quoted on the London Metal Exchange in sterling so our prices depend on the level of the rand Lead has gone up from approximately R1 300 to R1 800 a ton Material for polypropylene boxes is imported so there is a price increase on them PVC for separator manufacture is imported

"We did hold prices down for two years so our increase was to be expected"

Smith, a CA from Britain originally, feels that after 20 years SA is his home He left Hubert Davies to join Chloride SA in May

Smith says about his experience and new post "The industrial marketing expertise needed was acquired from Hubert Davies where I had responsibility for all its operations, other than engineering manufacturing I restructured the operations into four autonomous companies and determined their strategic direction, in much the same way as Chloride has been restructured

"It is a bigger manufacturing environment than I am used to and, therefore a bigger industrial relations challenge than before We do have a strong programme of black advancement, with literacy programmes, on-the-job training and a new housing development coming up nearby for our staff

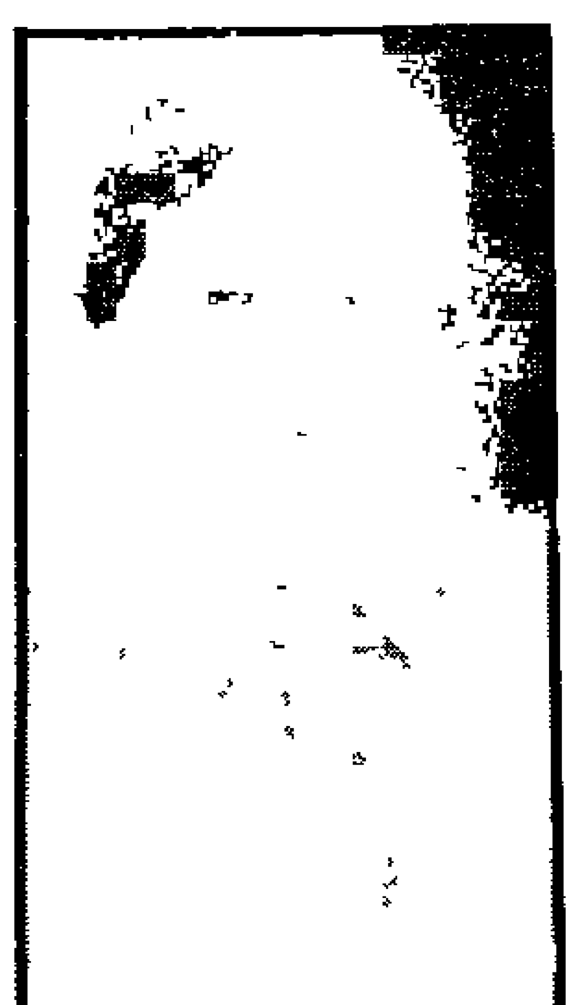
"We have 21 outlets of our own, most of which service distributors in their areas

"Chloride here is looking to a general expansion programme after the recent amalgamation of two factories Being based totally at Benoni, we are now more efficient and will improve our productivity

"We have limited exports to Israel and Italy (Chloride is represented throughout Africa) and, although we should be exporting more, we need to look after the local market first"

Quality of people vital

THE chief executive officer of Chloride SA (Ltd), Nick Smith, says it is thanks to the quality of people on all levels that the company has become — and remains — the market leader in its field:



NICK SMITH

HAVING taken up the position of chief executive officer of Chloride SA at the beginning of this year, it has been most comforting to realise you are heading up the oldest battery manufacturing company in the country, as well as the market leaders in this industry

On looking at our history, one realises that the company has been built over the years by "people", our most valuable asset

To these people, who have contributed in many ways to the success of CSA, my sincere thanks for your ing equal opportunities to all employees

To all our customers in each market sector of our operations, I extend our sincere gratitude for their loyal support over the past years In particular during the period of our factory move from East London to Benoni, when lead times went out of kilter and stock shortages prevailed The customer is the most important person in our lives so we must ensure that our customers' needs will always be professionally met by our superior people

tors, who form a vital link in our distribution channel, for maintaining their customer base and firmly implanting their footprint in their respective areas

A sincere word of thanks to our suppliers Your response to our needs and flexibility to our demands has greatly contributed to our achieving our goals and objectives We look forward to a continued partnership and future growth with ourselves termination through good and bad times I will remain committed to the development and well being of all our people, regardless of race, sex or creed, offer-

we will continue to maintain the highest level of quality, technical support and service to all our customers

I also salute our distribu-

Sales sparkle in all areas

CHLORIDE SA has taken advantage of the buoyant economic conditions in SA and the effectiveness of the new Strategic Business Unit (SBU) structure to increase sales across the whole product range

The company has increased its market share, particularly in the industrial and automotive markets In the mining and mine lighting divisions it not only took a larger market share than before, but had to increase production capacity to meet demand

Nick Smith, chief corporate officer, and general manager of the Automotive SBU, said: "We show record vehicle battery sales following the increase in the vehicle park. "As a result, we have improved our market share overall

"We have also pushed production capacity to the maximum, and our stock levels are lower than they have ever been.

"Since we wish to increase our market penetration even further, we are examining the feasibility of increasing our production capacity"

Of the Industrial Division, outgoing GM Ron Adcock says "We were set a very high sales budget, required to increase turnover by 70% Thanks to the efforts of a dedicated team, we are right on target after only five months."

He said "The introduction of the Powersafe stand-by cell has been very successful We are now 175% ahead in the value of sales over our ambitious target figure

"Motive Power products, particularly on the Witwatersrand, had a budget target 15% higher than the previous year and in five months we have already passed that target.

"On the Standby Product front, sales continue to improve. We are working on a number of large installations and have lodged a substantial number of tenders with every prospect of winning larger orders"

Says Tommy Snyders, GM Mining SBU "As a result of commercial teamwork, we achieved new record market shares in mine lighting and we had to increase production capacity substantially to meet the demand

"The excellence of our products has led us to explore entry into export markets

"On the Mining Motive Power side, the market has been depressed because the mines have been squeezed by rising costs, necessitating a need to make do with existing equipment for longer periods But our new Motive Power products are making inroads into the market and we have recently received a substantial order from a major Welkom mine.

"We also have exciting new products for the mining industry under development which should hit the market at the end of the year to further improve turnover."

Chief corporate officer Nick Smith sums up "None of this could have been achieved without wholehearted support from the production teams"

B/day (183) 23/11/88

CORPORATE PROFILE: CHLORIDE SA

Loyalty, equality are the bywords

CHLORIDE is to remain in South Africa

That was the most important message brought by Kent Price who has succeeded Sir Michael Edwards as chief executive of parent company Chloride Group in the UK, when he visited SA last year

Price also said Chloride SA had been given the challenge of creating equal opportunities for all its employees, regardless of sex, religion, colour or race

He pointed out that in SA Chloride always operated progressive employment policies for example, it was one of the first to recognise black trade unions

This was being taken further Employees had to be given the chance to develop their maximum potential to their own, their community's and the group's advantage, he said

This meant that in the next few years, Chloride SA would be working towards "significant representation" of black and coloured employees on the board, in management, and among salaried staff

But Chloride wasn't doing this for cosmetic reasons

The company was simply recognising that the traditional source of skills in managing the company — the white community — would not be able to provide the quantity of staff required To do this, Chloride SA was implementing policies of

- Equal pay for equal work and responsibility,
- Equal conditions for employment, holidays, pensions and all other benefits,
- Improving and opening all amenities such as canteens and toilets to all employees,
- Educational and training courses tailored to meet the needs of all employees, paid for or subsidised by Chloride, many of which will be operated in company time,
- Scholarship schemes particularly for university degrees by the end of 1989,
- Development programmes, including the secondment of suitable candidates for training overseas to provide continuing management talent in the company,
- Providing, in association with building societies or banks, low-interest company loans for the purchase of homes

Chloride also intends to help through training, finance and provision of expert services, suitably eligible blacks and coloureds to establish businesses which in turn could become suppliers to the company

Outlining these plans Price said "We plan to do all this and remain competitive and profitable What we want to bring about here is change If we are successful, we can provide a role model for other businesses in South Africa"

But the attainment of these goals was essential for the continued viability of Chloride SA in the International Group, he said

The key to continued success was people, skilled people at all levels

INSTEAD of the existing multi-product entity, Chloride SA has been divided into three Strategic Business Units (SBUs), each with its own manufacturing, marketing and finance sections

Each SBU is controlled by a general manager who reports directly to the SBU director of Chloride Group public liability company in the UK, and has full responsibility for his unit's performance in South Africa

In place of a managing director, there will be a chief corporate officer who will also be general manager of the automotive SBU

The Central Service unit also reports to him and the GM's of the other SBUs will have a corporate responsibility to him.

Men at the helm of Chloride SA

The re-organisation means three newcomers joined management

They are Nick Smith, formerly of Blue Circle and Hubert Davies, John Smith seconded from Chloride UK, and Ron Bartlett who has moved from Chloride Zimbabwe

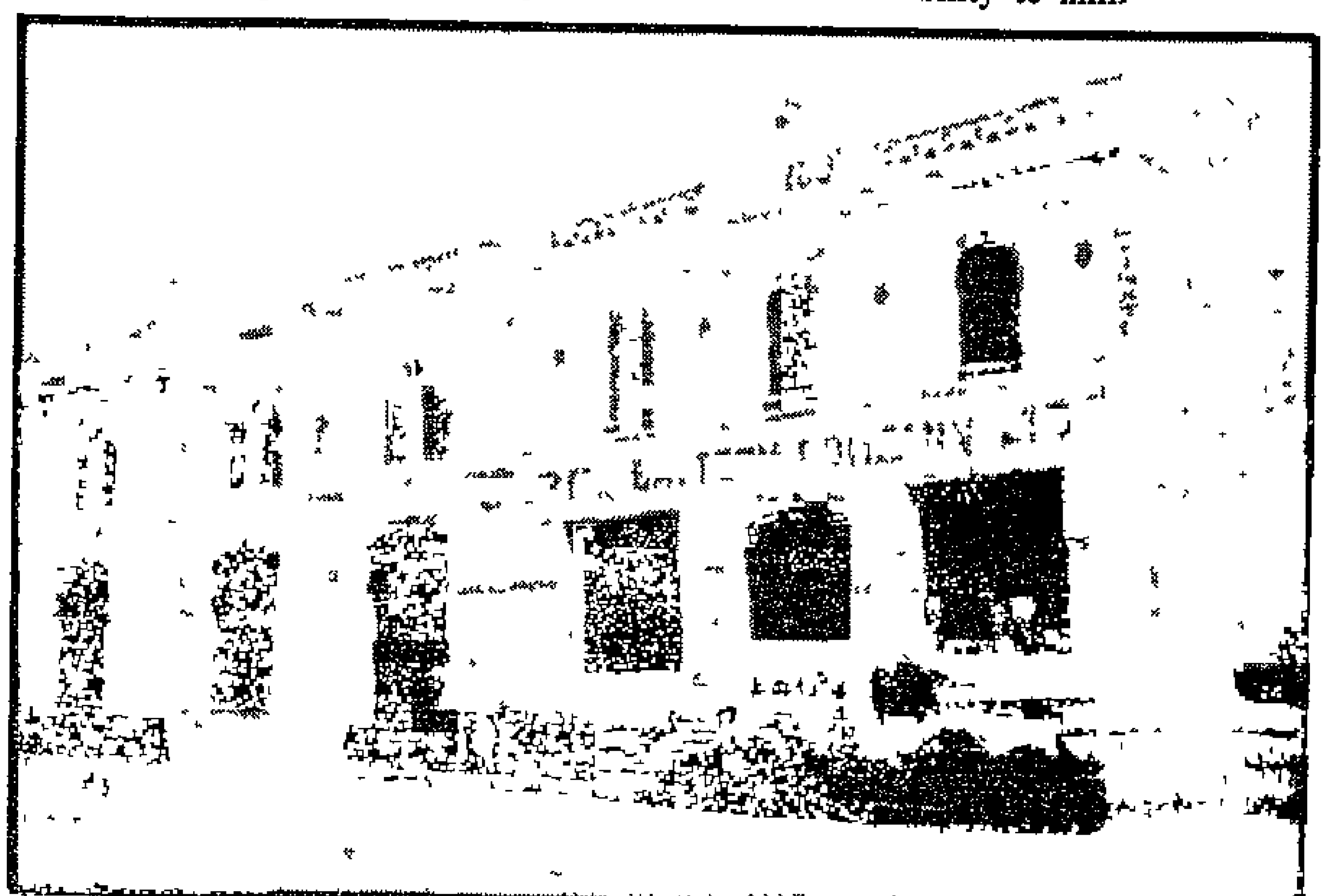
As a result of these changes, the offices on the Benoni site are being re-allocated to give each SBU a clear identity and better lines of communication

The new management team consists of

- Chief Corporate Officer Nick Smith,
- Group Finance Director John Smith,
- GM of Automotive SBU Nick Smith, dealing with original equipment, replacement market and exports,
- GM of Mining and Motive Power SBU Tommy Snyders, dealing with motive power on surface and mining applications, cap lamps and the new self-rescuer, plus exports,
- GM of Standby SBU Ron Bartlett, dealing with standby power and uninterrupted power systems (UPS)

The Central Services comprise

- Manufacturing/technical Brian Schiff, dealing with product development, technical, quality assurance, engineering, projects and services,
- Finance John Smith, dealing with strategic planning, information technology, company secretarial, insurance, pensions, treasury, taxation, salaries/wages



FROM HUMBLE BEGINNINGS . the Cape Battery Company, circa 1929

SBUs: getting closer to customers' needs

CHLORIDE world-wide wants to get closer to its customers in each of the main product sectors in which it operates, hence the change to strategic business units (SBUs)

This means manufacturing, marketing and finance people in each SBU in SA will have direct access to their counterparts in the UK and elsewhere

Worldwide, there will be tighter co-ordination on product quality, the development of new products and an improving service to customers

Nick Smith, in his role of chief corporate officer, said "Each SBU can concentrate on the most important area of its business, that of giving service excellence to its customers

"Without our customers, we do not have a business To maintain their loyalty and enthusiasm for Chloride, we simply have to be the best in the industry

"By concentrating our manufacturing and marketing efforts on smaller units we can better understand our customers' needs and satisfy them with improved products"

POWERSAFE IMPACT

POWERSAFE, Chloride's standby power battery which uses recombination technology, continues to be in demand by customers throughout the world

All 1988 bulk orders for batteries for British Telecom's System X digital exchanges and PABX systems were awarded to Chloride in the UK

Quality targets set by BT are so strict that throughout a 10-year lifespan for each battery only one battery failure is tolerated for every 1 000 exchanges in which they are installed

Orders for Powersafe batteries were placed by telecommunications companies throughout the world In the US three Bell companies now use Powersafe and the first orders were received from Northern Telecom of Canada New Zealand Telecom bought Powersafe for its cellular radio network and, in the UK, Racal placed further orders for the batteries for use in base stations in Phase 3 of its Vodaphone cellular network

During the year Powersafe production capacity in the UK was increased by 20% to meet growing world demand

Breath of life for the mines

CHLORIDE SA is using a local designer to develop a self-rescuer for SA's mines

It is the heart of a planned substantial investment in a project designed to thrust Chloride into a market in which the mining industry will be spending R30m in the next few years to help make mines as safe as possible

The self-rescuer is a portable breathing unit that will give miners, who are caught in fire or gas disaster underground, a chance for survival

What it does, is to convert human breath into oxygen by means of an oxidising agent

The unit can be clapped to the mouth to sustain breathing for up to 30 minutes in smoke-filled conditions, in which time a miner would be able to make his way to a safe place

Soon, by law, every miner will be obliged to wear a self-rescuer, which is simply attached to the waist belt

There has always been a need for such a device

This was brought sharply into focus when 177 miners at the Kinross Gold Mine in the Eastern Transvaal died tragically in a fire Most were asphyxiated because of the lack of oxygen

Chloride is planning to put the self-rescuer on racks alongside its Oldham miner's cap lamp in mine change houses

The modern lamp is a product of the recombination technology developed by Chloride that provides increased burning time and stronger illumination It is also maintenance free

Star 23/11/88

Defence objects to Bop State evidence

Own Correspondent

MMABATHO — As a general rule the State was under no obligation to disclose evidence except factual, the Bophuthatswana Assistant Attorney-General, Mr F Elf, told the Mmabatho Supreme Court yesterday.

He was replying to objections made by the nine members of the People's Progressive Party (PPP) charged with treason following the February 10 abortive coup.

Mr C R Maller, for the defence, yesterday examined allegations point by point to call for further particulars to enable the accused to prepare their defence and to plead.

He asked Mr Justice E A Smith to rule on an order forcing the State to give the following information:

- How many meetings were held at the Molopo Military Base when it was taken over by the rebels on February 10 and who was there
- Who told the soldiers that the government had been overthrown?
- Who announced that President Mangope had resigned and Mr Rocky Malibana-Meitsing had been sworn in?
- Which one of the accused allegedly conspired to overthrow the government and with whom?
- What were the terms of the alleged conspiracy?
- Which of the accused incited or instigated others to commit offences?

Mr Maler said the State had failed to set out essential particulars and the accused were entitled to a proper reply to their questions under the Criminal Procedures Act.

Mr Elf admitted the State did not have all the information, but the summary of facts in the indictment provided all the detail needed.

The hearing continues.

Star 23/11/88

Step in the right direction, says chief

Buthelezi approves move to form party

By Esmaré van der Merwe, Political Reporter

The Chief Minister of kwaZulu, Chief Mangosuthu Buthelezi, has given his cautious support to efforts by the Progressive Federal Party, the Independent Party and the National Democratic Movement to form a new party on the political Left.

"I must necessarily applaud any attempt anybody could make to promote the broad principles of a non-racial, multiparty democratic order," he said yesterday.

The political situation was plagued with the fear that such a democracy could not be established, more than the fear that whites would not fare well if it was established, he said.

Chief Buthelezi, also the president of Inkatha, said Inkatha would be pragmatic about "how we go about putting intentions to co-operate into practice".

He had neither been briefed personally about the latest developments nor had he had the chance to discuss the issues with Inkatha's leadership.

The PFP, IP and NDM met last week at the house of the Transvaal rugby chief, Dr Louis Luyt, and sources have indicated that a new party could be established as early as January.

The three main issues to be thrashed out are a statement of principles, a name for the new party and the pressing issue of a leader, the sources added.

A special committee is to be announced this week to prepare a joint declaration of intent and a joint statement of principles.

Some sources said that not one of the three leaders — Dr Zach de Beer, Dr Denis Worrall or Mr Wynand Malan — should lead a new party.

They favoured a charismatic, respected and high-profiled Afrikaner "such as former newspaper editor Dr Willem de Klerk".

Others mentioned Dr Van Zyl Slabbert, the former PFP leader, and Dr Luyt himself.

Chief Buthelezi said "Forces to the left of the National Party are divided. We cannot wish these divisions away because many of the divisions revolve around fundamentally important issues.

"We must work our way through them and if this move among white political leaders is a step in this direction, then I welcome it," he said.

Commenting on rumoured differences of opinion between the three groups about which extra-parliamentary organisations should be involved, he said it was "sad" that that should be a problem.

"The final analysis of the South African situation is yet to be made and it is not wise right now to be rigorous in the allocation of organisations into camps.

"When things move, they may well move with an awesome rapidity which will demand radical realignments in the pursuit of a non-violent transition towards a democracy," Chief Buthelezi said.

Robbers murder guard

West Rand Bureau

Robbers killed a middle-aged security guard at a Westonaria greengrocer's shop on Monday and escaped with about R7 000 in cash.

A West Rand police spokesman said Mr Teyi Mbali was on guard duty at the Drive-In Fruiterers in Suurbekom, Westonaria, on Monday night when he was overpowered and tied up.

His assailants dragged him about 50 m away and apparently suffocated him.

They then cut the fence around the shop and broke in.

They took about R7 000 in cash from the office of the owner, Mr R M Pellers.

Imported medicine to cost more

Star 23/11/88

183

By Toni Younghusband, Medical Reporter

The registration of imported medicines is to cost drug manufacturers more next year — and consumers must expect an increase too.

The South African Medicines Control Council has proposed an increase of registration fees from R1 000 to R5 000 per medicine from January.

A spokesman for the MCC said this is the first increase in 10 to 15 years and is an attempt by the Government to make the MCC more self-sufficient.

"The MCC costs the Government an estimated R3 million a year to run. It was felt an increased registration fee would bring in more revenue and the MCC would become less dependent on State funding," the spokesman said.

All medicines must be registered with the MCC before they can be sold. The registration takes a minimum of 18 months.

Dr Gerhardus Oberholzer, of the Department of National Health and Population Development, said the MCC had failed to break even or keep up with general price increases for years.

"We are now trying to get to where we should be," he said.

Mr Johan Schlebusch, registrar of medicine control at the department, said he did not think the increase would be as high as was proposed.

Dental medicines, which in the past have not had to be registered with the MCC, will also be affected.

Mr Schlebusch said dental medicine, such as dental cement, came into direct contact with the patient and could have an effect on that patient's health and should be under MCC control.

The executive director of the Pharmaceutical Manufacturers' Association, Mr John Toerien, said the proposed increases were "enormous" and should be implemented in phases rather than all at once.

SURCHARGE, TOO

"We feel a three-year period is fair. The fees should be increased slowly over this period. Manufacturers are facing not only the fee increase but also an import surcharge on certain medicines and the declining rand.

"These additional costs have to be passed on to the consumer," he said.

Mr Toerien said the pharmaceutical manufacturing industry had protested to the department about the proposed increases.

Private sector pays more than double for drugs

Cape Times 25/11/88

(183)

By PETER DENNEHY

DRUG manufacturers admitted quite frankly that they made "adequate profits" on the sales of their products to the state, the Administrator of the Cape, Mr Gene Louw, said yesterday

And, according to Dr Hugo Snyckers, president of the Pharmaceutical Manufacturers' Association of SA, the same drugs cost the state less than half the price paid by the public

Mr Louw was addressing the opening of a new R45-million research and development building in Port Elizabeth which serves South Africa's largest pharmaceutical company, the Lennon group.

"Blame for the allegedly high prices of medicines is being laid at the door of the state," Mr Louw said

"The Minister of National Health and Population Development has categorically denied this, drawing attention to the high mark-up of medicines when obtained through the private sector"

Mr Louw gave an example of a product sold by a manufacturer for R8,25 which cost a private person R20,20, but was sold to the state for R9,61

The state got the product for the manufacturer's price plus sales tax and a 4% handling fee, while a private person had to pay the wholesaler and pharmacy mark-ups, a dispensing fee, a broken pack fee of 10% if applicable, a prescription photostat fee, and GST

Should prices to the state rise, the additional finance needed to cover the extra costs would have to be met by taxpayers, he said

Dr Snyckers conceded freely yesterday that the public sector's lower prices were not entirely justified by the bulk in which it bought

The Browne Commission — one of eight such commisions — found that on average, the price to the public sector was 45% of the normal price to ordinary members of the public

Pharmaceutical product prices had gone up more than the rate of inflation only in the past couple of years, largely because of their imported component and the fall of the rand

Own Correspondent

JOHANNESBURG. — The health care industry was caught between an increasing demand for medical services and decreasing funds from the public sector, Pharmaceutical Manufacturers' Association (PMA) director Mr John Toerien said yesterday.

Speaking at a conference on the pharmaceutical industry, he called for an end to separate health care systems along racial lines

He said the demand on the government to provide health care was on the rise because of demographic shifts, growing unemployment and falling in earnings. "Population dynamics will determine the quantity, quality and distribution of medical service in this country"

But while demand for public sector medical care was growing, government was providing less and less, he said.

Cut medicine costs, pharmacists warned

W/k ARGUS 26/11/88

183

By MAGGIE ROWLEY
Business Staff

IF EFFORTS to reduce the high cost of medicines issued to social pensioners and poor people failed, the Cape Province would have to consider supplying the medicines itself, Mr Gene Louw, Administrator for the Cape warned

He said that the cost for these medicines in the Cape Province alone for the current financial year would be about R35-million

"Although various efforts have been made to reduce this expenditure it was stated quite categorically by the Administration at the last CPA/Pharmacuetical Society of South Africa Liaison Committe meeting that if these efforts failed to produce a significant decrease in costs, the Adminisration would have no alternative but to implement other measures and possible supply these mediciens themselves"

This could save the province as much as R18-million a year, he said

He said due to money shortages, the CPA had had to already withdraw dispensing from the private sector in nine towns To curb the enormous expense this function was now carried out by provincial hospitals

Speaking at the official opening of Lennon's R6,5-million research and development facility in Port Elizabeth, Mr Louw said that huge mark-ups resulted in consumers, who purchased medicines through the private sector, paying more than double the price than was charged by manufacturers

He said that South Africans would spend about R800-million on prescription medicines alone this year

Dispensing fee

"Standard discounts to wholesalers and retailers are 17,5 percent and 33 percent respectively Thus a product sold by a manufacturer at R8,25 would rise in price to R10 at wholesaler level and R15 at pharmacy level

"A standard dispensing fee of R1,30 is then added (R16,30), a broken pack fee of 10 percent if applicable (R17,93) and a photocopying fee for the prescription so that reimbursement from a medical insurance society can be obtained (R18,03

"The product is then also liable to the 12 percent sales tax bringing the cost to the consumer to R20,20"

Mr Louw said that the same medicine would cost the State R8,25, plus 12 percent sales tax and a four percent handling fee Thus the State would pay R9,61 which was more than R10 less than the private patient

He stressed that this example did not highlight the price difference that could result from the sale of an off-patent medicine where the same manufacturer could set the tender price far lower to undercut competition while maintaining the public sector price.

"Generic medicines therefore, which have the same chemical and therapeutic properties as the original are being produced at extremely competitive prices

"Suppliers admit 'quite frankly' that they make adequate profits on the sales of these medicines,"he said

There was general consensus that the "First World/Third World" division represented in health care in this country was bound to persist for many years and that, so long as it did, the State had a social responsibility to provide at least some of the services for some of the population

The State, he said, was committed to the tender system which ensured that the cheapest acceptable medicines were obtained and supplied to patients

Through the various hospitals, institutions and clinics, the State uses about 60 percent of the volume of medicines dispensed in South Africa, representing about 35 percent of the total rand value of these medicines In the Cape Province this represented about R127-million for the 1987/1988 financial year

The increases in locally manufactured medicines was markedly lower, "a tribute to the local manufacturing industry When high quality generic medicines were available every support should be given to local manufacturers

He said the initiative taken by Lennon, the largest volume pharmaceutical manufacturer in the Southern hemisphere, in establishing the Reserach and Development facility to enable the formulation of acceptable generic medicines, was to be applauded The new department, employing 100 people, is the culmination of Lennon's R45-million expansion and modernisation programme

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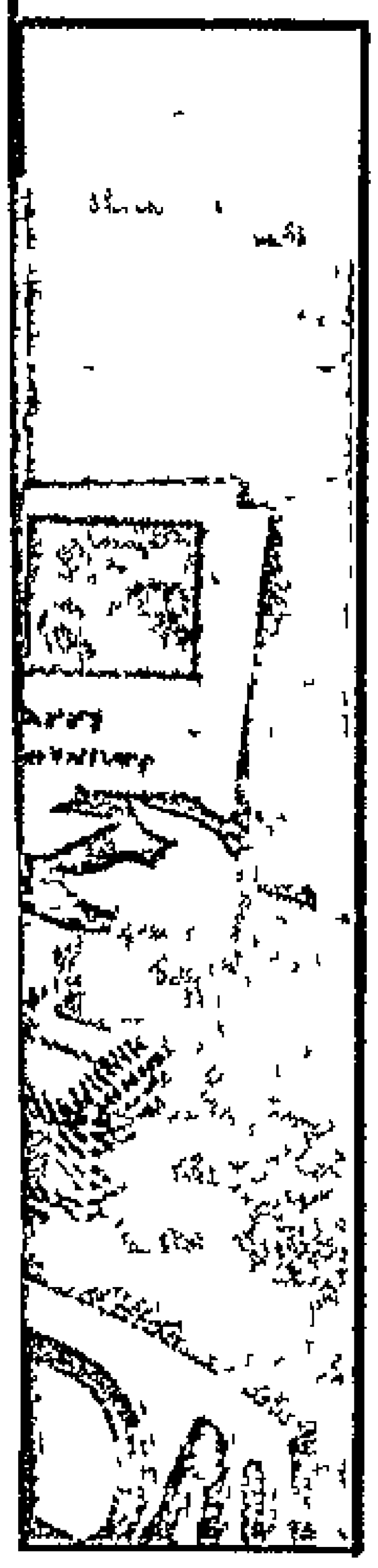


human.

'Manufacturers to blame for high cost of medicines'

THE HIGH cost of medicine to the private sector in South Africa was the fault of the pharmaceutical industry, the Minister of Health, Dr Willie van Niekerk, told the Housewives' League at a meeting this week.

Dr van Niekerk indicated the league should seek its own salvation and not appeal to the Government with regard to the high cost of medicines to the private sector.

The high cost of medicines and drugs to the private sector was however also a matter which demanded the Minister's attention, said the League's vice-president, Mrs Joy Hurwitz

Figures furnished to the league by the Minister indicated the cumulative mark-up from manufacturer to wholesaler to retailer was to blame for the problem

In response to Dr van Niekerk's suggestion that the league should "seek its own salvation", Mrs Hurwitz said the league would call a meeting with heads of the pharmaceutical manufacturing industry, including wholesalers, pharmacists and medical aid schemes, in the new year "to establish the facts" — Sapa.

money is the best way to dampen ...

SAPT 7/4/FS 28/11/88

Shell to raise stake in timber

JOHANNESBURG — Shell SA, which began its diversification into timber in 1985, has plans to buy up as much forest land in northern Natal as comes on the market, said forestry division GM Terry McCulloch

He said if long-term timber prices failed to rise, the oil giant would consider opening a mill of its own

"In the long-term, we will not be satisfied just growing timber. The returns are simply too unattractive"

Profit is to be found in saw milling or in the production of pulp and paper, he said Given sufficient volume, the export market could also be attractive.

Sappi MD Eugene van As denied that timber prices were too low for forests to be profitable

He estimated that hardwood prices had risen 24% annually in the last three years

Although Shell still remains a small player in the timber business, in the course of 1988 it has added 1 000 ha to its land holdings in the Kwambonambi area of Natal, bringing the total to 9 000 ha

Sappi and Mondi expressed little concern over Shell erecting processing facilities. "I can't see where they are going to get the wood," said Van As

Excellent earnings at healthier Sentrachem

Star 1/12/88

183

By Ann Crotty

Sentrachem's sterling results for the six months to end-September are in line with what the market has come to expect from this strong recovery stock

On a 20 percent increase in turnover, the group reported a 37 percent surge in operating income Earnings were up to 41,3c (20,7c) a share and the interim dividend was doubled to 10c

The spectacular improvement at the earnings level was due to a number of non-operating factors including R16,5 million income from long-term advances and a reduction in the tax rate

On the operating side, the figures show that the group is consolidating its image of being a much leaner, healthier and proactively managed organisation

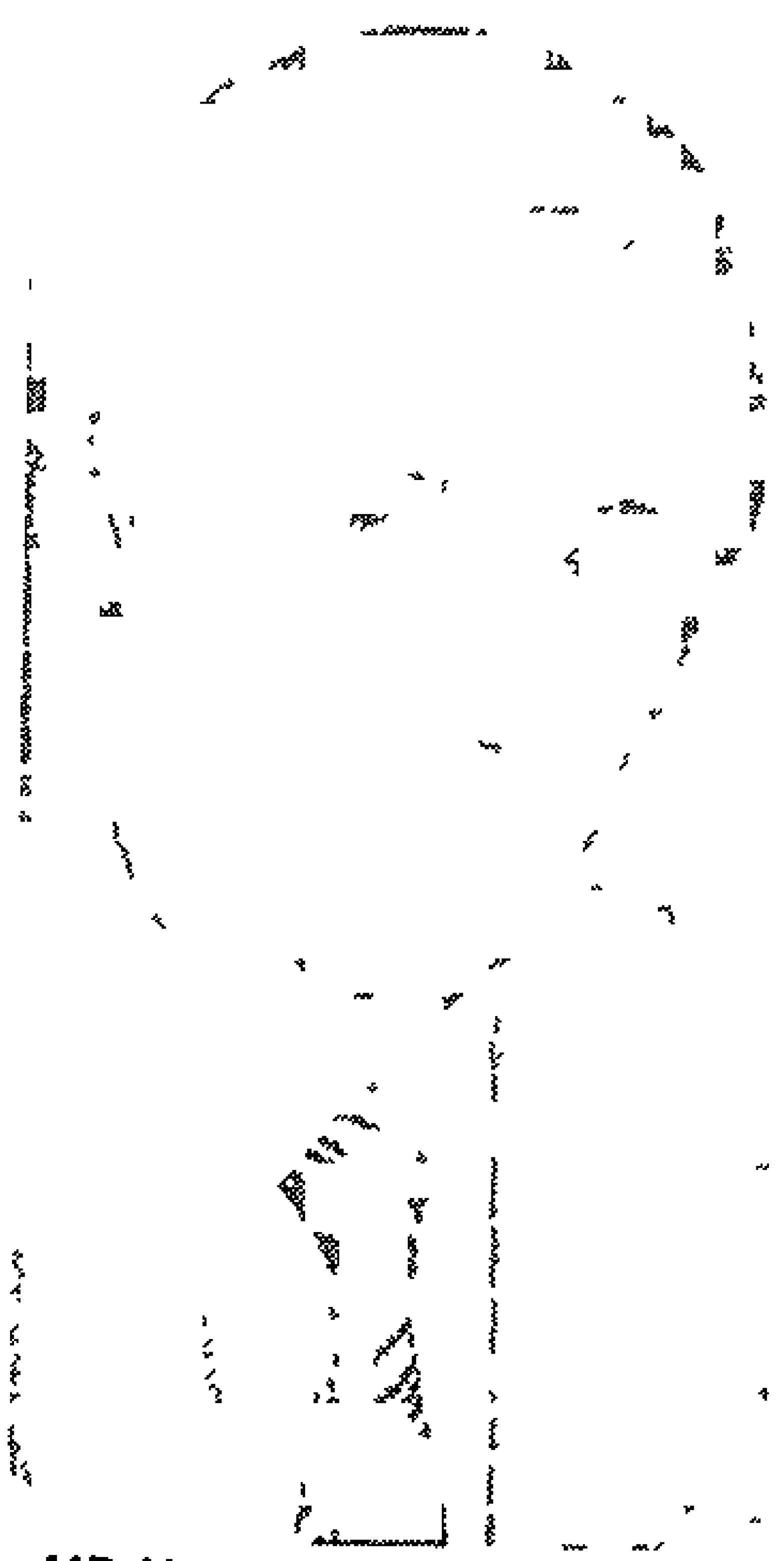
The 20 percent turnover increase to R708,5 million (R592,8 million) comprises a volume increase of about 10 percent with price increases accounting for the remainder

Improved margins

Operating income is up to R64,5 million (R47,2 million) reflecting a sharp improvement in margins from 7,9 percent to 9,1 percent

The R16,5 million income for long-term advances represents the interest on a R180 million loan made to the Afprene Lessor Trust

The loan represents a debt that Sentrachem owes the Trust and that should have been settled at the end of financial 1988 but has been extended for a number of years



MD Mr Johan van der Walt — "Group's spread of activities has improved and will help counter the expected economic downturn"

During the review period Sentrachem borrowed the R180 million and lent it on to the Trust

Despite this additional R180 million borrowing, the group's financing costs were only up 33 percent to R21,8 million (R16,4 million)

This position was helped by the sale of Fedmis (for R175 million) which, on the balance sheet side, contributed to a reduction in gearing from 54 percent to 47 percent

The tax rate was down to 30 percent from 43,5 percent which left net income showing a massive 137 percent surge to R41,2 million (R17,4 million)

Group MD Johan van der Walt indicates that the tax rate for the full year is likely to be closer to around 36 percent, reflecting the volatile way in which tax free income accrues over the year

After deducting outside shareholders' interests, attributable income was almost double at R41,3 million (R20,7 million)

Most of the group's divisions contributed to the improved performance and management stated that most of the group's markets remained buoyant during the six months

The loss making rubber division continues to improve, "bringing a cash breakeven within reach" The directors' earlier forecast, that the rubber division would break even in financial 1989/1990, looks well on target

Export boost

The weaker rand had a two-pronged effect it increased the cost of raw materials which put pressure on margins but it also enhanced export opportunities which allowed most plants to run at high levels of capacity and therefore improved margins

In October the group's chlor-alkali plant, costing R130 million, came on-stream ahead of schedule and within budget The new plant replaces very old and less efficient plants

Looking ahead the directors note "Although there have been no signs yet of a downturn in any of the major activities of the group, it is likely that the steps taken by Government to slow the economy will start to have an effect before the end of the financial year"

Second half

Depending on the economy's performance, second half earnings are expected to be stronger than the first half This does not reflect the traditional pattern which was due to the seasonality of Fedmis but rather the steady recovery in the group's performance

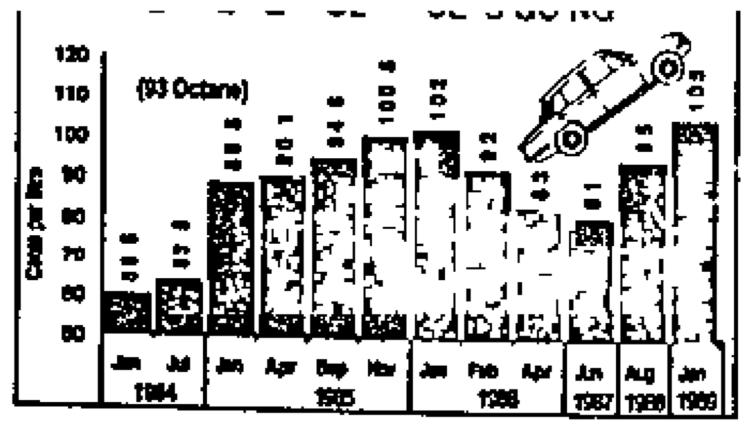
As Mr Van Der Walt notes, developments over the past two years, including acquisitions and capex which have helped to improve the spread of the group's markets and products, will improve Sentrachem's ability to accomodate the effects of an economic downturn

At the half-way stage Sentrachem's after tax return on capital employed had improved to around 14-15 percent, management's long-term target is 20 percent

In the short-term capex plans may see this dip briefly below 14 percent but as this expansion (which is aimed at bringing on more efficient facilities in high margin business) comes on-stream, margins and return on capital will be boosted

Impact on consumers will be heavy

Star 2/12/88. 183



Petrol price shock 'just the start'

Political Correspondent and Staff Reporters

The Government's bombshell announcement of a further 10c a litre increase in the petrol price has been made mainly to fund the extraordinary increase in salaries for public servants and social and other government pensions

While the Government says the good news is that a rise in general sales tax in the remaining part of this fiscal year is now highly unlikely, Opposition politicians say the bad news is that the latest petrol tax is likely to be permanent

The Consumer Council has warned that the worst is not over for motorists Another increase of about 10 percent is expected "soon' to offset exchange rate losses

The January increase was going straight into the Government coffers and would not cope with the exchange rate loss said Consumer Council chairman Professor Leon Weyers

According to the South African Agricultural Union (SAAU), the total impact on the agricultural sector would be a R100 million rise in fuel costs alone

Struggle

Dr Koos du Toit, chief economist of the SAAU, said this was unwelcome news which could delay or even prevent economic recovery in certain sectors, where many farmers were already involved in a desperate struggle

The fuel increase followed other increases which hit the agricultural sector recently and would mean greater costs to the consumer

Mr Roy Gershow, managing director of Road Transportation Services said the fuel price increase would have a serious effect on the road carrier sector

The consumer will have to pay for it eventually although we will, of course try to contain it This is an inflationary move — and a total shock," he said

Finance Minister Mr Barend du Plessis said in an interview last night that part of the rationale for the latest levy on fuel prices was the need to dampen the excessive growth in consumption of petrol

"This country s petrol consumption is growing by about 8 percent in terms of volume each year People have to realise we are in a country that is under boycotts and we have balance of payment problems ' he said

Mr du Plessis said South African petrol prices remained one of the cheapest in the world

Mr du Plessis said in a press statement last night the latest fuel levy (9c of the increase is a tax, the remaining cent is for increased transport costs) was necessary to reduce the national budget deficit before borrowing and to discipline consumer spending

Permanent

Progressive Federal Party finance spokesman Mr Harry Schwarz said today that the Government had totally wrecked this year s Budget

He said that while the PFP had supported the Government s economic plans as formulated by the State President Mr P W Botha at the beginning of the year, the party did not support what was now being done to the economy

Mr Schwarz predicted the Government would not merely use the new petrol tax as a temporary measure to get itself out of a tight spot He said the levy was likely to be a permanent burden on motorists

He said that, until this year petrol levies were used for the benefit of road users It was wrong, in principle, for these levies to become part of general taxation

Mr Schwarz warned that the latest increase would be inflationary and highly undesirable

Conservative Party spokesman Mr Frank le Roux said the country had already had to shoulder a terrible burden when petrol prices were increased in September

It was even worse that it should now be asked to pay more because of Government financial problems quite unrelated to the cost of petrol or other fuel

He said "This is typical of the Government's arrogance and total disinterest in the plight of the man in the street"

Candlelight vigil for victims as W...

Prescriptions stolen to obtain drugs

Star 2/12/88 By Craig Kotze, Crime Reporter

Police are investigating hundreds of thefts of prescriptions and forgeries used to obtain dangerous and addictive drugs

And pharmacists have been asked to contact the John Vorster Square Narcotics Bureau immediately if they are handed or know of false prescriptions

A spokesman for the Johannesburg Hospital confirmed that a number of prescriptions had recently been stolen there

Other hospitals and private clinics across the Reef could be involved

Police said the major problem centred on doctors waiting rooms

A number of fraudulent prescriptions have been picked up by conscientious pharmacies These have been handed to the narcotics bureau, a Johannesburg Hospital spokesman said

A spokesman for the J G Strijdom Hospital confirmed that prescription thefts occurred 'from time to time on an ongoing basis'

'We take precautions such as locking up our prescriptions, but some still manage to slip through Some of the forgeries are very authentic " said the superintendent, Dr Anette van der Merwe

Police say the problem is widespread The most common drug obtained by fraudulent prescriptions is Wellconal — often used by addicts to spike themselves with syringes.

Addicts had even used letrasets to fill in false prescriptions

A nursing sister said yesterday that she was contacted by a Malvern pharmacy on Tuesday and asked for payment for 30 Wellconal tablets

'Someone must have got hold of a prescription pad at the Johannesburg Hospital and some stickers with my personal information on it

The fraudulent prescription even mentioned the date I was discharged from hospital

● See Page 15

Hats off to newspaper columnists Francois Woolfaardt and Jani Allan and Mr Jimmy McKenzie of First National Bank as they pose with Cloud High

Coastal raiders fancied

Cape and Natal challengers dominate the betting on the R300 000 First National to be run over 1 600 m at Turffontein tomorrow

The First National is one of the major races on the South African racing calendar and Irish bred I Try is ruling favourite at 22—10

Most ante post support is for Cape ...

This was a birdie not welcomed by Bernard

By Joe Openshaw

Bernard Langer shot a birdie on the first hole in the Million Dollar Challenge at Sun City yesterday which returned with a vengeance in the shape of a scrawny stork which sat malevolently on the green as the golfer s approach shot landed in the water

And the jaundiced eyed Pilanesberg bird — like the fateful albatross which haunts mariners — was unperturbed while Langer had heated words with Mr Jimmy Hemphill over whether his shot had landed out of bounds or in a water hazard

Under the circumstances it was on the cards for him to drop two shots on the ninth, after which the stork took its evil presence off

The incident was part of the excitement at Sun City yesterday watched by 4 595 golfing fans who braved the rain in the hope of seeing American Don Pooley better the course record 65 set by Fuzzy Zoeller in 1983 and equalled by Seve Ballesteros in 1984

SWINGING IN THE RAIN

After that it was swinging in the rain for the golfers as it drizzled in the heat and humidity at the start and then beat down heavily in the afternoon

But none of the really dedicated golfing fans were put off ...

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Petrol price going up

C Sowetan 2/12/88

PETROL will go up by 10 cents per litre as from January 16, next year, SABC TV News reported last night. 183

The Automobile Association says it is disappointing that the petrol price is increased at a time when the crude oil price has been decreasing and the rand has been gaining strength

It pointed out, however, that at a large petrol price deficit had built up prior to the September price increases

The AA also said that it was pleased to notice that the Minister of Mineral and Energy Affairs appeared to be taking notice of requests to introduce increases gradually rather than in one major jump — Sapa

Crest Holdings going for main board listing

Star 2/12/88

By Sven Forssman

(183)

Crest Holdings, which is to be listed in the Pharmaceutical & Medical sector of the JSE on December 15, has had its name changed five times since it was incorporated in 1964 under the name of Haelen Surgical Services

In 1970 it was changed to Afrox Surgical and Hospital Equipment, in 1973 to Medishield (SA), in 1984 to BOC Health Care, last year to Crest Healthcare Technology and on October 28 this year to Crest Holdings

Suppliers and manufacturers of anaesthesia machines and ancillary products, including life support and patient monitoring products used mainly in operating theatres and intensive care respiratory units, Crest is not inviting the public to subscribe for shares

Mr Peter Curle of issuing house Curle Securities explained that because of an input of capital from Citizens Holdings it was not necessary to invite the public to subscribe for shares

Earnings per share for 1988 were 15,2c based on 6,9 million shares in issue The forecast for 1989 is 17,5c a share and is based on the assumption that there will be stable economic conditions.

The directors intend distributing between 33 and 40 percent of after tax income annually by way of dividends

CHEMICAL INDUSTRY 183

Shaking up salt

2/12/88

AECI's joint R920m Sua Pan soda ash venture in Botswana (*Business* November 25), which could push an additional 600 000 t/year of salt on to the local market from 1991, is part of a major shake-up in the chemical industry

Currently, Sentrachem's Walvis Bay Salt produces about two-thirds of local market demand, with its main competitor, AECI, among its customers By 1992, the picture could look quite different, with Sua Pan providing all AECI's needs and expected to take over the Zimbabwean and Zambian markets

But Sentrachem MD Johan van der Walt is not worried.

While growing local demand (especially in the chemical sector) and good export prospects will create a market for some of the surplus salt, government's policy to focus export support on five major "sunrise" industries — including chemicals — will create a new outlook for the sector

In the case of salt, there is huge potential to beneficiate raw feedstock and increase export earnings by downstream manufacture, says Van der Walt

"While our Walvis Bay Salt operation currently produces about 400 000 t/year, or roughly two-thirds of local demand for salt, we are now expanding production to 500 000 t/year, in view of strongly increasing demand "

Although the R70m local salt market is small fry compared with other sectors, the beneficiation potential is vast This has been recognised by government, which is devising a value-added, export-focused strategy for the chemical sector

"Salt is used to manufacture chlorine, which is one of the feedstocks for PVC And if the PVC is used for the production of shoes, for example, the salt revenue of about R100/t can be increased to about R5 000/t. During this downstream process, jobs can be created and the value-adding impact on economic growth will be huge," says Van der Walt

Government's strategy for the chemical industry should be announced by February next year, he adds.

Van der Walt insists he is not concerned about Sua Pan's 600 000 t/year impact on the local salt industry

"While we will still compete in the local market, the thrust of the new strategy will be to co-operate on exports. Salt is a basic raw material, and joint plans for export beneficiation form part of the new thinking

"Salt is just one example The same value-added production chain principle applies to coal-devised products and other basic feedstocks Coal-based synthetic fuels are valued at about R35/barrel — but if beneficiated downstream into chemical and rubber products, the final earnings could be R2 000/barrel-R6 000/barrel," says Van der Walt

Soda Ash Botswana MD Basil Beaming says he expects Sentrachem to find markets for its surplus salt

"We should be able to capture the 100 000 t/year-120 000 t/year Zambian and Zimbabwean markets, which are currently supplied from SA. AECI's own demand for about 300 000 t/year of chemical salts — currently provided by Sentrachem — should also be supplied by Sua Pan So Sentrachem would have to find its own new markets," he says

Van der Walt's confidence in a future "sunrise" policy for the industry seems to be based on a firm understanding of government intentions A clearer picture should emerge in February ■

10c shocker

Cape Times 2/12/88

183

THE petrol price is to go up by 10c a litre from January 16 next year.

This means that from early next year motorists will be paying R1,02 a litre for 98-octane and 97c a litre for 93-octane in Greater Cape Town

Prices in other parts of the Cape will vary according to delivery zones set by the oil companies

The latest rise comes after a 16,5% increase in September

The latest shock increase is to "reduce the national budget deficit before borrowing and to encourage domestic expenditure", a joint statement by the Minister of Economic Affairs and Technology, Mr Danie Steyn, and the Minister of Finance, Mr Barend du Plessis, said yesterday

Nine cents of the increase will go towards financing additional state spending — mainly on salaries and wages — and slowing down economic activity

The extra 1c is to be added to the price to cover the increased costs of rail and pipeline tariffs which went into effect yesterday

Reacting to the announcement, the Automobile Association says it is disappointing that the petrol price increased at a time when the crude oil price has been decreasing and the rand has been gaining strength

Increased by R900m

It said, however, that at a large petrol price deficit had built up before the September price increase

The statement said the deficit had been budgeted at R12,5 billion in the current financial year and the figure had now increased by R900 million

More than R600 million had been expected from the sale of Iscor shares to the Industrial Development Corporation, which was to be used to finance certain capital expenditure

This left R300 million to be financed

"The higher fuel levy is estimated to yield an additional R260 million for the fiscus in the current financial year and to add R1,3 billion to total state revenue in fiscal 1989/90," the statement said

The ministers also said that the government was "perturbed" at the 8% annual increase in fuel used in South Africa, which it said was "disquieting" because the country has to import all its crude oil

Apart from the goal of a lower and more affordable level of fuel consumption — which should lead to the better utilisation of a product that must be imported at a high rand price, and with scarce dollars — the levy will mean that "motorists and other users of fuel will make a greater contribution to general state revenue", the statement added — Sapa, Staff Reporters

183

Blame fuel price on govt spending

Staff Reporter

THE government has drawn wide condemnation for the latest petrol price increase and critics called the rise a ploy to fund next year's pay rise for civil servants

According to economists and consumer bodies, the 10c/litre increase is a result of government overspending and will have a ripple effect throughout the economy, adversely affecting the inflation rate

More money had to be found for civil servants, whose numbers increased by 42 572 in the past financial year and who will be paid 20% more next year

A Trust Bank economic report published in July said notch increases and promotions would mean a total increase of 20% and not the 15% accross-the-board increase announced earlier

Mr Louis Fourie, economist at Boland bank, said "the basic reason for the higher petrol price is government overspending, and so the minister has to look for sources of revenue"

The National Democratic Movement said the increase was a highly unusual way of circumventing Parliament

"Instead of increasing state expenditure, and making the ordinary man pay for this, government should look to the lowering of such expenditure This can best be done by eliminating the duplication of state services to which the government is committed in terms of its group-based approach," the NDM said

Mr Harry Schwarz, PFP spokesman on finance, said the increase would have a "serious effect on the rate of inflation"

"The shock decision by the cabinet to tax the motorist by an additional 9c/l is entirely unacceptable," said Mr Peter Elliott, Director General of the AA

"The AA feels totally aggrieved that once again the motorist is being forced to bear the brunt of government's inefficient tax collection and civil servants' salary increases "

Mrs Lynn Morris, national president of the Housewives' League, said the increase was "totally and utterly indefensible"

An increase in fuel prices would have an unavoidable impact on the consumer price index in 1989, the Associated Chambers of Commerce and Industry (Assocom) said

It said the increases in the petrol price this year amounted to 28%

Given the problematic nature of the economy at present, it was absolutely essential that government spending be curbed if South Africa wished to survive economically and financially, according to the Afrikaanse Handelsinstituut

The increase was bad news for many farmers who were battling to recover economically, said Dr Koos du Toit, chief economist of the South African Agricultural Union

S/Times 4/12/88

Thomas plans to conquer London

(183)

By DAVID CARTE

MALBAK chairman Grant Thomas has recovered from the exhilaration of his conquests of Protea and Gencor Industries. Now he seeks new victories in the City of London

He returned recently from a trip introducing Malbak and himself to UK institutional and stock broking analysts made curious by Abercom's recent acquisition of UK packaging company, MY Holdings.

Slide carousel under his arm, he visited about 20 top investment people individually during a period of about three weeks and told them the amazing history of Malbak.

The numbers must have left his audiences agape — sales of R5,2-billion on an attributable basis, operating income of R500-million and earnings a share up 59,1% pa compound in the past three years

Mr Thomas explained the UK acquisition. "At the end of 1987, shortly after linking up with Gencor, we stated that we wished to operate outside SA.

"We decided that to go through the financial rand was hopeless, so we bought control of Abercom. Then we sold Davidson Fan, its major foreign asset, for nine and a half million pounds We took the cash and geared it up, forming a company called Tawny Down, which made a bid for MY, a packaging company with five factories."

The price of MY before the bid was 76p Tawny Down bid at 100p, acquiring acceptances amounting to 70% of the equity The share price of MY has moved up to 98p, capitalising the company at £43-million or roughly R240-million in financial rand

Mr Thomas says there is a sound British management in place at MY He has told MY and the analysts he does not propose to revolutionise it — but he would be keen for Kohler to pass on some of its packaging ideas to MY as a start.

Derek Minnie was recently appointed managing director of Kohler, freeing Ian Willis, former managing director of Kohler, and now chairman of Kohler, Haddons and Abertech, to lend a hand off-shore if he is needed. Mr Willis has the extra advantages of being British and having had 15 years in the business

Not that MY will confine itself to packaging It will consider any business with which Malbak feels at home.

Bright

I have known Mr Thomas since about 1976, at which stage Malbak was an insignificant little outfit comprising Bakke, manufacturer of polystyrene trays for fruit farmers, Malcomess, importer and distributor of farm machinery and Malbak Motor Holdings

He was joint MD with Bjorn Winberg and a pleasant, friendly, bright and self-assured young accountant.

It's been fascinating watching him develop into a captain of industry He wears it well — has a look of complete confidence and control.

Wasn't he daunted by the responsibility thrust upon him last year when he took command of five or six Gencor companies, each of which was bigger than Malbak?

"I have never had trouble winning the confidence of people. I put a lot of effort and hours trying to reconcile what the shareholders want with the objectives of the company and the aspirations of management.

"It's terribly important to talk to managers in an open and honest way and to promote an environment of honesty That way one grows confidence

"I explained very early on that I didn't want to run their businesses. They were given that responsibility They don't have to ask us if they want to increase their prices or any other such trivia The idea was to reconcile their personal aspirations with adequate returns

"We made joint plans and the understanding was that there would be no complaints unless there were difficulties We really only get involved if there are difficulties."

Shortly after qualifying as a CA, Grant Thomas was hired by Derek Keys and Dan Benade. One of his first assignments was to fix the motor division of a fledgling Malbak. The division was losing R40 000 a month. When Mr Thomas returned to head office after completing the assignment, it was making R780 000 a year

"Neither Keys nor Benade wanted to be chief executive When Derek went on sabbatical to Germany, I had no title and had to manage by persuasion. Bjorn Winberg and I were made joint MDs

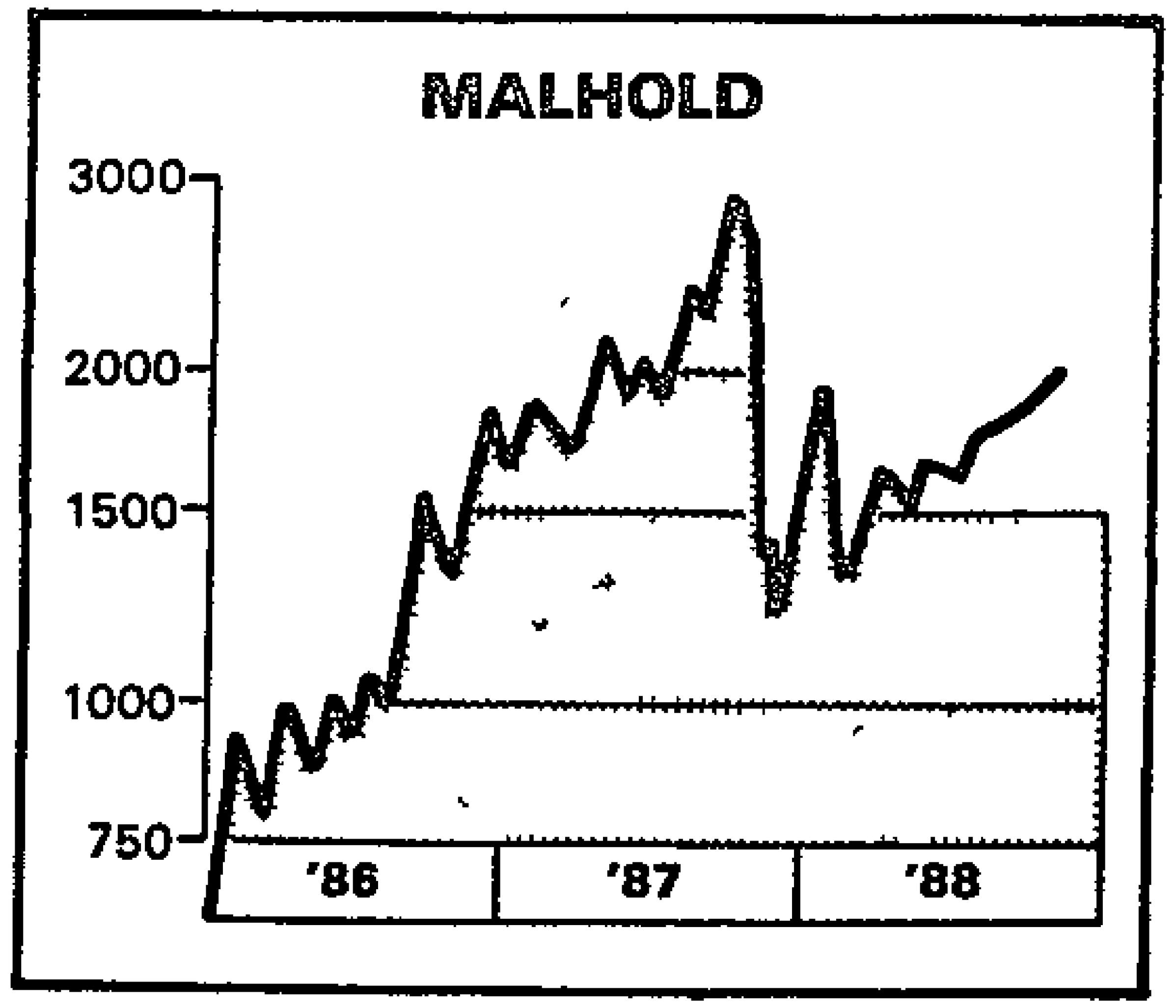
"We were dissatisfied that our share was trading at a big discount to net asset value. Analysts told us it was because we were in such cyclical businesses — farm machinery and motors We started to diversify into electronics and engineering

"It was the desire to get into new industries that made us interested in Protea in the first place. We needed the agreement of Sanlam, of course, but we went to Sanlam, then to Mutual and Southern and they all agreed to back us in the first takeover

"I must admit we also worried that we would become a pawn in a game of giants and that we might finish up where we wouldn't want to be I had lunch with Marinus Daling of Sanlam and suggested they sell us their stake in Protea for 40% of Malbak There was an exchange of letters in which we were permitted to stick to our own style and principles and would be allowed complete autonomy

"Sanlam has observed the agreement to the letter They attend board meetings but leave us to our own devices"

The Protea deal worked like a charm Protea holders who accepted the offer have seen their investment grow at 40% a year since the takeover Malbak holders also did well Their investment has grown at 36% pa



Timing

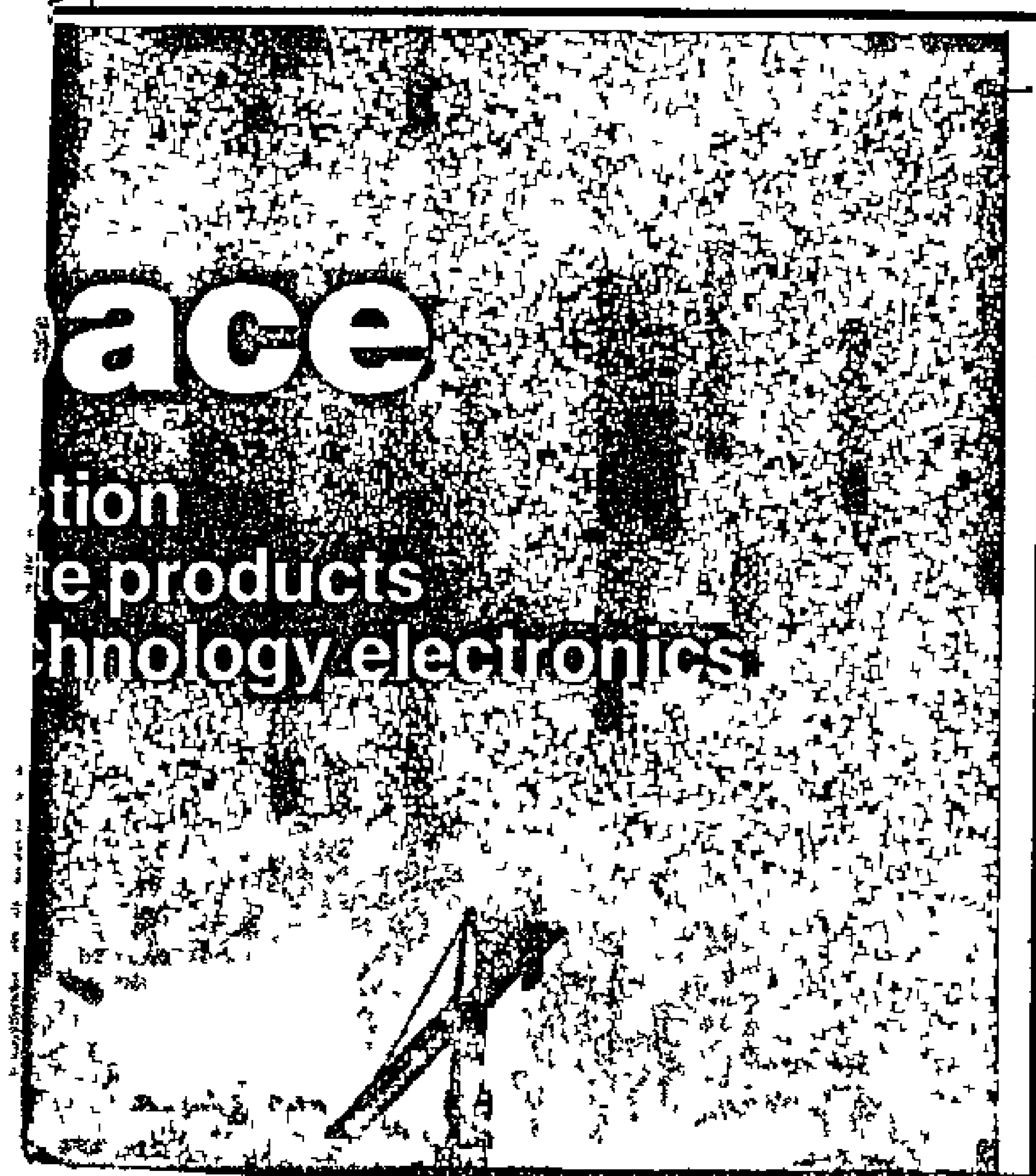
It has been argued that Malbak's fortunes were not self-made, that they happened by dint of Sanlam — but the experience of Protea holders is very high testimony to the management of Mr Thomas and his men and, one supposes, an embarrassment to the former regime

Mr Thomas recalls the experience with Gencor Industries "When Sanlam approached Derek to take the Gencor job, it was no secret that the industrial division was a problem

"Derek and I had been friends for years When the idea was formulated that Gencor should take control of Sanlam's share in Malhold and we should buy Gencor industries all at market value, we asked what was in it for Malbak. The only advantage we were offered was timing We could take over the Gencor companies as and when it suited us

"Originally, the idea was to do it piecemeal In fact, Haddons needed a rights issue We had Photra which was undergeared and performing well, so this was sold to Haddons without a rights issue. That happened within a month of my appointment.

"Three months later we bought Kolhler and Carlton After this there was a lot of concern in other Gencor companies as to what would happen to them We didn't want management fears undermining morale, so we decided on a Big Bang — to do all the transactions in one hit and that is what we did in July 1987"



Extra cash 'disappoints' Sasol

Star 2/12/88 (183) (2)

Finance Staff

The 2,4c increase in tariff protection to 6c a litre did not fully meet the needs of the synthetic fuel industry, Sasol said in an announcement to shareholders today

Earlier this year Sasol had requested the Government to increase tariff protection for the local petrol industry

"Your directors have now been advised by Government that Cabinet approval was given on November 30 1988 to increase the present tariff protection by 2,4c/l to 6c/l, and that this would also be effective for 1988," Sasol told its shareholders

The increase will not affect the current pump price of petrol and will be funded from the Equalisation Fund

"The increased protection now granted does not fully meet the needs of the synthetic fuel industry and your directors are disappointed with the outcome of the application," Sasol stated

However, the Government had proposed further discussions

"Because the information on liquid fuels production is classified, the effect of the increase of 2,4c/l in the tariff protection on profit cannot be stated," Sasol said brought closer by full the isolation of South Africa ... could explode at any moment — Sapa

We have a right to state our case, says Colgate

Star 16/12/88

By Helen Grange

Colgate Palmolive, lambasted by the Conservative Party for "intruding in SA's democratic process" has retorted that as a major taxpayer it has "every right to have its say in SA's so-called democracy"

The CP's accusations followed Colgate's request to have its Boksburg factory rezoned to Benoni in an attempt to dissociate itself from the CP's reintroduction of petty apartheid

Mr Clive Derby-Lewis, CP spokesman on economic affairs, asked in a letter to the managing director of Colgate, Mr G W Nocker, whether the company had made similar representations to town councils controlled by the National Party where apartheid measures were still upheld

He added that Mr Nocker's attitude towards "the democratic process in South Africa" left much to be desired and was unacceptable to the CP

(183)

"As a representative of 57 percent of commerce and industry in Boksburg, we have every right to have a say in the present abhorrent situation," Mr Nocker said

Problems have arisen in Colgate's application to be rezoned after the Transvaal Provincial Administration requested practical reasons — not only political ones — for the rezoning

"We are being affected by boycotts, and our industrial relations are suffering substantially These factors are affecting our profit margins," said Mr Nocker

Discord threatens in Boksburg's CP caucus

By Helen Grange

Discord is developing in Boksburg Town Council's CP caucus as a result of CP councillor Mr Koos van der Merwe's visits to Reiger Park management committee chairman Mr "Butch" Jantjes

Mrs Danilla Greyling, CP councillor for Ward 8, which includes Boksburg Lake, told The Star she was "sick and tired" of her CP colleagues "doing things without the consultation of other CP councillors"

"I have the impression that some CP councillors are negotiating with the coloured community about a possible sharing of Boksburg Lake and, as I am the councillor for that ward, I am the first person who should know about it," she said

Mrs Greyling said a council meeting held on Wednesday night, which was closed to the media, should have been open and covered by TV and the press

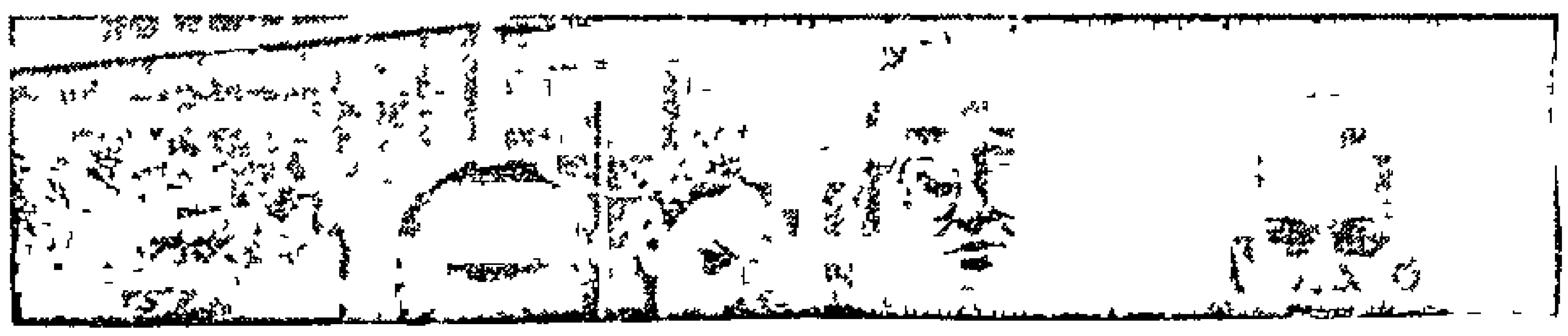
She added that, as the councillor controlling Boksburg Lake, she would not allow the lake to be opened to all races

"The lake has been a pleasure over the past few weeks and I have no intention of allowing it to be reintegrated," she said

Armed 'PO gang' ambush Houghton woman

By Craig Kotze, Crime Reporter

Robbers posing as Post Office workers threatened to cut off a finger of the wife of a well-known Johannesburg doc-



Colgate threatens re-zoning to Benoni

C. Press 15/12/88

(3877) By SOPHIE TEMA (183)

SEVERAL manufacturing companies, including the multinational giant, Colgate-Palmolive, situated in Boksburg, have reacted strongly to the town council's determination to keep the area white.

Colgate has also applied for re-zoning and has approached central government to intervene and stop the action by the Conservative Party controlled municipality.

A strong letter of protest has been sent to the town council and companies that do business with Colgate have been urged to send similar letters.

A spokesman for Unilever in Durban said: "All means and ways to encourage rethinking by the Boksburg Council would be considered. If re-zoning proves possible this may also be considered."

Managing director of Colgate, Gerry Nocker, has given the assurance that his company would give strong moral and financial support to any Boksburg group that wished to protest through legal means.

"Our position on disinvestment has not changed and we are committed to stay in South Africa as long as we believe that we can continue to influence political change and protect the human rights of firstly our employees and secondly the community.

"We, however, cannot justify the payment of rates and taxes to a town council that has such backward views – and views that are totally opposite to ours," Nocker added

Nocker said: "I believe the actions of the Boksburg Town Council are particularly irresponsible at this time as so much positive response and goodwill has been created overseas by the State President's peace initiatives in Angola, Mozambique, and Malawi together with his efforts in trying to create an environment for negotiation with responsible black leaders."

Paint firms in crisis as pigment supply dries

ARGUS 19/12/88 183

Staff Reporter

PENINSULA paint manufacturers have been plunged into a crisis by a country-wide shortage of a vital paint ingredient

Most companies are finding it difficult to meet orders One company is closing for the holidays because it cannot supply paint

Supplies of the white pigment, titanium dioxide, dropped to a "trickle" more than a month ago

Production at all paint plants has declined drastically — with some factories standing idle for hours or operating at half their usual capacity — at a time manufacturers say is their busiest

One plant, which usually closes during the builders' holiday, is staying open to make the most of the small quantities of titanium dioxide available Another has been working at half-pace for three days a week for more than a month

Manufacturers are also angry that the price of the pigment is going up by 13 percent in a fortnight

Titanium dioxide accounts for between 35 and 45 percent of the total raw material cost of paint The more the pigment, the better the quality

Manufacturers said South Africa's titanium dioxide was produced by SA Dioxide in Durban and they believed the shortage stemmed from problems that arose when the company began work on increasing the capacity of the facility The sole agent for the product is ICI.

One paint manufacturer in Cape Town said· "I am desperate I have orders to meet before the builders' holiday, but there is no pigment so I cannot make the paint We are at panic stations in our plant This is a crisis."

A spokesman for Neutron Paints said "This shortage is having a severely detrimental effect on business We are closing now instead of on December 23 because we do not have the stock to supply customers"

Galleon Paints has had to cut production too "And this is the worst time of the year for it to happen This is when we should be building up stocks for the new year," a spokesman said

(183) Star 19/12/88

The Star Finance

Major contracts awarded for Mossgas project

Babcock Africa has been awarded contracts worth almost R100 million for the fabrication of four offshore modules for the Mossgas project

The four modules — process, wellhead, power generation and utilities — will be fabricated from 2 500 tons of special 50E grade Iscor steel and 8 km of stainless steel and carbon steel piping

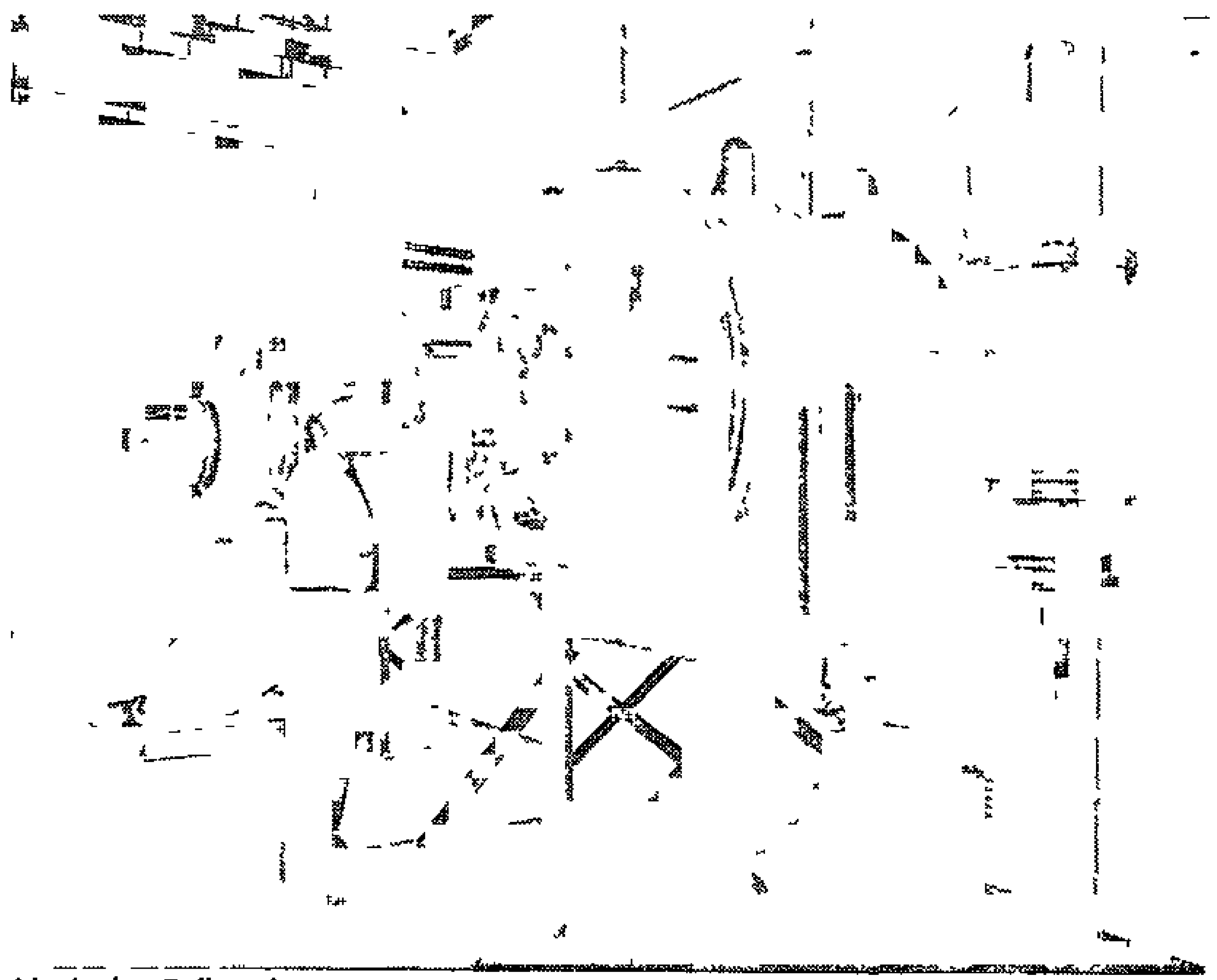
A new company, Babcock Mossel Bay Contractors, has been formed jointly with an overseas company, one of the world's foremost module contractors, to undertake the work

A 6 000 sq m covered fabrication plant on the Charl Malan Quay in Port Elizabeth is currently being erected Almost all the equipment to be used is part of Babcock's established resources

Engineers and managers have already moved to Port Elizabeth, where they have set up office and home for the two-year stay A temporary office block will be built on site to accommodate Babcock, Mossgas and Emso personnel

The company will employ local skilled and unskilled labour and will make use of the Eastern Cape training school and the services of engineering companies in the area At its peak of operations, there will be 900 workers

Babcock's work includes the installation of 1 200 tons of mechanical equipment, such as turbine generator sets, electrics and instrumentation, corrosion protection, thermal insulation, ventilation, air conditioning and fire prevention equipment



Mr Leslie Falkingham, project manager, GEC Switchgear, inspecting a vacuum furnace which forms part of the equipment being installed at the company's new vacuum interrupter plant When completed in February it will be the only one of its kind in the Southern hemisphere A vacuum interrupter provides a switching mechanism for high voltage circuit breakers used in the mining industry and industrial plants and at Eskom

Protective paints

About 65 percent of the protective coatings for the Mossgas FA production platform will be supplied by AECI Paints

The project, worth more than R1 million, requires highly sophisticated coating materials for application to the support frame module, the accommodation module, the helideck and the jacket

The coatings will all be locally produced under licence to Ameron Protective Coatings of Holland The coatings will combine to form systems which will control corrosion and offer tough resistance to abrasion

Mr Philip Greeff, marketing manager, heavy duty coatings division, says his company's recommendations to Mossgas are based on extensive studies and case histories of similar platforms in the North Sea and other other parts of the world

Reformer tubes

Metallurgical Processes (MP), a subsidiary of Impala Platinum Holdings, will supply high-temperature heat-resistant reformer tube assemblies for the synthetic fuel refinery at Mossel Bay

The company, the sole manufacturer of reformer tube assemblies in the country, won the R7 million order against international competition It was awarded by Lurgi SA

The tubes will be cast from a chrome, nickel and niobium alloy and will be made almost totally from local materials The castings

Industrial Beat

STAN KENNEDY

will be pull-bored to ensure the best possible tolerances and finishes inside before being welded into sections of 13,5 m

MP is one of the world's leading producers of nickel-magnesium alloys used in the foundry industry

Co-operative venture

The Council for Scientific and Industrial Research (CSIR), New Company Investments (NCI) group and Novacom Technics are co-operating in a joint venture to develop and manufacture locally two new products for the mining, quarry, paper and pulp and tobacco industries and for airports and harbours

NCI, which is administering the project and is involved in its major policy direction, has a 50 percent shareholding

The two products are a conveyor belt and rubber repair compound and a crusher and mill liner-backing compound

Despite the fact that the products will only be available early in 1989, Novacom has had export inquiries from Australia and the US

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Lead content of petrol reduced

PRETORIA — The lead content and octane rating of petrol will be reduced from January 1, the Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said in a statement here yesterday

Though the change will result in a 1,8c per litre increase in the basic landed cost of petrol, the pump price will not change, he said

The lead content in petrol will be reduced from the current maximum of 0,6g per litre to a maximum of 0,4g from January 1 in the second stage of the government's lead reduction programme, introduced three years ago

"Since it has been internationally ascertained that lead contained in exhaust gases emitted from motor vehicles can cause health problems, the government embarked on this reduction programme to forestall any possible problems," Mr Bartlett said

Petrol with the lower lead content will be delivered from refineries from January 1 and it will therefore be some time before this petrol reaches all service stations

The deputy minister said the lower lead content made it more difficult and expensive to manufacture high-octane petrol and the octane rating of 98 octane would therefore be reduced to 97

"This changed octane rating should not have any influence on the performance of motor vehicles"

A spokesman for the Automobile Association, Mr Fred Bothma, said the reduction in the coastal high-octane rating "should not affect the overwhelming majority of vehicles in any way"

He dismissed fears that a long-term effect could be accelerated wear on valves The reduced lead level of 0,4g per litre would still contain enough lead to serve as a lubricant, Mr Bothma said

"Engines require optimum octane levels from fuel only on very rapid acceleration or at high speeds and invariably have an adequate margin between the octane level requirement and the octane value available," he said

BP Southern Africa also came out in support of the decision

BPSA chairman Mr Ian Sims said in a statement that any move making the enviroment less polluted and "safer for everyone has the support of BP"

"Signage on the pumps will be progressively changed to reflect 97 octane (as opposed to 98 octane) from January 1," Mr Sims said — Sapa

Lead content of petrol to be reduced

Star 20/12/88 (183)

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Company to keep up effort to be rezoned

Star 23/12/88

183

By Shirley Woodgate,
Municipal Reporter

Efforts by Colgate-Palmolive to be "removed" from Boksburg and placed under the jurisdiction of Benoni would not be abandoned, managing director Mr Gerry Nocker said yesterday

He was commenting on allegations by Boksburg CP management committee chairman Mr Gideon Fourie on Wednesday that he would not allow firms doing business there to pull out

Mr Fourie said firms wanting to be rezoned elsewhere would have to apply to the town council, which would reject the applications

But according to the Local Government Ordinance, the council's stance may be legally overruled by the Administrator of the Transvaal, who has the sole power to excise land from one municipality and incorporate it into a neighbouring town

Mr Jan van der Walt, Director of Local Government in the Transvaal, said rezoning applications merely concerned land use, which was controlled by individual councils But provincial authorities established municipalities or changed the geographical boundaries of the towns

Mr Nocker said he awaited replies from both towns to his requests for "relocation" and would apply to the Administrator if necessary

"We are not prepared to sit back and watch business in the town go under," he said

Mini-city in the Karoo

A PETROL company has opened a R3-million "mini-city" in the Karoo, designed to meet the needs of motorists and holidaymakers en route to and from the Western Cape and the Transvaal

The development situated at Three Sisters, is based on Shell's Ultra City concept already operating in places like Estcourt, Kroonstad and Middelburg

The site is on the N1, 77 kilometres north of Beaufort West, 63 kilometres south of Victoria West and just 2 kilometres south of a major junction on the historic "Cape to Cairo" highway

The Shell Three Sisters Ultra City and Truckport offers — among other things — 24-hour petrol and diesel facilities, public phones, 24-hour breakdown and workshop facilities and restaurant (183)

Shell's retail regional manager, Mr Tony Kallis says "To meet our customers' needs, we have built a little city in the middle of nowhere"

The Automobile Association has welcomed the new development saying the benefits of a modern service and rest area on the busy holiday route between the Transvaal and Western Cape was a relief for motorists travelling through the Karoo Sowetan 23/12/88

23/12/88

(183)

AECI joins ozone battle

S/Times 25/12/88

AECI, South Africa's only supplier of chlorofluorocarbons (CFCs), which are used mainly as aerosol propellants, is to support the Montreal Protocol for the protection of the ozone layer

In September last year, more than 50 countries met in Montreal to discuss ways in which they could protect the oxone layer, which is threatened by the use of CFCs

The aim is to cut the use of CFCs by half in the next 10 years

CFCs are also used to make plastic foams for insulation and are essential to refrigeration They are also used in air-conditioning as solvents to clean components and circuits in computers, TV sets and other electronic equipment

Other chemicals are available, but none is as safe in terms of being non-toxic and non-flammable as CFCs

AECI will keep its customers informed on ways of finding options and will provide advice on the most effective use of CFCs

ST Times 25/12/88

Slate carries cost of less lead in petrol

183

By Don Robertson

THE reduction in the lead content of petrol from January will not result in an increase in the pump price even though it will cost more to produce.

In keeping with international trends, the lead content of SA petrol will be lowered to 0,4 grams a litre from 0,6g/*l* Fuel prices are based on the rand equivalent of international oil prices The effect of less lead in petrol will be to lift the landed cost of crude oil It will add 1,8c to the cost of refining a litre of petrol

The additional cost will be carried by the slate — the mechanism used to finance an over- or underrecovery of monthly petrol sales

Industry sources believe that if crude oil prices rise and the rand falls, another increase in the fuel price could be necessary The next increase in fuel prices will come into effect on January 16 when a litre will cost 10c more

At the end of November, the slate had a surplus of about R77-million It is expected to rise to about R95-million at the end of this month, says Lourens van den Berg, director of energy supply at the National Energy Council

Should the slate run into a deficit, it is made good by the equalisation fund which receives 7c/*l* from the fuel tax

However, in terms of a recent announcement, Sasol, which produces about 40% of SA's fuel, will pay only 1c/*l* to the stabilisation fund Sasol has been given an additional 2,4c/*l* in tariff protection, taking its total to 6c/*l* It will be exempt from paying this 6c/*l* to the fund, so reducing the amount of money in the kitty

The Sasol protection is retrospective to January this year and a multi-million rand lump sum payment was made to it from the fund

Mr Van den Berg says that although the amount in the equalisation fund is not released, it is adequate to top up the slate should it fall into deficit

The surplus in the slate has risen in the past three months because of an overrecovery of 1,6c/*l* in September, 2,6c/*l* in October and 3,3c/*l* in November

At the end of August, the slate and the equalisation fund were depleted In June last year, the slate had a surplus of R195-million, but underrecoveries from December last year to August sent it into a deficit of R98-million This was settled by the Government-operated equalisation fund, which has supported the petrol price by R551-million since the end of last year

SA consumers lose out in medicine price war

Star 27/12/88

183

BY MIKE MANO

The medicine price battle has, in many countries, been fought and won. The good news is that it has been the consumers who have come out on top.

South Africa has been left standing on the sidelines in the medicine price war and unfortunately consumers have yet to benefit from the pharmaceutical revolution

The issues that started the debate internationally were simple Drug companies were selling dangerous medicines for trivial complaints without warning consumers of the risks Many of their products were ineffective, and most were overpriced

Dangerous steroids

Repeated investigations of these charges revealed that in general, they were accurate

In Bangladesh, anabolic steroids were sold to put weight on malnourished children Latin Americans were prescribed dangerous antibiotics like chloramphenicol (which should only be used in serious diseases like typhoid) for just about any minor infection

Sledgehammer painkillers with well known and often fatal side effects were sold for minor headaches

South Africa escaped the worst of that But as we know to our cost, the accusations of excessive prices have also proved well founded. Here, as in other countries, numerous examples have been published of consumers paying tens and even hundreds of times more than they needed to for their medicines

The World Health Organisation recommended that if countries wanted to get best value for their medicines budget they should

- Adopt a limited list of essential drugs,
- Not allow potentially dangerous drugs on the market if these were not authorised for sale in their countries of origin,
- Buy generics, that is aspirin, not Aspro, paracetamol, not Dolorol, tetracycline, not Terramycin, and diazepam instead of Valium

The pharmaceutical companies were not happy with these recommendations. They lobbied their governments to stop the WHO from promoting such ideas. The US government is widely believed to have warned WHO in 1982 that it would cut its contribution to the organisation's budget if it did not stop preaching such anti-free-market ideas

Forced compromise

WHO compromised. It agreed not to set up a proposed international regulatory group to check the sales of dangerous drugs But the ideas had taken root and the results can be seen worldwide.

In neighbouring Zimbabwe for instance, CAPS, the country's leading drug maker, had to decide how to develop its business The company's management wanted to push its "Strong Boy" patent medicines promoted with the help of CAPS United, one of the country's leading football teams The government on the other hand wanted to emphasise local production of the basic medicines needed by the country's health service

An amicable agreement was reached whereby government took a major shareholding in the company — and directed its activities to meeting the country's health needs rather than making profits by selling patent medicines of dubious value.

Generics promoted

In many other countries, essential drugs lists have been introduced, generic products promoted and the sale of ineffective products curtailed

The international pharmaceutical industry has responded aggressively They have seen that their battle is to keep the value of the market growing "We have to aim at those — politicians, administrators, journalists — who have their hands on the levers of health policy which make the value of the market rise or fall," a Ciba-Geigy adviser told me.

This is really what the debate in South Africa is about. The industry is offering cheap and effective generic medicines to the state sector in exchange for an informal licence to carry on selling high-cost (and high profit) brand-name drugs to the private medical-aid-assisted consumers

The industry is also trying to bypass the medical profession and the regulators by selling products direct to the consumer Listeners to black radio stations will have heard the ad

"You were going to get some medicine — haven't you gone yet?"

"Yes, I have been and come back I went to the chemist — there are no queues there like at the clinic and they have good medicine and good advice."

The value of over-the-counter medicine is another issue. The companies are interested in selling basic medicines at high prices through chemists rather than at low price through state health services. That is where their profits lie

Policies needed

South African consumers would score if they were able to enjoy the low prices now widely available on the world market. To do this however, they need policies to promote good cheap medicine in *both* state and private sectors.

The obstacles the vested interest of doctors, chemists and the medical aid schemes As much to blame, however, is the confusion which results from having so many separate health authorities all trying to hoe their own rows

MANUFACTURING — CHEMICALS & PRODUCTS

1989

JANUARY — MAY

S/Times 1/1/89

183

Leaden air — the deadly motor menace

By Jeremy Brooks
London

FOCUS ON PETROL POLLUTION

SOUTH Africa's decision to lower petrol lead content brings it in line with a growing awareness worldwide of the unseen injury, caused mainly to children and babies, by metal poisoning.

Britain, which recognised the dangers in the early 1980s, has moved quickly to protect the public from exposure to lead But it still lags far behind other Western nations — Australia and America included — which have all but banned lead additives

European Economic Community nations have set a target of October next year to ban leaded petrol altogether and convert most cars to unleaded fuel Whether it would be practical — unleaded petrol has still not been introduced in Italy and Spain — is another matter

Lead pollution in Britain from exhaust fumes became a political hot potato in 1982 when a scientist's warning that it was causing brain injury to children was leaked to the newspapers

[redacted]

The letter, from a Department of Health doctor to his Whitehall chiefs, said there was a "strong likelihood that lead in petrol is permanently reducing the IQ of many of our children"

Chief medical officer Sir Henry Yellowlees estimated that thousands of children, particularly those living in cities and attending schools close to major highways, were affected

He said that in spite of claims by petrol companies and a Government inquiry finding that a connection between petrol lead and health impairment could not be proved, other more recent studies — including one at an EEC lab in Italy — pointed to the opposite

Britain reacted speedily, and by 1985 had fallen in line with major EEC partners by bringing the level to 0,4 grams a litre Most EEC members, with the exception of France which still sticks to 0,4g, have brought this down to 0,15g a litre

But a drive by both the UK Government and the Campaign for Lead-free Air (CLEAR) to persuade motorists to convert their cars to unleaded petrol, which has a level of less than 0,013g, has met with only partial success

Only 2% of the UK's 20-million motorists use unleaded fuel Scientists estimate that Britain's cars pump 3 000 tons of lead into the atmosphere every year. Lead levels in exhaust fumes measured in some road tunnels are 10 times higher than the EEC limit.

People were warned this year not to eat wild berries picked in the immediate area of central London One expert suggested that if anyone were able to eat eight of Trafalgar Square's pigeons at one sitting he would die soon afterwards

Exposure to lead pollution — which can also be caused by flaking paint — is most injurious to the under-18s and unborn babies Medical evidence has shown that, in early stages, it can lead to mental retardation and 'impair' development, causing a permanent lowering of the IQ of as much as 5%

It has also been linked to lower birth weight, smaller head size, and development difficulties in the first six months

Other studies show that lead levels are also affecting food supplies and wildlife Lead content in cabbage and lettuce is 10 times higher than in peas — simply because they are protected by their pods. Washing of vegetables failed to clear the lead completely

[redacted]

The issue of lead-petrol and exhaust pollution in general was taken up two months ago by environmentalist groups Greenpeace and Friends of the Earth

They launched an advertising campaign directed at Ford UK, which has refused to supply the catalytic converter-equipped cars it sells in other countries One poster, using the company's slogan "Ford gives you more", showed a skull formed by exhaust gases

America banned the import and manufacture of "leaded" cars in 1975, and now virtually all vehicles run on lead-free petrol. Studies of "blood-lead" levels in children showed a sharp drop at exactly the same time as the measures were introduced

The Japanese Government became alarmed at pollution in Tokyo in the 1960s and, after a 20-year campaign, leaded fuel is almost unobtainable — except for older cars unable to be converted

About 42% of fuel sold in Germany is now lead-free after the Government made it cheaper in 1985 France says it will ban leaded petrol this year

Lead poisoning is not a modern phenomenon Analysis of bones from Roman skeletons dug up in Gloucestershire have shown levels up to 10 times those in modern man, possibly caused by their habit of eating sapa, a grape syrup simmered in lead-lined vessels and drinking wine sweetened with lead acetate

George III drank and ate quantities of lemonade and sauerkraut produced in lead-glazed pottery, which may have led to his dementia at a young age

Mexico City, where smog caused mainly by exhaust fumes is trapped in the valley by a blanket of warm air, is suffering from the worst pollution in its history Because of the danger, the city council has ordered schools to remain closed until February

Studies there have shown most children have lead levels above the World Health Organisation safety limit Residents have been warned that if they wish to exercise they should do so indoors, keeping their windows closed

Normal breathing in Mexico City, said doctors, was equivalent to smoking 40 cigarettes a day

Suggestions to save Lanchem

B/Day 5/1/89

ZILLA EFRAT (183)

SUGGESTIONS on the potential injection of viable assets into suspended company Lanchem were being investigated by the JSE, JSE president Tony Norton said

A special meeting of the JSE general committee held in September last year to decide whether Lanchem's listing would be suspended or terminated was adjourned until October 18, 1988

This was done to allow for the submission of documents on a proposed injection of assets into Lanchem, which had been left without assets after the takeover of Triomf by Nedbank

But, Norton said, the October meeting was delayed when suggestions were received If reasonable prospects for rescuing a company existed, the JSE would allow time for companies to submit proposals

Norton was unable to comment at this stage on the expected outcome of the investigation

Lanchem was sold to Turf Holdings at the end of 1987 as a means of listing Turf's industrial division on the JSE

Rand Air consolidates its presence in eastern Transvaal

BDay 6/11/89 (183)

BRENT MELVILLE

SA'S largest compressor hire company, Rand Air, has consolidated its presence in the eastern Transvaal with the acquisition of the compressor division of Nelspruit Air

The buyout comes in the wake of an agreement combining the management expertise of the national Rand Air with the smaller company's knowledge of local operating conditions

Rand Air MD Brian Shekleton said the buyout was intended to alleviate problems with customer access, adding that the distance from depots to customers remained the single biggest obstacle to short-term hire

"The eastern Transvaal has much potential growth and several areas have been earmarked for construction"

183 S/Times 15/1/89

R1bn farm bill

By Don Robertson

THE price of fertiliser has been raised by an average of 11% from the beginning of this month, pushing farmers' bills to more than R1-billion for the first time.

The increase will hit the farming industry severely, suffering as it is with a debt of R14-billion

Fertiliser costs more because of the higher cost of phosphate rock, sulphuric acid, ammonia and labour

Railage costs for the movement of raw materials — from Phalaborwa and Richards Bay — account for a major part of production costs Any increase in tariffs in the Sats budget could result in another fertiliser-price price rise

Neville Crosse, managing director of Omnia Fertilizer, says that because of good rains, fertiliser sales rose by about 10% last year to 2,2-million tons It is too early in the current growing season to predict volumes this year

Stocks held by the main producers — Omnia, Sasol and AECI's Kynoch — have been reduced, but this is usual for this time of the year.

The next major selling season starts in September.

Although all three producers raise their prices by the same amount at the same time, Mr Crosse says there is no cartel.

He says that if one producer charged R100 a ton more than his competitor, he would not be in the market

However, price discounts, which have been a feature of the market for many years but have "levelled off" in recent months The early discount rebate (EDR) is still applicable. It could amount to as much as 14% for those buying fertiliser now for use in September

The rand's world value

	R1 equals		One foreign unit equals (R)	
	13/01/89	13/01/88	13/01/89	13/01/88
US $	0 419	0 512	2 388	1 953
UK £	0 237	0 279	4 227	3,580
Deutschemark	0 769	0 833	1,300	1,200
Japanese yen	53 035	64 755	0,019	0 015
Swiss franc	0 656	0,679	1 524	1,413
French franc	2 621	2 808	0 382	0 356
Canadian $	0 602	0 667	1,992	1,522
Italian lira	564 595	613,045	0,002	0,002
Zimbabwean $	0 814	0 872	1,229	1,147
Australian $	0,484	0 717	2,066	1,395

Trade weighted value of rand % change against 1974 base 42/60

Domestic interest rates

MONEY MARKET

	Friday 13/1 /89 %	Friday 6 /1 /89 %	Friday 30/12/88 %
SARB accommodation rediscount rate TBs	14 50	14 50	14 50
Treasury bill tender rate	15 22	15 21	15 28
Basic call of discount houses	14 75	14 75	14 75
Three-month banker acceptances	15 50	15,50	15 65
Three-month NCDs	16 60	16 75	16,80
Three-year RSA stock	15 00	15 00	15 00
Prime overdraft rate	18 00	18 00	18 00
All-in yield of finest acceptance credits	16 33	16 28	16 28

CAPITAL MARKET

SECONDARY MARKET	RATES ON MOST TRADED STOCKS Average Previous Month	As on Friday
Long-term RSA stocks	16,72	16,62
Long-term Escom stocks	16,56	16,45 q

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Tobacco and Match	12 5+	4,4	11,0
Steel and Allied	9 2+	4,5	15,7
Industrial Holdings	6,8+	5,4	15,8
Retailers and Wholesalers	6 4+	5 5	14 9
Diamonds	6 3+	2,1	9,5

Overall market this week

(Ordinary Shares Only)

Mining Non-Min Total

London gold

Chemicals 'important'

The chemical process industry was an important player on the South African industrial scene, Dr Chris Garbers, president of the Council for Scientific and Industrial Research (CSIR), said today. Star 16/11/87.

Dr Garbers, addressing the South African Chemical Institute's 30th convention in Johannesburg, said the chemical process industry had shown stronger growth since 1973 than the manufacturing industry generally.

"With its contribution of 20,4 percent (R17,8 billion) to the total value of manufacturing sector sales, it is a very important player on the South African industrial scene," said Dr Garbers — Sapa. (183)

Vital role of chemistry in industry to be highlighted

Star 16/1/89

By Paula Fray

The important role of chemistry in southern African industry will be highlighted during the 30th Biennial Convention of the South African Chemical Institute in Johannesburg

The convention theme "Chemistry for Southern Africa", will be addressed by many eminent chemists, including delegates from the United States, West Germany and Israel

In his opening address today, Dr Chris Garbers, president of the Council for Scientific and Industrial Research (CSIR), said the chemical process industry was an important player on the South African industrial scene

Dr Garbers said the chemical process industry had shown stronger growth since 1973 than the manufacturing industry generally

EDUCATION

"With its contribution of 20,4 percent (R17,8 billion) to the total value of manufacturing sector sales, it is a very important player on the South African industrial scene," he said

The conference will highlight several issues, including the type of chemistry education is needed in a third world situation High level manpower in the chemical industry will be assessed

New developments and research will be reviewed

The institute's gold medal, which is awarded for outstanding achievement in chemistry, will be presented to Professor C W Holzapfel of Rand Afrikaans University on Thursday

The convention ends on Friday

Protea in joint venture

183

SW 16/1/89

Protea Chemicals and Malbak subsidiary Protea Technology have announced the formation of a joint venture company

The company — Protea Electronic Materials (Pty) — has been created to serve the printed circuit board manufacturing industry

Mike Green, divisional chairman of Prochem says "Protea Chemicals and Protea Technology have combined their chemical and electronic technologies and resources to form an integrated company that will meet the quality and service needs of this growing industry for materials, equipment and systems"

Protea Electronic Materials will be situated at Elandsfontein on the premises of Chemplast

The managing director, Pieter Patricious, takes up his appointment on February 1. — Sapa

Star 17/1/89 (183)

Chemists debate industry issues

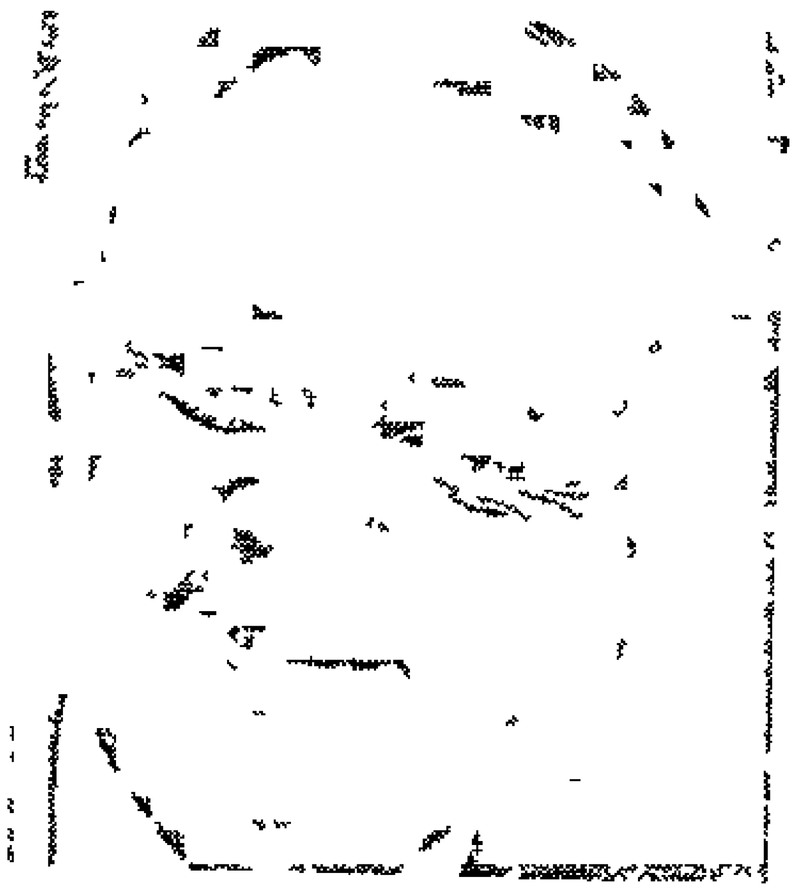
By Paula Fray

The challenges facing the South African chemistry industry could be met by reconciling political, economic, educational and technological planning, Dr Chris Garbers, president of the Council for Scientific and Industrial Research (CSIR), said yesterday

Dr Garbers was opening the 30th Biennial Convention of the South African Chemical Institute which was attended by more than 400 delegates

The theme, "Chemistry for Southern Africa", will be addressed by delegates from, among others, the United States, West Germany and Israel

Dr Garbers said the local chemical process industry had shown stronger growth since 1973 than the manufacturing industry generally "With its contribution of 20,4 percent (R17,8 billion) to the total value of manufacturing sector sales, it is a very important player on the South African industrial scene



'Long-term strategy needed' Prof Chris Garbers

"Chemistry is, and will remain, at the heart of almost all disciplines of science and technology," Dr Garbers said

Dr Garbers said changes in labour patterns had resulted in a growing demand for education and continued education He mentioned the number of science degrees conferred by local universities and said the practice of chemistry was going to become "more scientist and engineer intensive" requiring an increased number of graduates

He also highlighted the fact that "despite the crucial contribution chemistry has made and continues to make to the elevation of our living standards to unprecedented heights, the chemical industry around the globe is increasingly associated in the public mind with hazardous waste, toxic spills, plastic litter, the destruction of forests and the endangerment of eagles"

As the threat of pollution increased, decisions which made sense enviromentally would gain in prominence, he said

He said South Africa needed a long-term industrial strategy.

The Institute's gold medal, which is awarded for outstanding achievements in chemistry, will be presented to Professor C W Holzapfel of Rand Afrikaans University on Thursday The convention ends on Friday

'Need for long-term industrial strategy' B/Day 17/1/89

Chemical industry in leaner form — CSIR

183

PRETORIA — Import protection up to 1983 — a major factor in the rapid expansion of the chemical industry — had isolated it from international competition, CSIR President Chris Garbers said yesterday.

GERALD REILLY

Opening the SA Chemical Institute Convention in Johannesburg he said import protection had virtually eliminated the risk of investment in chemical production

The removal of import control and the introduction of moderate selective tariffs protection, together with drought, precipitated the closure of plants with hundreds of retrenchments.

However, the industry had weathered the storm and emerged in leaner form.

Garbers said there was a need for long-term industrial strategy and for a pact between the private sector, quasi-government, state controlled operations and government itself

Protection for fundamentally uncompetitive industries was unacceptable.

Demand for education and continued education would grow In the US 25,3% of the workforce had four years or more of tertiary education.

The decreasing demand for those with less than four years of secondary education was alarming for SA.

The chemical industry would be "dreadfully" exposed through high inflation if not compensated by a weakening rand

The industry was plagued by political uncertainties and confronted by a declining skills base

With the population growth and the increasing proportion of old people the demand for health care and pharmaceutical products was likely to rise by up to 7,5% a year.

Garbers said fewer new drugs were being introduced because of the high development costs

SA has the ability to generate more exports

Star 20/1/89

(183)

By Paula Fray

The South African chemical industry, which comprises about 20 percent of the manufacturing sector, needed to be a major player in generating the exports needed, Dr J B Clark, group executive of Research, Development and Implementation at the CSIR said yesterday

He was speaking on "Managing the Chemical Industry — Research and Development" at the 30th biennial convention of the South African Chemical Institute in Johannesburg

Research and development in the chemical industry was designed to establish a competitive edge in the market place

The longer term research aimed to establish a set of new products or new processes in order to generate new business opportunities The shorter term research and development aimed to improve existing products and processes to remain competitive or to function more profitably than previously, he said

Quoting Mr Paul Kruger, managing director of Sasol, he said "the SA Chemical Industry has the potential and raw materials to expand and become an important factor in the international chemical industry"

Dr Clark said the local industry was largely dependent on coal and other indigenous resources for raw materials The industry was geared mainly to supplying local demand

He added that the industry was largely dependent on overseas technology which was not desirable in view of the cost and threat of sanctions

Chemical industry under spotlight

Star 20/1/89

By Paula Fray

The recruitment of manpower and industrial relations in the chemical industry came under the spotlight yesterday at the 30th biennial convention of the South African Chemical Institute in Johannesburg

Mr B Wegerly, group human resources manager of Middelburg Steel and Alloys, told delegates the best level of output would depend on the people employed

After years of talks on human resources there should have been significant change in the industry However, the national productivity figure was still "dismal", there was no easing of the skills shortage, little black advancement and no absence of strikes — to name a few, he said.

Mr Wegerly said there was a "dangerous tendency to practise single issue management" instead of integrating policies

There was also a lack of human resource knowhow from top management and a poor linkage between people policies and technical advances

Quoting Mr Clem Sunter, he said, "the future (trade) war will be fought more on knowledge and less on raw materials, that is, we are moving into the 'knowledge intensive era'"

Human resource policies and methods of recruiting would have to adjust accordingly

Dr M W Rose, marketing director of Sentrachem, told delegates of the increase in union membership since 1980

Union membership amongst black workers increased from about 700 000 in pre-Wiehann Commission days to about 2½ members today

The change in the relationship included new fairness, integration on the factory floor, negotiation with representation rather than unorganised workers, negotiated procedures instead of instructions and a "living wage" rather than cheap labour

Dr Rose said the unionisation also encouraged automation as workers were paid higher wages and so less staff were employed There was also increased productivity per worker.

Elangeni's interim profit rises by 55%

B/Day 23/1/89

ZILLA EFRAT 183

ELANGENI Holdings, the edible oil processor, has reported a 55% increase in earnings for the six months ended October 1988

Taxed profits rose to R987 000 (R636 000) and earnings jumped to 5,9c (3,8c) No interim dividend has been declared as it is the group's policy to declare a single dividend at year-end

Turnover increased by 12,9% (25,9%), but actual figures are not given Operating profits rose 35% to R1,7m (R1,24m)

Chairman Harry Spain says the interest bill, which rose 38% to R686 000 (R497 000), largely reflects investment in new equipment

The group, based on the Natal North Coast, did not pay tax during the period under review due to non-taxable decentralisation benefits and assessed losses brought foreward from previous years

Delays

Directors say Elangeni has continued to increase its market share despite production constraints caused by delays in completing certain factory buildings The group's extraction plant came into operation in November 1988 and its continuous refining plant will be completed in March this year

The directors say the results for the full year ending April 1989 will be affected by these production delays

Elangeni's diversification into the production of soap products is seen as a logical expansion because the primary ingredients in soap production are fatty acids, a major by-product from the refining of edible oils

Directors expect earnings to grow by at least 40% for the full year

Elangeni was listed on the JSE in August last year via a reverse takeover of Advance Industries It was later transferred to the food sector

Firm to make non-toxic insulation for mines

S/Day 24/1/89. (183)

ALAN FINE

A NEW company, Scandura SA, a part of the Lanlock group, had been established to make a non-toxic, non-flammable phenolic composite applicable as an insulating material in mining, a company spokesman said yesterday

The product is said to have many other functions Seen as a substitute for polyurethane foam, it has until now been produced only overseas

Polyurethane has been extensively used to insulate refrigeration piping, but its installation was banned from January 1 after being blamed for the deaths of hundreds of miners in underground fires

Scandura's Roger Gilder said yesterday the product was at least as effective as polyurethane as an insulating agent, but did not ignite and when charred gave off only miniscule amounts of gas

The mines had asked that certain conclusive tests be conducted, and production is scheduled to begin in May

National Union of Mineworkers safety department head Mavis Hermanus said the union would like to see the data of scientific tests before commenting

The Chamber of Mines could not be reached for comment

Liquor prices up next week

Star 25/1/89

183

There will be an across-the-board increase in liquor prices from Wednesday next week

Drinkers will have to swallow hard when the prices of wines and spirits rise on February 1

Mr Colin Tatham, commercial director of Stellenbosch Farmers' Winery, said yesterday a broad spectrum of increases affecting liquor wholesalers had forced the price adjustments

He said deposits on glass containers would be reduced at the same time

Popular wines will increase in price by 6 percent in the Transvaal and 7,6 percent in the western Cape Fortified and flavoured wine will increase by 10,8 percent in the Transvaal and 11,6 percent in the eastern Cape and 11,9 percent in the western Cape

Locally produced white spirits and brandies will go up by 9 percent and imported whisky will rise by 12 percent

SFW said the price of corked, or higher priced, wines will rise by 15,4 percent in the Transvaal and 16,5 percent in the Cape for reds Whites will increase by 13,8 percent and 15 percent respectively

COMPANIES

183 B/Day 27/1/89

Light at the end of the tunnel for AECI

ANALYSIS: STEPHEN RICHTER

THIS decade's dismal performance by chemical giant AECI against the industrial sector may finally be coming to an end

The accompanying chart indicates how poorly AECI has faired against the JSE industrial index since 1981, when the ratio reached a high of 1,5 This indicator has been on a steady decline and hit a low of 0,6 last year — substantially below the 1975 trough of 0,9

It is easy to see why investors were avoiding the share as earnings slid from 103c in 1981 to 72c in 1984, and by 1986 had only recovered to 113c

Capacity

For a blue chip counter, AECI's earnings growth left much to be desired during that six-year period and institutions were clearly unimpressed

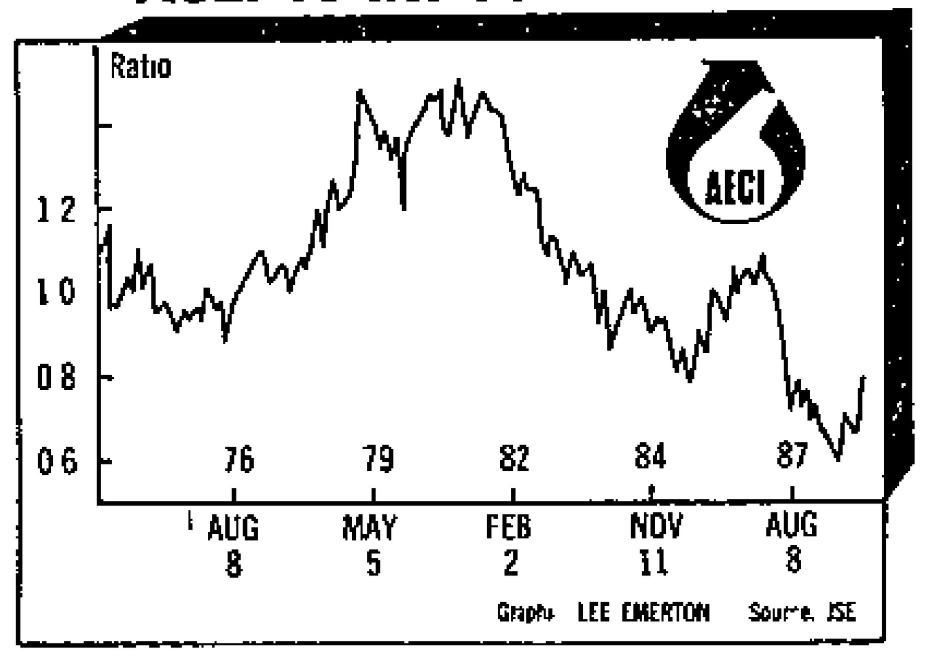
But there seems to be light at the end of the tunnel AECI's price has been hitting new 12-month highs recently and if this momentum continues, the share could soon be approaching its 1987 peak of 1 925c This strong action has pushed the above-mentioned relative strength ratio above 0,8

AECI MD Mike Sander says overall capacity utilisation stands at roughly 90% He projects this will improve as the increased availability of ethylene from Sasol will enable previously underutilised plants to maximise their production capacity

The ethylene shortage was a serious problem for AECI because the group was sitting with idle capacity for six years

AECI's biggest polyethylene plant has been running at only 38% of potential for the past four years due to this problem The shortage made it necessary for AECI to import ethylene until the end of last year But since additional ethylene has started to flow from Sasol, there is no longer a need to import

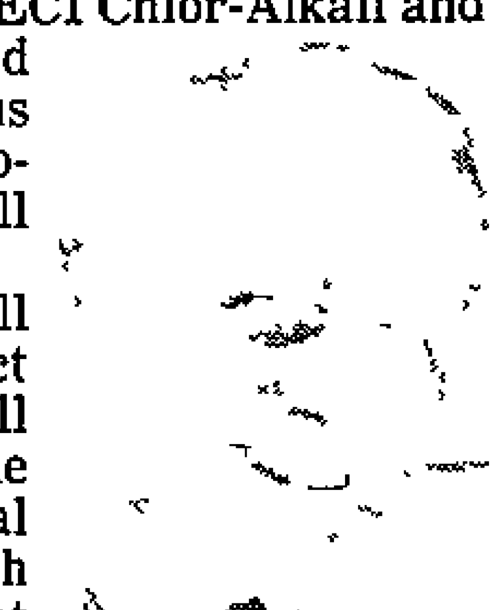
ACEI vs INDUSTRIAL INDEX



Polyethylene has a wide number of uses and the packaging industry is one of its biggest customers The paper and packaging industry expects to go from strength to strength this year, which underscores the importance of the increased ethylene supplies to AECI Sander is confident AECI will be able to export any surplus production at favourable prices

In fact, looking at the group as a whole, most plants are working to optimum capacities with the exception of the fertiliser operations The larger chemical factories work 24 hours a day In the explosives and plastics divisions, there is some intended reserve capacity to take up expected increases in local demand The group is optimistic these volumes will be maintained

In view of the strong demand for PVC, AECI has debottlenecked its Coalplex factory for this purpose, providing an additional 20% PVC production capacity Therefore, Sander feels his group's strongest growth areas this year will be the AECI Chlor-Alkali and Plastics Limited division which is responsible for producing PVC as well as polyethylene



● SANDER

Mossel Bay will make little impact on AECI's overall activities since the group has minimal involvement with the project But Sander worries that "the general skills shortage and the fact that Mossel Bay is occupying valuable skilled people could slow down technical growth in the chemicals industry as a whole"

For the six months to end-June, the group recorded a conservative 15% increase in bottom-line profits to 61c (53c) a share For the remainder of the year, the directors indicate "given continued moderate growth in the domestic economy and normal weather patterns in the summer rainfall region, the rate of improvement in profits should at least be sustained in the second half-year"

Therefore, earnings for the full year, which are due to be released on February 22, should grow by a similar percentage to the first half and rise to 159c But the dividend may only increase by 9% to 72c as the group appears to be raising its dividend cover

Manufacturing

But with the share price advancing to new high territory, investors would appear to be looking ahead into their crystal balls and seeing an exciting future for AECI This seems justified as manufacturers are generally expecting a good year and AECI produces products widely used in the manufacturing process

The demand for polyethylene has grown by at least 15% a year during the past four years and the increasing ethylene availability should enhance AECI's bottom line In addition, AECI is to proceed with a R920m soda ash venture which should begin to contribute to the bottom line within the next few years

Ink workers strike still on

THE strike by more than 200 workers at Coates Brothers ink-manufacturing plants in Maitland and Durban entered its fifth day yesterday

The legal stoppage hinged on workers' demands for a 19,6% across-the-board increase, a 42-hour week, voluntary overtime, March 21 ("Sharpeville Day") as a paid holiday and a R25 annual service allowance, a union spokesman said

Two firms in bid to save ozone layer

S/Times 29/11/89. (183)

By Andrew Gillingham

SOUTH African industry is launching a blitz on chemicals which may be destroying earth's vital ozone layer.

AECI, SA's sole manufacturer of chloroflurocarbons (CFCs), says that by mid-1990 no CFCs will be used in aerosols The compounds are believed to be responsible for the decline in the ozone layer which protects earth from the sun's harmful ultra-violet rays

Phillip Thornton, AECI Chlor-Alkali marketing manager, says "We expect to replace all CFCs in aerosols in the next 18 months We will cut the use of CFCs by as much as 20%"

Substitutes

Guy Cooper, managing director of Johnson Wax, says his company stopped using CFCs more than 10 years ago It was a personal decision by the owner, Sam Johnson

Mr Cooper says "It has not been proved conclusively

GUY COOPER

that CFCs damage the ozone layer and the introduction of substitutes has been slowed as a result Awareness of the problem in South Africa is increasing When we advertised that our products did not contain chemicals alleged to damage the atmosphere there was a tremendous response from the public

"All the children of one class sent us a separate letter thanking us."

However, not all the problems have been solved and much work has still to be done

Mr Thornton says "The CFCs used in refrigeration and air-conditioning systems are difficult to replace We are seeking substitutes, but it could take some years before total replacement is possible An enormous amount of research is required necessary and the plants must be modified

Worse

"Some foreign companies will produce substitutes by 1991, but the quantities will be too small to meet world demand"

The Montreal Protocol, agreed to by a meeting of 50 countries, calls for the world use of CFCs to be cut by half in the next 10 years But scientists are worried because the cut may be insufficient

The damage to the ozone layer is worse than originally suspected

Mynkar sits pretty on 77% profit rise

31/1/89

B/Day ZILLA EFRAT (183)

MYNKAR Holdings, which manufactures, sells and hires toilets, is sitting pretty with increased earnings of 77% for the six months to December 1988 after an improvement in new product sales

Mynkar, which moved from the DCM to the main board at the end of last year, showed a 71% rise in earnings to 6c (3,5c) a share Taxed profits jumped to R800 000 (R452 000)

Turnover was up by 51,6% to more than R5m (R7,6m), while operating margins remained unchanged

The 18% growth in the toilet hire fleet was funded mainly by the group's working capital and is responsible for a decrease in liquidity for the period The current ratio declined to 1 1 from the 1,4 1 of the previous interim period

Directors say an expected slackening of activity in the construction industry will probably result in lower demand for toilet hiring facilities for the second half of the year

Executive chairman Peter Brown says the improved performance results from an increase in new product sales, particularly the Fibreform range of modular buildings

MYNKAR

For the first time, new product sales are level pegging with the income from toilet hiring This trend is expected to continue for the rest of the financial year.

Brown says Mynkar's order books and a number of long-term toilet hiring contracts indicate that the group should repeat the same figures during the final six months of the financial year

He anticipates that if the level of profitability is maintained, a cash dividend, and an option to receive capitalisation shares instead of cash, will be recommended by the board

The net asset value improved to 30,5c (22,4c) a share despite a capitalisation share issue which added 910 000 to the existing 13-million shares

The share, currently trading at 50c, fell to a low of 37c in September last year before rising to a high 65c in December

It has a PE of 5,6 against an average PE for the engineering sector of 8,4, suggesting a low market rating

100 axed as Consol closes

Cape Times 3/1/89 183

Staff Reporter

CONSOL LTD, the giant Anglovaal packaging company, has closed its plastic plant in Atlantis, axing about 100 workers, a Chemical Workers' Industrial Union spokesman said yesterday

Only one hour's notice was given to union officials and workers and the factory's machines were switched off immediately after the announcement was made last Wednesday, the spokesman said

Company managing director Mr Dave Spindler was not available for comment yesterday

Cape Times 7/2/89

Plascon, union in wage dispute

Staff Reporter

THE SA Chemical Workers' Union and Plascon IPC, Epping, were locked in mediation yesterday following charges by the union that workers had been bulldozed into signing a wage agreement

And at Plascon Paints in Epping, union members have rejected the company's 16% wage increase on the minimum monthly wage of R800.

Commenting yesterday on the union allegations, a Plascon IPC spokesman said Sacwu members had signed an agreement after submitting a petition denying that they were in dispute with the company.

Cape Times 7/2/89

(183)

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Benoni gives green light to Colgate application

Star 2/11/89 **East Rand Bureau** 183

Benoni Town Council has agreed in principle to Colgate-Palmolive's application to be incorporated within its municipal area Its approval is subject to the company obtaining permission from the Transvaal Administrator

Mr Vic Penning, chairman of the Benoni Town Council management committee, said the council would welcome this move but would not go out of its way to hijack industries

Colgate-Palmolive, whose plant lies within the Boksburg municipal boundary, has dissociated itself from Boksburg Town Council's petty-apartheid policies and had applied to the Benoni council for rezoning.

The Boksburg council has indicated it will not give any Boksburg-based company permission to be incorporated in another town's boundaries

Factory's sudden closure slammed by union

CT Times 2/2/89

Staff Reporter

CONSOL Plastics' snap closure of its Atlantis factory and ensuing job offers to 49 of the 105 axed employees has been criticised by a Chemical Workers Industrial Union (CWIU) spokesman.

CWIU Transvaal secretary Ms Chris Bonner was reacting to company manging director Mr Dave Spindler's explanation for the factory's snap closure last Wednesady

The union alleged that its officials and shop stewards had been given an hour's notice of the company's intention to close down the factory.

Mr Spindler said 40 jobs had been made available for 87 of the retrenched wage earners while nine of the 20 salaried employees had also been offered posts within the Consol group

Ms Bonner slammed the 10-day notice period for the retrenched employee as inadequate adding that it was "pathetic" that workers who got jobs would have to travel 70km to Cape Town each day.

Citing economic reasons for the closure, Mr Spindler said: "We had no alternative course of action but to shut down the Atlantis operation and to pay the staff until February 3"

Shop stewards from 10 Consol plants throughout the country would be meeting later this week to discuss the closure, Ms Bonner said

'Only one Boksburg company rezoned'

Star 3/2/89 183

By Kaizer Nyatsumba

No other company or business had launched an application with the Conservative Party-controlled Boksburg Town Council to be rezoned to either Benoni or Germiston, according to Boksburg town clerk Mr J J Coetzee

Mr Coetzee said Colgate-Palmolive was so far the only company which had approached the council with a view to be rezoned to Benoni in order not to be associated with the Boksburg Town Council's re-introduction of petty apartheid

Mr Coetzee's comments come in the wake of the Benoni Town Council's statement yesterday that it had agreed in principle to Colgate-Palmolive's application to be incorporated within the Benoni municipal area

The chairman of the Benoni management committee, Mr Vic Penning, said his council would welcome the rezoning of Colgate-Palmolive, but would not go out of its way to lure companies to Benoni

The managing director of Colgate-Palmolive, Mr G W Nocker, was not available for comment

News in Brief

Coates strike ends

STRIKING workers at Coates Brothers ink manufacturers in Epping yesterday decided to return to work on Monday, ending the two-week stoppage in support of wage and other demands A Chemical Workers' Industrial Union spokesman said the 60 workers would negotiate the terms of their return on Monday This was confirmed by company managing director Mr Stan Rogow.

Beer price may rise — but not today, says SAB

ARGUS 6/2/89
183

By JOHN YELD, Staff Reporter

THE price of beer will not be increased today However, a price increase in the near future has not been ruled out

This was the response from South African Breweries today to the complaint of a disgruntled small trader who phoned The Argus, claiming that a price rise was imminent

The man, who refused to identify himself, claimed big wholesalers had been "tipped off" and that they had bought in huge beer stocks last week As a result, small off-sales like his had been unable to get even their normal weekly supplies

SAB regional director Mr John Seton said there would be no increase today He declined to comment further.

"RIDICULOUS"

SAB's Western Cape general manager, Mr Sam Montsi, said allegations of tip-offs and short deliveries were "completely ridiculous"

"Even I, at this level, don't know when the price is to increase," he said

He pointed out that the beer price did increase annually, although not necessarily at the same time each year The increase was anticipated by the trade, particularly by those with long experience

"Yes, it does happen from time to time that people buy a bit more in anticipation of a price increase — that's normal business If they have an adequate cash flow they buy in It's not a case of being tipped off," he said

TRADITIONAL MONTH

Rebel Discount Liquor Stores provincial manager Mr Rob Naysmith said he believed a price hike was imminent, following recent increases by wine and spirit merchants February was a traditional month for the beer price to rise

"Who knows? It all depends on SAB Even we large retailers don't know — we don't have prior warning

"There certainly didn't seem to be a shortage last week If anyone didn't get their deliveries I would say they never placed an order"

Medicine cost report is due

Star 7/2/89

183

By Deborah Smith, Pretoria Bureau

Dr Wim de Villiers' report on the high cost of medicine — commissioned by the Cabinet — is expected to be released during the first half of the year

According to a spokesman for the Department of National Health and Population Development, the Government was concerned about the price of medicine in the private sector — especially since the medicine price index had shown a more rapid increase than the consumer index in the last few years

In reponse to the growing controversy regarding the Government's tender system and the effect on the price of medicine in the private sector, the spokesman said the tenders were considered by the tender council and contracted to the company which could supply the best product according to required specifications

He said the pharmaceutical manufacturing industry had indicated the supply of medicine to the State had little influence on private sector prices.

State finds medicine slurs hard to swallow

B/Day 7/2/89

GERALD REILLY (183)

PRETORIA — The distribution chain between manufacturer and consumer doubled the prices of medicines before the addition of GST, a National Health Department spokesman said yesterday

He added the medicine price index in the past few years had shown a more rapid increase than the CPI

There have been allegations that the state obtained low medicine prices to the detriment of tariffs in the private sector There was also a suspicion suppliers made up for losses on sales to the state by loading prices to private outlets

The pharmaceutical industry had indicated, however, doing business with the state was profitable and prices in one sector had little in any influence on what was paid in the other

"Goverment finds itself in an unenviable position On the one hand it must tender to try to get the best value for taxpayers On the other it is blamed for high medicine prices in the private sector," he said

A report by Dr Wim de Villiers into the cost of medicine is expected to be submitted before July

ARGUS (182) (182) 183

'sday February 7 1989 (7

Chemical workers call off strike

The Argus Correspondent

DURBAN — The two-week-old strike at Coates Brothers in Durban and Cape Town ended yesterday when union workers returned to work after management made use of "scab" labour, a Chemical Workers' Industrial Union official said today.

The spokesman said the workers felt that their jobs were threatened after management made use of temporary non-union labour for more than a week

He said management had been paying "scabs" far more than they paid union members who had been on strike. What management offered was nowhere near what the workers had demanded, he said

Workers, members of the Cosatu-afiliated union, downed tools on January 23 in support of their demands for improvements in wages and working conditions.

The union was demanding a wage increase of 19,6 percent while the company's final offer was up to 17 percent

Coates Brothers' administrative director, Mr Stan Rogow was not available for comment today

High medicine costs: Tender system defended

ARGUS 8/2/89

By KAREN STANDER
Medical Reporter

THE Department of National Health has defended the government tender system against claims that it contributes towards the high cost of medicines, pointing instead to the distribution chain between manufacturer and consumer as a major factor

Responding to a recent advertising campaign and letters published in newspapers, a spokesman for the department said the price doubled even before the addition of general sales tax as a result of this distribution chain.

The government was concerned that the medicine price index had in the past few years shown a more rapid increase than the consumer price, he said.

The government tender system was not restricted to the buying of medicines but was a general system employed for all State buying.

The system was open and voluntary and no manufacturer was compelled to take part

Maximum prices were not specified in tender documents — only specifications and quantities of the products

Tenders were considered by the government tender council, on which the private sector was represented, and contracted to the company that could supply the best product The cheapest product was accepted only when it complied with all specifications.

"Profitable"

The spokesman said it was claimed that the high cost of medicines in the private sector was the result of low prices paid by the State, with suppliers compensating for their loss of profits by increasing the price of medicine supplied to the private sector

However, the pharmaceutical manufacturing industry had already indicated publicly that the supply of medicines to the State was profitable, especially because it made a significant contribution to fixed costs.

"The industry has also indicated that the prices of medicine supplied to the State have little, if any, influence on private-sector prices."

The government had to get the best value for taxpayers' money, while on the other hand it was blamed for high medicine prices in the private sector

"The factors contributing to the final consumer price of medicine have already been investigated by various commissions of inquiry

"One factor that certainly contributes to the high cost of medicine is the distribution chain (between manufacturer and consumer)"

The Cabinet has assigned Dr Wim de Villiers to investigate the problem

COMPANIES

New technology helps lift Chemserve earnings 31%

31D4 8/2/89 (183)

ZILLA EFRAT

● FRANCOIS

CHEMICAL Services (Chemserve), the speciality chemicals group in the AECI fold, has achieved a 31% increase in earnings for the year to December with the application of advanced technology playing a major role in this performance

Net income to shareholders increased to R18,7m (R14,3m) and earnings rose 31% to 300,6c (229,6c) a share A final dividend of 62c has been declared, bringing the annual dividend to 100c (87c) a share

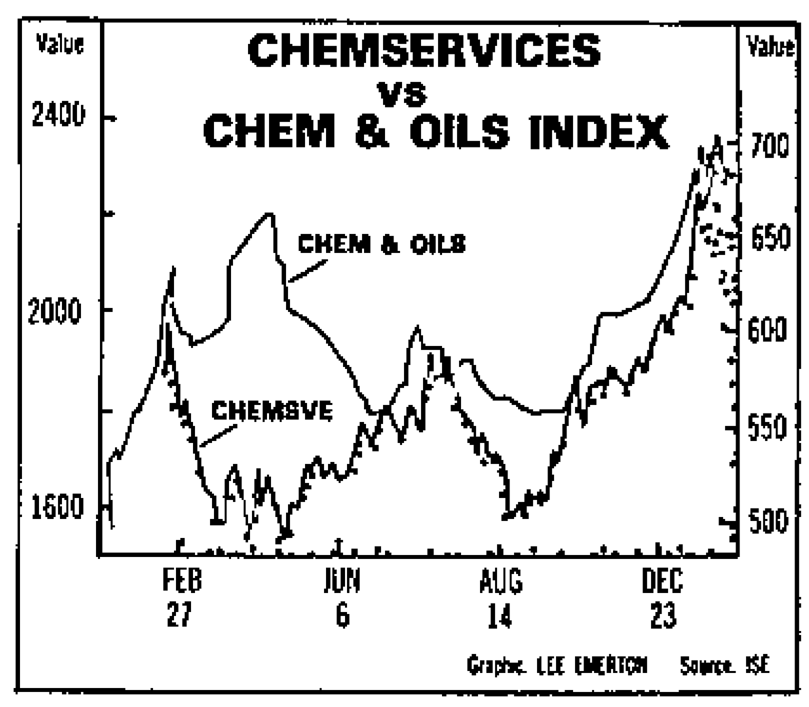
MD Peter Francois says all companies in the group improved performance over the previous year with the exception of Chemserve Colloids which suffered plant problems and steep increases in raw material costs

Industrial Oleochemical Products (IOP) and Chemserve Food Sciences showed the greatest improvement

Francois says the rise in turnover of 40% to R283,4m (R202,4m) represents an increase of about 10% in volume terms

Operating profits rose 32% to R34,3m (R26m), but the poor exchange rate resulted in a slight drop in margins as the group was unable to pass the full effects on to customers

About half of the group's raw materials are imported All import orders are covered forward and the



group is always looking towards import replacement, says Francois

During the year the group sold Exactochem at a profit of R1,4m and acquired a further 40% in IOP bringing its total stake in IOP to 85%

Director Lex van Vught says the increase in financing costs to R3,3m (R2,1m) was the result of increased borrowing during the year to finance the IOP purchase, as well as interest rates increases at the end of the year

Gearing rose to 80% earlier in the year as a result of the IOP purchase, but this was countered by a good trading cash flow during the year

Francois says with gearing down to 30% the group is poised for expansion and will be considering acquisition propositions in the year to come

The rise from R34 000 to R486 000 in income attributable to outside shareholders in subsidiaries resulted from the purchase in IOP and will remain stable in current year, says Van Vught

Growth

Pre-tax profits rose 30% to R31m (R23,9m), while taxed profits were up 41,6% to R16,6m (R11,7m) The tax rate fell to 46,6% (51%) because of a R1m tax benefit received by one operating company

Francois says the company has achieved an annual compound growth in earnings a share of 36% over the past five years and hopes to continue this trend

Chairman Dries Nieuwoudt says "The group has again budgeted for further real growth in both earnings and dividends in 1989"

(183) FmM 10/2/89.

CHEMSERVE (183) FmM 10/2/89.

More diverse

Latest strong growth figures from Chemserve, AECI's specialty chemicals group, mean its EPS have grown at a compound annual rate of 36% a year for the past five years The obvious question is how long such expansion can continue, especially with lower economic growth expected MD Peter Francois believes the pace may be slightly slower this year, but that there will still be real growth

Francois says experience teaches that demand for Chemserve's products rises in upturns but does not slacken in downturns — though margins do suffer, particularly because of competition

Last year's growth was due to increased penetration in its markets — turnover grew 40%. Earnings of all but one of its 12 subsidiaries and three associated companies grew The pre-tax margin was lower at 10,9% (11,8%), due to higher prices paid for imported chemical raw materials (which still make about half of the group's total), and a shift to a lower-margin product mix The decline will not continue this year, says Francois, if anything, it will reverse

Chemserve is by far the biggest diversified specialty chemicals supplier in SA Francois says many of its companies are market leaders, holding 20%-80% of each market. Competition is intense and intensifying in most of its markets, which perhaps accounts for Chemserve's historic efficiency

CONTINUED GROWTH

Year to December 31	1987	1988
Turnover (Rm)	202,4	283,4
Pre-tax profit (Rm)	23 9	31,1
Attributable earnings (Rm)	14,3	20,7
Earnings (c)	229 6	300,6
Dividends (c)	80	100

Chemserve's contribution to the income of AECI, which holds 65%, has grown from about 4% in 1980 to 8% currently Its products are now so diversified that no market accounts for more than 9% of sales

The acquisitive phase since 1986 has particularly increased the group's diversity Gearing was 0,30 at year-end (compared with the targeted 0,40-0,80), and with strong cash flow continuing, further acquisitions are being sought Last year it also commissioned a number of plant expansions, it examines greenfields opportunities continually, but has embarked on none in recent years One area of possible future expansion is distribution of industrial chemicals, in which it has been involved on a small scale for two years now

The group's diverse profile protects it from collapses in individual markets. Thus it has not been hard hit by the collapse in the uranium market, a major earner for one subsidiary

Chemserve is the sole agent for supply of soda ash in SA by the American giant Ansac, which dominates the free-world soda ash market Currently all SA's supplies are imported and Ansac and ICI share most of the market That will change when AECI starts supplying from Sua Pan in 1991 and a 10% import tariff is applied Interestingly, Chemserve will be AECI's sole agent for soda ash supply, but the effect on earnings of any change in agent by Ansac would be brief

Currently at its 12-month high, Chemserve rating is close to that of AECI Given its dynamic record, Chemserve probably deserves a better rating, but the share is tightly held. *Teigue Payne*

Durban has the answer

(183) FM 10/2/89.

Worldwide resistance to the corrosion of the earth's insulating ozone umbrella by the chlorofluorocarbon (CFC) gas used as a propellant in aerosols, has created a business opportunity for a Durban-based company

C G Smith subsidiary, Natal Cane By-Products, is poised to construct a R12m plant at its Merebank factory to manufacture dimethyl ether, or DME — an "ozone-friendly" alternative to CFC

All that is required, according to Natal Cane GM Mike Buchanan, is the final approval of the C G Smith main board

Worldwide, sales of aerosols has slowed as consumers switch to roll-on or stick deodorants The aerosol industry has accordingly embarked on a campaign to find alternatives to CFC and communicate the message that safe alternatives can be found

Ecologically aware consumers in the US have led the swing away from CFC-fuelled aerosols, and a similar development is taking place in Europe

Opinions differ on just how much damage the destructive chlorine atom in CFC-filled aerosols accounts for Chlorofluorocarbon is, in any event, more widely present in every-day items such as refrigerators, airconditioners and hamburger containers — in its additional roles as a coolant or blowing agent in insulators

But it is incontestable that the ozone layer, located in the stratosphere between 16 km and 48 km above the earth's surface, is being steadily reduced, that CFC is the chief culprit and that aerosols most readily discharge it into the atmosphere

The principal role of the ozone layer is to screen out ultraviolet radiation As this protective screen degenerates, more UV radiation will be admitted into the earth's atmosphere, possibly resulting in an increased incidence of skin cancer, cataracts and longer-term genetic complications

Approval for the Durban DME plant, with a capacity of 5 000 t/year, could be a formality — though Buchanan declines to anticipate his board's decision Production will be sufficient, believes marketing manager Geoff Hoppe, to cater for projected DME demand over 10 years

The sole CFC supplier to the local aerosol industry is AECI, which recently urged government to become a signatory to the Montreal Protocol In September 1987, delegates from 24 nations, including the US and Soviet Union, met in Montreal, Canada, to sign the agreement SA was not invited and has not subsequently signed the pact which commits signatories to cut the production of CFCs by 50% by 1999

AECI has committed itself to seeking a viable alternative to CFC and to "accelerate current development work on the local production of HCFC22, methylene chloride, dimethyl ether and other suitable alternatives "

But, on available evidence, it seems that Natal Cane could have taken a lead in the race to bring an alternative to the market.

The company also produces di-ethyl ether (a close cousin of DME) and has signed a licensing agreement with a German manufacturer Feasibility studies have been completed and Hoppe says the plant could be in production by 1990

DME is made by dehydrating methanol and the licensing agreement with the German partner includes imports to SA of this raw material SA imports around 50% of its methanol requirements at some R650/t, but market talk is that Sasol may expand local production of methanol

Butane is employed by aerosol manufac-

183

Star 14/12/87

Local Nabisco goes to Imermans in wake of pull-out

By Ann Crotty

Latest disinvestment move from SA sees onwership of the local Nabisco subsidiary, Royal Beech-Nut (RBN), move to the Imerman family, which controls listed chemicals group Lovasz

RBN looks set to get its own listing at a later stage

Nabisco is currently the victim of the largest-ever hostile take-over bid in US and it has been reviewing its worldwide asset base with the object of selling assets to strengthen its US base in the face of this attack

The sum and nature of the purchase consideration for the SA deal have not been disclosed, but market sources have indicated that Nabisco will be paid somewhere in the region of R40 million for its SA subsidiary

Because RBN is not listed and becaused the acquisition is being effected by the Imerman family and not a listed entity, details of the deal will only be revealed when/if they affect a listed company

Professional advisers are still engaged in discussions between the Lovasz and Imerman interests regarding the final structure

One figure that is available is the projected turnover, which is pitched at around R100 million

The sale was conducted through a tender system and it is thought that most of the major players in the industry, with the exception of Tiger, put in a bid

The list of the most obvious parties probably includes Fedfood, Anglo-Vaal, Premier and Cadswep.

Feeling in the market is that any of these would have been prepared to pay a reasonable amount to acquire the brand names that are in the RBN stable

That they were beaten suggests that the Imermans bought expensively or that the deal involves something more complicated than a straight cash payment

RBN's brand names include Beechies, Care Free, Lifesavers, Replay, Bubble Yum, Beech-Nut Rolls, Super-C, Royal Baking Powder and Royal Instant Pudding The brand names will be retained

On the basis of industry experience, a R100 million turnover could produce earnings of around R2,5 million, which would put the suggested sale price of R40 million on a price/earnings multiple of a relatively steep 16 times

Lovasz was suspended yesterday amid rumours of a deal

But at this stage the most significant connection between Lovasz (which is predominantly a chemical company) and RBN seems to be limited to Lovasz' Trimpak division

Lovasz chief executive Vivian Imerman states that RBN has been a customer for years, adding "We are well able to assess its enormous potential

"We plan to develop the business which has great scope, particularly in the burgeoning black consumer sector

"A likely start is to slot Lovasz' Trimpak division, which has synergystic capabilities with RBN, into that company and we will be looking for other acquisitions to help build up a major group in the manufacture and distribution of food, confectionery and related fields"

Lovasz could also become a major supplier of food chemicals to RBN

In terms of technology, RBN is apparently largely self-standing, with its own research and development expertise geared to creating products for local tastes

Cape Times 15/2/89

★ Cape

Pharmacy Council slated for 'intesests in profit'

Medical Reporter

THE Pharmacy Council could not allow itself to be influenced by commercial interests, despite the fact that it operated within a commercial milieu, Dr M H Veldman, deputy Minister of National Health and deputy Minister of Health Services in the House of Assembly, said at a meeting of the council yesterday

Opening the meeting of the council — the statutory body of the pharmaceutical profession — at a Sea Point hotel, Dr Veldman said he had in the past "got the impression that in your decision-making, you (the Pharmacy Council) have been influenced by the commercial interests of certain groups in the pharmacy profession"

He said despite operating within a commercial milieu, the council's role was to oversee the long-term professional role of the pharmacist by implementing professional standards and controlling the practice of pharmacists.

Referring to calls from the pharmaceutical profession for greater legal protection and to the relationship between dispensing doctors and pharmacists, Dr Veldman said this relationship could not always be regulated by rules.

● The council yesterday referred a memorandum about the cost of medicines and replies from various government departments to its executive committee for consideration with a view to presenting the council's views to the Minister of National Health and Population Development, Dr Willie van Niekerk.

The memorandum, drawn up by the council, lists as contributing factors to the cost of medicines customs duties on imported raw materials and general sales tax on drugs

● The council elected its new office-bearers yesterday The new president is Professor A P G Goossens, the vice-president Mr D Sutherland and the treasurer Mr N de Bruin They will serve a five-year term of office

News in Brief

Cape Times 16/2/89 183

Gun threat for strikers?

JOHANNESBURG — Anchor Rand yesterday offered "no comment" when confronted with allegations by the Chemical Workers' Industrial Union that a member of management had threatened striking workers with a gun.

NO BRAKES ON ADCO's TURNOVER RISE

183

CHARLOTTE MATHEWS

ONE of the success stories for Associated Diesel Holdings (Adco) in the six months to December was the strong sales of the Telma braking retarder, which helped lift turnover 35%.

French-manufactured Telma, for which Adco is the only SA agent, offers benefits in greater road safety and economy and represents a larger capital item than the smaller parts in which Adco mostly specialises

Attributable income was R984 000 (R707 000) and earnings rose 30% to 5,7c a share (4,4c) on an increased number of shares in issue.

Interest-bearing debt increased significantly from R917 000 to R5,3m owing to the installation of a computer system to improve control of stock and debtors.

This pushed up gearing from 12% to 54% for the automotive components distributor Interest paid amounted to R410 000 (R364 000) and is expected to increase this year

B/DAY 17/2/89

The teething problems of the new system are expected to be resolved by the end of March 1989, says financial director Colin Eddey, and when it is successfully completed it will facilitate improved working capital management.

Chairman Ronald Norwitz predicts earnings in the second half of the year will exceed those of the first half. Most of the company's growth has been organic but it is interested in expanding its manufacturing operation, possibly in conjunction with an overseas licenser.

Govt raps chemists in 'high-prices' row

183

Cape Times 20/2/89

Staff Reporter

THE Minister of National Health and Population Development, Dr Willie van Niekerk, has attacked the Pharmaceutical Society of South Africa for "insinuating" in an advertisement that the state is "not doing anything" about the high cost of medicines

In the advertisement placed in November last year, the society's Western Province branch chairman, Mr Cyril Tucker, and Boland chairman Mr Kevin Scott appealed for "powerful consumer protest" to press for an equitable pricing structure

"Help us to persuade the government to impose a standard ex-factory price from the manufacturers based solely on quantity.

"A concerted consumer protest may well force the issue and bring the price of medicines down significantly," the advertisement said

Mr Tucker said the advertisement was placed because the pharmacies had to pay manufacturers much more for medicines than the state, dispensing doctors and private hospitals

He said dispensing doctors and private hospitals were buying medicines at much lower prices than pharmacies but selling them to the public at the same price as pharmacies

Pharmacies were trying their best to reduce medicine prices which were "incredibly expensive" but were unable to compete because manufacturers had three watertight selling areas in the state, dispensing doctors and private hospitals

In an open letter to pharmacists, the minister said it was "surprising that the advertisement was placed" since five meetings had been held with various pharmaceutical bodies during which it was agreed that "one exit price based on quantity should apply for all end suppliers"

"It is strange that the officials who placed the advertisement were not informed about the agreement of which their association is part," Dr Van Niekerk added

Mr Tucker said yesterday that he was very well aware of the meetings with the minister but the problem was that there had been many meetings and inquiries over the years but nothing had been done about the unfair pricing structure

He said that the advertisement was certainly not intended as an attack on Dr Van Niekerk and his ministry

Mr Tucker said that his society had tried to persuade the government to get the manufacturers to charge the same price to everybody per volume of purchase

Mr Scott said that in certain instances private pharmacies paid 10 times more for the same products as the state paid.

R10m toothpaste war back in court

CAPE TIMES 20/2/89 (123)

JOHANNESBURG — A R10-million toothpaste war begins again today in the Supreme Court

Adversaries are Colgate-Palmolive, makers of Colgate, and Unilever subsidiary Elida Gibbs, makers of Mentadent P

At stake is each company's share of the R100-million a year South African toothpaste market

The South African battle is one of five which have been or are being fought on similar issues around the world

Colgate, the plaintiff, accuses Elida Gibbs of false and misleading advertising in the claims they make for the anti-tartar properties of their toothpaste

Colgate claims their product is the only effective anti-tartar toothpaste on the market.

Colgate took the case to court after, they allege, Elida Gibbs tried to pre-empt a planned R1-million advertising launch for Colgate's anti-tartar toothpaste A week before the planned launch, in June 1986, Mentadent P toothpaste appeared in packaging claiming it was an effective anti-tartar formula This claim was also made in advertising

Exports lift AECI to 20% profit rise

(183)

BDay 22/2/89

ZILLA EFRAT

AECI's profit increase of 20% follows a trend of strong growth since 1985 and has been boosted a 11% rise in local sales volume and a 32% increase in the value of its exports due to hardened international prices and the weak rand

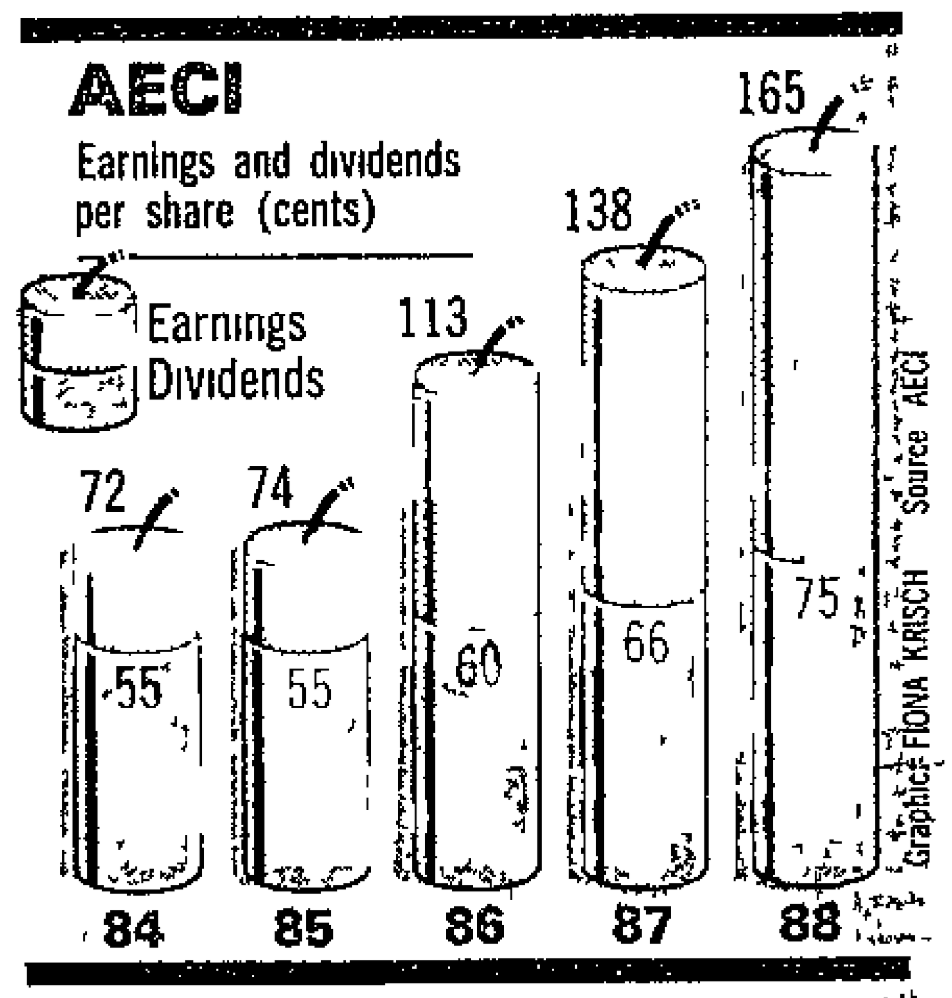
The group, which manufactures chemicals, explosives, plastics, fertilisers, vinyl products, synthetic fibres and paint, has achieved earnings of 165c (138c) a share and taxed profits of R263m (R219m) for the year to December

A final dividend of 50c has been declared bringing the annual total to 75c (66c) a share

MD Mike Sander says Chlor-Alkali and Plastics produced excellent results, while AECI Explosives and Chemicals, AECI Paints and the fibre operations, which include SA Nylon Spinners, all showed strong improvement

Directors say the improved rain pattern in the summer grain area resulted in some growth in fertiliser demand, but only to the extent of correcting the sharp decline experienced in 1987.

The acquisition of Fedmis in October by the remaining fertiliser manufacturers took place too late to have a positive effect on the group in 1988, but will provide enhanced scope for further



rationalisation of excessive overcapacity in the industry, say directors

The outlook for agriculture is generally better than it has been over the past few years and prospects for moderate growth in fertiliser consumption are promising, says Sander

Turnover rose by 25% to R4,08bn (R3,27bn) Exports, which increased to R332m (R251m), benefited from the weak rand International prices for export products hardened and will probably continue to harden as demand and

● To Page 2

Higher export values lift AECI profits

BDay 22/2/89

(183)

● From Page 1

supply come into balance, says Sander

In spite of a somewhat higher average level of borrowings and a hardening of short-term interest rates over the year, the increase in financing costs was contained to 14%, say directors

The Coalplex plant experienced problems in the first six months, leading to decreased production, but a pleasing recovery was achieved and normal operations have resumed, say directors

Debottlenecking and the commission of a new chlorine extention at Coalplex, will increase production by 25%, says Sander

The results leave the group well positioned for the current year and thereafter, says Sander

The group's plants will be run at full capacity for the first time in five years Raw material constraints, such as the shortage of feedstock, have been overcome

Provided the economy maintains, at least a modest rate of growth, it is expected that a further improvement in earnings will be achieved in 1989, say directors

AECI comes up with modest improvement

S.Star 22/2/89 (183)

By Ann Crotty

AECI's 20 percent increase in earnings for the year to December is unlikely to set the market alight.

But reasonably favourable prospects for financial 1989 should help underpin the strong advance the share price has enjoyed since last November

On a 25 percent increase in turnover to R4 billion (R3,3 billion), the group managed to lift operating profit by 28 percent to R473 million (R369 million).

This reflected an improvement in margins from 11,3 percent to 11,6 percent, which, in turn, reflected benefits of increased capacity utilisation.

An increase in the tax rate from 36,6 percent to 41 percent held back the improvement at the earnings level to a 20 percent advance from R213 million to R255 million This was equivalent to 165c (138c) a share

A final dividend of 50c has been declared which, with the interim of 25c, brings the total to 75c — an increase of 14 percent on the previous 66c

At the half-way stage, AECI reported what were considered to be fairly disappointing results, with earnings up 15 percent on a 22 percent increase in turnover

Two major plant shutdowns and an explosion at Coalplex were the problems that dogged first-half performance

Feeling in the market was that the second half would be lifted by the usual seasonal factors (significantly, a stronger fertiliser market), the absence of the impact of the miners' strike, benefits of the weak rand, improved world commodity prices and improved local agricultural conditions

The full-year figures are a little ahead of management's mid-year forecast of around 15 percent earnings improvement for the full year

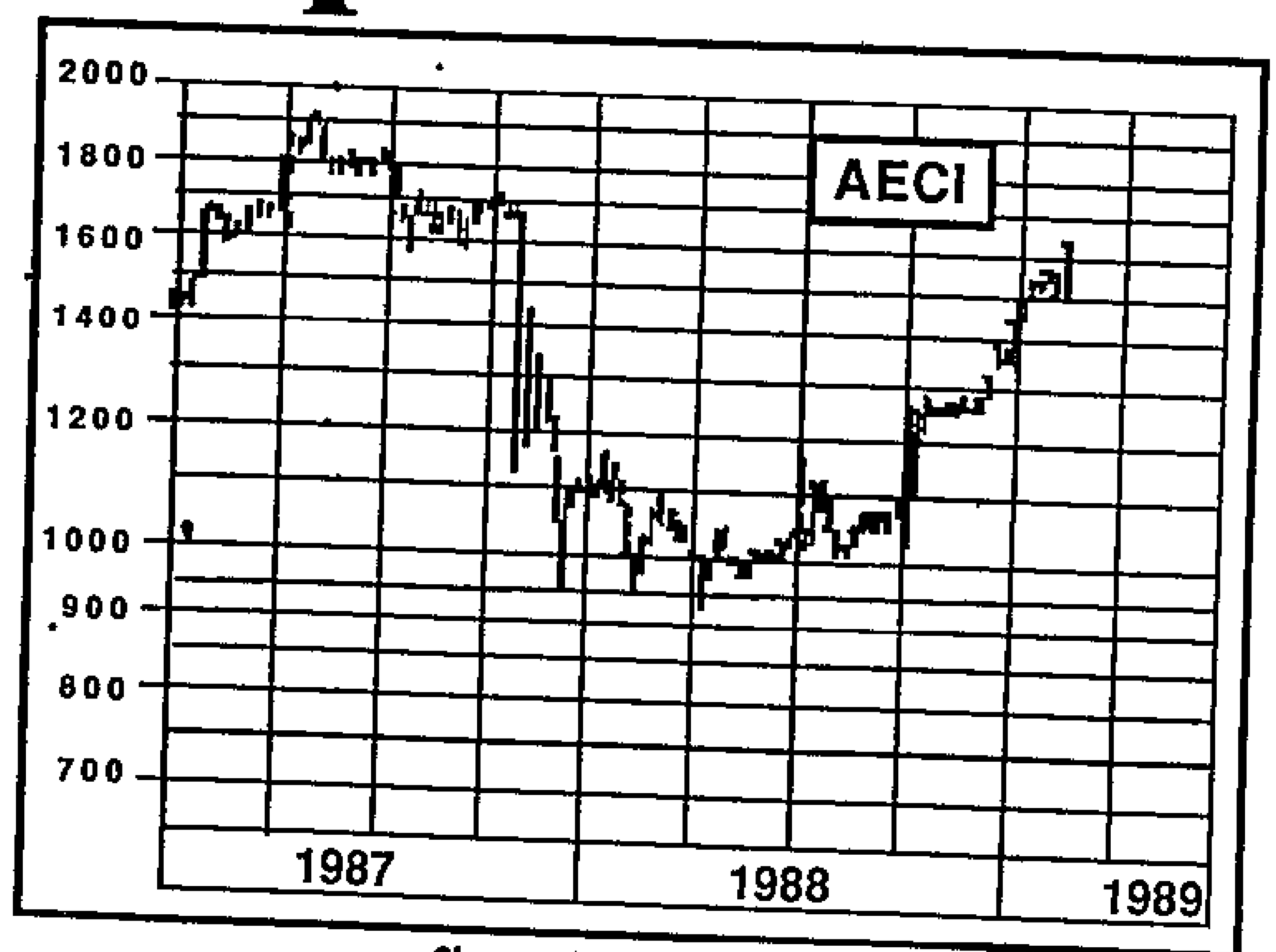
MD Mike Sander is pleased with the results achieved in what he describes as "not the easiest of years"

Factors likely to have acted as constraints on performance include the under-utilisation of capacity in the polyethylene plant due to a shortage of supply from Sasol and the pressure on the explosives division as a result of the weakness of the mining industry

In addition, the presence of competitors in this area must have added further pressure to margins

Mr Sanders will not be drawn on an earnings forecast for financial 1989, but says "most factors are encouraging" These include the rationalisation in the fertiliser market after the dismantling of Fedmis, a stronger local agricultural sector and favourable world commodity prices

Mr Sanders expects an improvement in ethylene supplies from Sasol



Share price movement

B/Day 22/2/89 (183)

COSMETICS FIRM ORDERED TO PAY MAX FACTOR R3m

SUSAN RUSSELL

LOCAL company International Cosmetics and Fragrances was yesterday ordered by a Rand Supreme Court judge to pay Max Factor and an associated company almost R3m.

Mr Justice Streiger granted summary judgment against International Cosmetics for R2 828 378 plus interest and costs.

In its particulars of claim Max Factor said it and RGI Beauty Products entered into a supplementary agreement with International Cosmetics in 1981.

In terms of the agreement, the parties amended and modified the Orlane, Halston Fragrances and Max Factor distribution and manufacturing agreements

At the time RGI was a subsidiary of Max Factor and was known as Orlane SA.

Max Factor said that under the supplementary agreement International Cosmetics acknowledged that all amounts owing would be paid in 12 monthly instalments

The first of these was due on February 1 1985

All payments were to be indexed to negate any fluctuation in the exchange rate from July 31 1984 to date of payment

Max Factor said that, in breach of the agreement, International Cosmetics had only paid $529 207 and there was an outstanding balance of $1 058 415

Mr Justice Streicher ordered International Cosmetics to pay the amount owed in rand equivalent

Strong growth since 1985

CAPE TIMES 22/2/89 183

AECI profits bounce up 20%

Own Correspondent

JOHANNESBURG — AECI profit increase of 20% follows a trend of strong growth since 1985 and has been boosted a 11% rise in local sales volume and a 32% increase in the value of its exports due to hardened international prices and the weak rand

The group, which manufactures chemicals, explosives, plastics, fertilizers, vinyl products, synthetic fibres and paint, has achieved earnings of 165c (138c) a share and taxed profits of R263m (R219m) for the year to December

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The acquisition of Fedmis in October by the remaining fertilizer manufacturers took place too late to have a positive effect on the group in 1988, but will provide enhanced scope for further rationalisation of excessive overcapacity in the industry, say directors

The outlook for agriculture is generally better than it has been over the past few years and prospects for moderate growth in fertilizer consumption are promising, says Sander

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Strikes at two chemical firms

Sowth 183

ABOUT 200 Chemical Workers Industrial Union members are on strike at Anchor Rand in Steeledale over the refusal of the company to negotiate at plant level

According to a CWIU spokesperson the three-week-old strike has reached deadlock

CWIU is also in dispute with another Transvaal company, Gand W Base and Industrial minerals over the dismissal of an employee

A strike at the plant ended last week after the company agreed to refer the matter to arbitration

23/2-1/3/89

Consol plant closure 'was unavoidable'

(183) (182)

RICHARD BARTLETT

THE decision to close Consol's Atlantis plastics factory last week was done to ensure the long-term viability of the company's construction and agricultural products businesses, Consol Plastics MD David Spindler said yesterday

The company could gain no advantage from keeping the factory, he said The decision was a financially sound one that could no longer be delayed

The 107 retrenchments that were to take place were regrettable and unavoidable, he said

Although production was stopped on January 25, after the plant's union organiser had been informed, the plant would be closed on February 3 All employees would be paid up to this date

The employees were not given one hour's notice as was reported by the Chemical Workers' Industrial Union (CWIU), he said

"It is not our policy to throw people to the wolves and severance packages are being negotiated with CWIU"

Positions for 40 of the 87 retrenched wage employees would be made available at other Consol operations in the western Cape An employment office would be set up to assist those workers left unemployed, said Spindler.

CWIU National Consol organiser Chris Bonner said the union would be meeting Consol later this week to negotiate extended employment time after close-down and a better severance package

Optics kept safe from sanctions

(183) D/Day 24/2/89

IN KEEPING with its "total capability" philosophy, ATC established an optical fibre cabling plant in 1982, followed in 1984 by the construction of a R20m plant to manufacture the optical fibre

MD Koos Vorster says "At the time both the company and SAPT were aware that high profile, high-tech products such as optical fibre were potentially vulnerable to sanctions

"Although this was one of the key considerations, the obvious benefits of job creation, foreign exchange savings, and a complementary manufacturing and technology base, influenced the decision to establish what is still the only optical fibre manufacturing plant in Africa"

The process of making optical fibre is based on the Modified Chemical Vapour Deposition (MCVD) technology, which was transferred from STC in the UK, a company shareholder

This involves precise, computer controlled vapour deposition of extremely high purity silica glass inside a pure quartz tube, which is collapsed to form a solid glass rod or "preform" The preform is then heated in a graphite furnace and pulled down into hair-thin optical fibre

During this process, the fibre diameter is strictly monitored and controlled, and a protective layer of acrylate is applied and subsequently cured, before the fibre is wound onto a take-up bobbin

The entire fibre drawing process is carried out vertically on 7,5 metre pulling towers, and fibre lengths of between 12 and 30 kilometres can be produced from each preform

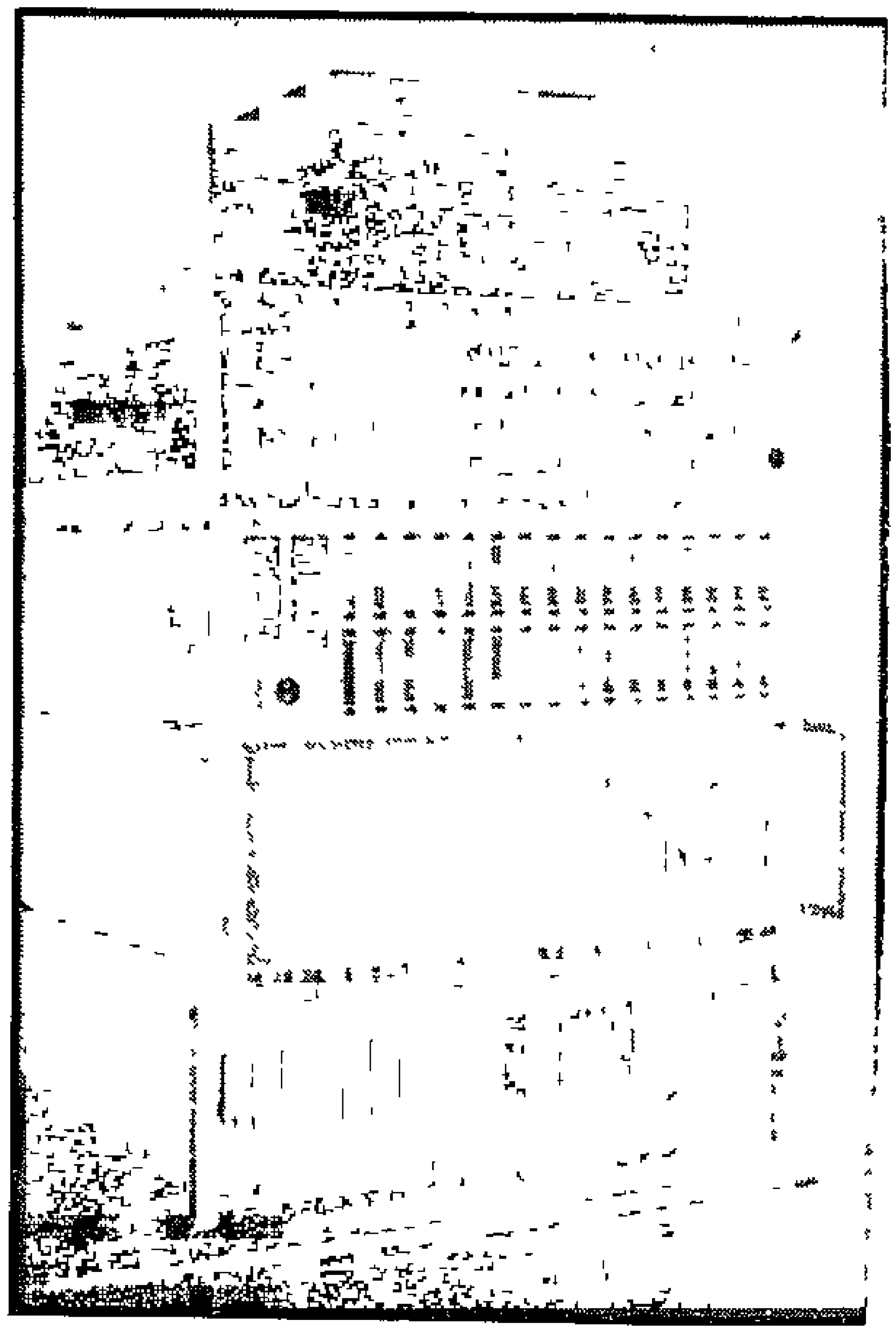
After an extensive range of mechanical, optical and geometric quality tests, the optical fibres are packaged into the various types of cable which are designed to meet individual customer specifications

The current market is limited to the area of telecommunications, in which about 20 000 fibre kilometres are used annually

Vorster says that in keeping with worldwide trends, the potential market in other areas of communication may be even larger than this

Private telephone networks such as those at Sats and Eskom, at mines, local area networks and for home subscribers are likely to benefit from fibre optic communications in the near future

"To promote such applications, we have recently formed a Fibre Optics Systems Division This covers installation and maintenance, terminations and jointing, analogue and digital equipment, and miscellaneous accessories," comments Vorster



□ ATC's fibre optic terminal equipment

PROGRAMME SAVES SA MILLIONS

(183) BDay 24/2/89

A SERIOUS import replacement programme was started by ATC in 1973, since which time the company has saved SA many millions in foreign exchange, says MD Koos Vorster

The direct export programme was started in 1987 with R1,8m in sales This has expanded so rapidly that sales rose to R6m in 1988 Vorster is confident this figure will more than double this year

He believes that experience over the past two years has shown that the company's expertise and quality is on a par with that of major First World suppliers

"There is significant potential for us to become a player on the world scene Our success has been proven against keen competition from countries with more favourable export schemes than SA's, such as subsidies on shipping and interest-free credit We also had to overcome very high tariff barriers in some of the countries where we have found markets

"In order to obtain overseas business, it is essential for government to provide export aid comparable with what is available to competition in other countries Finalisation of export incentives is of critical importance to us if we are to remain in, and expand, our export markets," he explains.

In the import replacement programme, the installation of an optical fibre cabling plant and a facility for manufacturing the fibre itself, represents the biggest success, since these facilities save SA about R10m annually in foreign exchange

In the area of import substitution, the company has had many successes, in 1973, for instance, it made the first small-core coaxial cable for SAPT's trunk routes.

This was followed by radio frequency-type coaxial cables, then by instrumentation and control cables for Matla power station in 1975 In 1978 screened instrumentation cable for Sasol II and III represented another important project

The measurement, instrumentation, control and security cables designed for the Koeberg nuclear power station in 1979 were also part of the group's import replacement programme These were followed by locally designed and patented screened, composite coaxial cables for SATS in 1987.

Vorster maintains "These achievements have been part of an on-going policy to support development programmes to improve efficiency, and to ensure products meet even higher standards than were previously met"

Telsaf, Randburg, wins three major Sats contracts

Star 24/2/89

183

Industrial Beat

STAN KENNEDY

Telsaf of Randburg, designers and manufacturers of telecommunications systems for the public and private sector, has won the last three major telecommunication transmission contracts awarded by SA Transport Services (Sats)

Telsaf is a subsidiary of Telettra of Italy, which had a turnover of more than R2 billion last year.

All three contracts comprise a multi-million-rand project for 34 Mb digital transmission systems to improve the quality of Sats' national communications network and to conform with the international trend towards digitisation.

The first contract was for the provision of optical line terminating equipment (Olte) and time division multiplexers (TDM) for junctions between a new digital exchange in Johannesburg.

The link will include channels for data and voice encoded by pulse modulation (PCM)

Telsaf will also supply and instal digital transmission equipment to work on existing underground coaxial cables between East London and Queenstown

About 20 stations will be provided with AC immune communications in this recently electrified section

Olte, TDM and PCM equipment will be connected to new digital exchanges at Pretoria, Capital Park and Koedoespoort in a triangular configuration with inherent alternative routing.

The contracts will be administered by the Telecommunications Buisness Units of SATS.

Renold

The manufacture of large gearboxes at Renold's Benoni plant has shown the ability of local industry to beat the mounting surcharge and sanctions problems.

Custom-designed and built to exacting specifications set by the customer, Dorbyl, the single helical reduction units made up a contract worth R306 000.

"We are finding that the South African customer is beginning to look at locally made helical gearboxes with renewed interest," says Mr David Russell of Renold.

"Previously, the general approach was to use a standard imported unit and try and make it fit the application

"Now we work out a way of tackling the same problem with local technology by designing a specific solution," he says.

Ferodo

Ferodo, South Africa's largest manufacturer of automotive friction materials, achieved a record turnover last year

In 1987 sales increased by 100 percent over 1986 and last year they were up again by 50 percent

Now in its 25th year in South Africa, the company is confident it will reach more than R100 million in turnover at the retail level this year.

Marketing director Mr David Jones says: "The phenomenal growth over the last three years has been the result of a buoyant market and our substantial investment in all aspects of the business."

In the past three years, more than R1 million has gone into the research and development department.

This has enabled the company to become pro-active in the local supply of material previously imported

The marketing department has been expanded and two large warehouses, one in Johannesburg, the other in Cape Town, have been opened to improve service to Transvaal and Western Cape customers

Plasma

New plastic pre-treatment machinery, designed by Plasma Electronic, Stuttgart, West Germany, means that plastic components can have their surfaces activated so that print, varnishes and foam rubbers cam be applied directly.

The new treatment for plastics is a major advancement for plastic manufacturers and users.

Up to now plastics, while offering many advantages over their more conventional sisters, glass and metal, in areas such as packaging have had one serious drawback

Most common-grade plastics have surfaces to which print, varnishes, metal components and other materials cannot easily adhere

Currently, specification details and trade names have to be extruded into the die or printed onto labels

The units have a plasma chamber into which plastic components, such as capacitators in the electronics industry, cosmetic containers, toys and automotive components, are placed

Once activated, the parts can be varnished, covered or printed

Optics kept safe from sanctions

(183) D/Day 24/2/89

IN KEEPING with its "total capability" philosophy, ATC established an optical fibre cabling plant in 1982, followed in 1984 by the construction of a R20m plant to manufacture the optical fibre

MD Koos Vorster says "At the time both the company and SAPT were aware that high profile, high-tech products such as optical fibre were potentially vulnerable to sanctions

"Although this was one of the key considerations, the obvious benefits of job creation, foreign exchange savings, and a complementary manufacturing and technology base, influenced the decision to establish what is still the only optical fibre manufacturing plant in Africa"

The process of making optical fibre is based on the Modified Chemical Vapour Deposition (MCVD) technology, which was transferred from STC in the UK, a company shareholder

This involves precise, computer controlled vapour deposition of extremely high purity silica glass inside a pure quartz tube, which is collapsed to form a solid glass rod or "preform" The preform is then heated in a graphite furnace and pulled down into hair-thin optical fibre

During this process, the fibre diameter is strictly monitored and controlled, and a protective layer of acrylate is applied and subsequently cured, before the fibre is wound onto a take-up bobbin

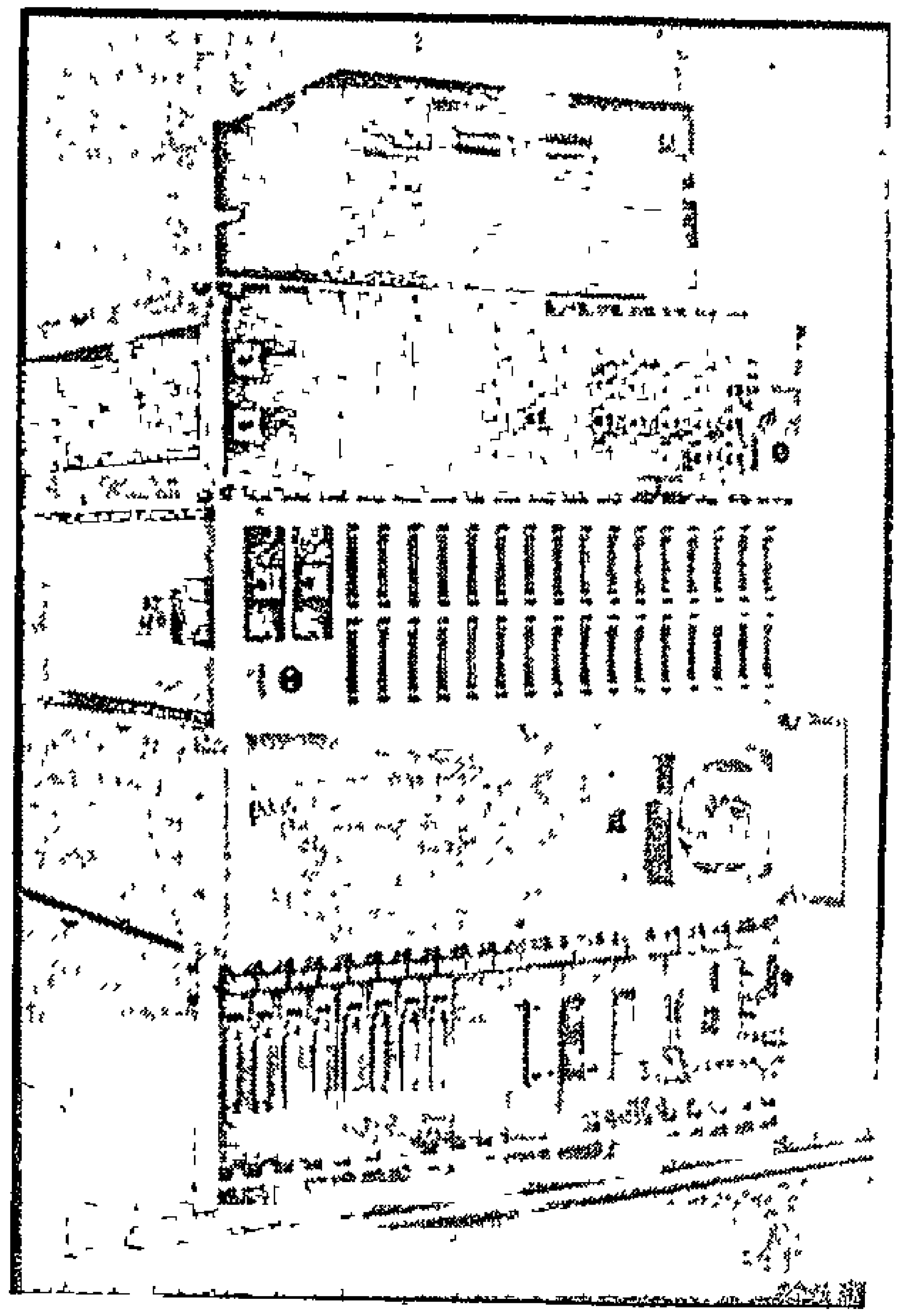
The entire fibre drawing process is carried out vertically on 7,5 metre pulling towers, and fibre lengths of between 12 and 30 kilometres can be produced from each preform

After an extensive range of mechanical, optical and geometric quality tests, the optical fibres are packaged into the various types of cable which are designed to meet individual customer specifications

The current market is limited to the area of telecommunications, in which about 20 000 fibre kilometres are used annually Vorster says that in keeping with worldwide trends, the potential market in other areas of communication may be even larger than this

Private telephone networks such as those at Sats and Eskom, at mines, local area networks and for home subscribers are likely to benefit from fibre optic communications in the near future

"To promote such applications, we have recently formed a Fibre Optics Systems Division This covers installation and maintenance, terminations and jointing, analogue and digital equipment, and miscellaneous accessories," comments Vorster



☐ ATC's fibre optic terminal equipment

(183)

Slippery Swiss find greases the engine

S Times 26/2/89

By Don Robertson

PROLON Chemicals has been awarded the franchise for the sale of an engine lubricant developed in Switzerland.

It will be marketed under the name Prolon Metal Bonding Lubricant and consists of polytetrafluoroethylene (PTFE) suspended in oil

It is claimed that PTFE reduces mechanical friction by up to 75% by impregnating and plating metal surfaces with a micro-thin coating PTFE is the most slippery substance known to man, it is claimed.

In addition, recent tests carried out by CSIR, show that the product also saves on fuel.

Dave Haywood, project leader for the division of materials, science and technology at CSIR, confirms that in recent tests fuel savings of 13,37% were achieved Tests on the wear characteristics of Prolon have not been completed.

Director John Theron says that if 75% of wear in engines and industrial machines can be achieved, up to R10-billion could be saved annually.

Mr Theron says that in tests higher compression ratios and lower cylinder head temperatures were measured A car treated with PTFE travelled more than 200km after having had all the oil removed and replaced with water.

Placing

Mr Theron says sales will be made to heavy and light industry, the transport industry and the vehicle market and possibly the SA Defence Force. Sales in the first year are budgeted at R10-million

Prolon costs R145 a litre and is added to the engine oil in the ratio of one litre to every five of standard oil. The oil is replaced after 35 000km with half the original amount.

The company plans to privately place 1-million shares in May and 2-million through the venture capital market.

KANGWANE

S Times 26/2/89

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Few fireworks, but AECI happy

By David Carte

MANY large companies have declared earnings gains of 30% to 50% recently, making AECI's 20% gain in the year to June look pedestrian

But chief executive Mike Sander reminds critics that his group started moving long before the Johnny-come-latelys

AECI has increased earnings by an average compound rate of 30% a year from 1985 to 1989

Nutshell

The latest results in a nutshell: sales 11% ahead at R4,1-billion, gross profit up by 28% to R473 million and taxed attributable profit up by 20% to R255 million

The Receiver was the villain of the piece, increasing his slice of pre-tax profit from 36,7% to 41%

AECI's first-half gain was a disappointing 15% — but that was because of expensive shutdowns at Coalplex. To complete the year 20% ahead, AECI had to increase earnings by 22% in the second half

If that fails to impress, it lifted trading profit by 39% in the second half. That is the kind of trend analysts are hoping that AECI will be able to continue

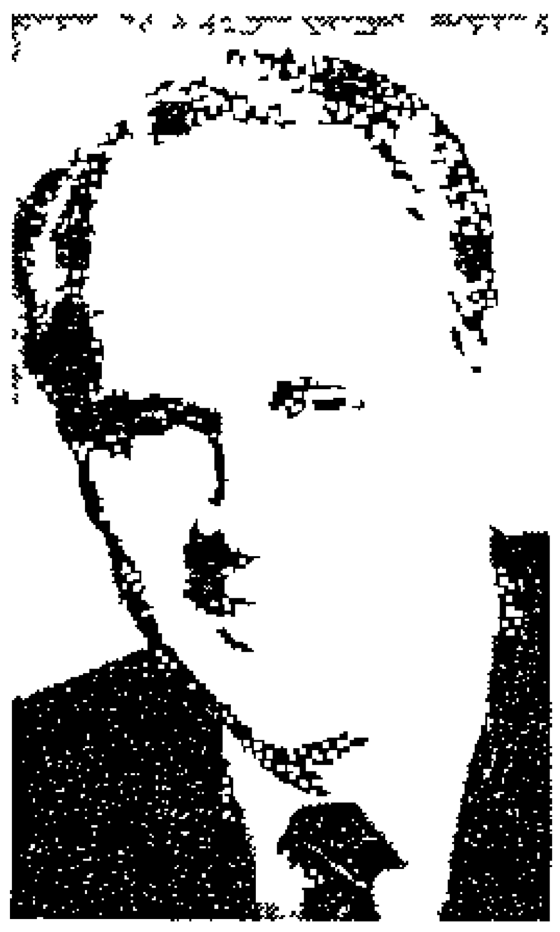
Mr Sander says the outlook is favourable in spite of economic shocks, such as this week's jump in prime overdraft rate

The directors' forecast this week was a subdued "It is expected that a further improvement in earnings will be achieved in 1989"

Hangman

Pressed, Mr Sander says earnings should be "quite a lot better" But, he warns, all sorts of things can go wrong, making a forecast a "hangman's kit"

Last year, there was not only a shutdown but a "woomph", which caused expensive damage at Coalplex



MIKE SANDER

Another shock was that Sasol's huge fire at Secunda will deprive AECI's booming polyethylene plant of ethylene, necessitating imports. Sanctions are another imponderable

Only five years ago, explosives accounted for about 60% of AECI profits. Now they account for 31% of trading income

The Chlor-Alkali division, which produces caustic soda, PVC, polyethylene and electro-chemicals, has boomed. It is now a more important profit source, contributing 34% of trading profit. Polymer derivatives brought in 24% and "other" 24%

Fertiliser

Returns in explosives were 17% on sales and 16% on assets, against 14% on sales and 16% on assets in Chlor-Alkali. Return on assets in polymer derivatives was best at 21%. In "other", returns were lousy at 4% on sales and 7% on assets

One reason for Mr Sander's confidence about the year ahead is the improved outlook for fertiliser

Now there are only three contenders in the market, not five, and AECI has about a half of the market. Closure of old plant means there will not be great overcapacity

Finally, good crops in the summer rainfall area probably mean big purchases of fertiliser next year. Volumes grew by 10% in the past year, but profits were dampened by the timing of the Fedmis restructure. Costs came in more than benefits

Mr Sander says "We take a long-term view. The agricultural industry is deeply in debt and higher interest rates will offset crop gains, but interest rates will not always be so high. We take long-term comfort from the healthier structure of the industry today"

The darker outlook for the gold-mining industry does not make for excessive gloom in explosives

Gold mining accounts for only a third of sales. Demand from coal, granite, base metal, quarrying and, in the future, from Lesotho Highlands is expected to rise. Sasol looms as a formidable competitor, but AECI believes its technology base will ensure market dominance

Soared

One reason Chlor-Alkali expects continued prosperity is shown on the graphs. World commodity chemical prices have soared

The graphs show trends in caustic soda, which has had the biggest rise. World prices of polyethylene have risen from $580 a ton in 1986 to $1 600/t, and PVC from $500/t to $1 100/t

AECI claims it has treated SA customers responsibly. The second graph shows its caustic soda prices rising in a gently sloping line. Recently world prices have plateaued

There seems little danger of prices sinking to the depths of the early 1980s because there are capacity limitations. At the same time, current prices hardly justify new investment in plant

In the past, exports were used mainly to take up capacity. Today world prices are better than those in SA and there is a new emphasis on exports

The shutdown at Coalplex was used to de-bottleneck and increase capacity. Chlorine capacity, for instance, has risen by 25%. Surplus chlorine will go into PVC or be exported at lucrative margins

Smart

Chemical Services booms on, Mr Sander says, because "those guys are smart". They have looked at niches, got into new areas and made acquisitions where they could use their skills

SA Nylon Spinners is doing well, moving into high-technology fibres used in tyres, conveyor belts and polymer bottles. The drive into industrial uses has reduced reliance on the cyclical clothing industry. SANS imports two of its most important raw materials — glycol and terraphtalic polyester — so the lower rand is not only a blessing in its case. SANS is considering expanding

The paint division experienced strong volume growth. AECI Paints dominates vehicle paints. Demand from the motor industry could be lower after an outstanding 1988

Mr Sander says there is considerable capacity in most divisions

Powder

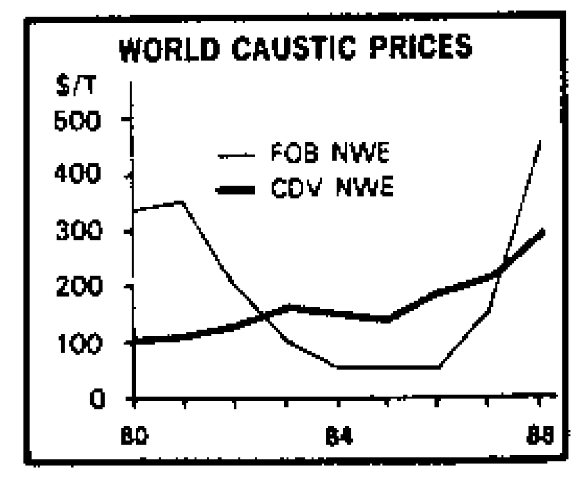
AECI is keeping its powder dry for its multi-billion-rand synthetic fuel project. This is unlikely to go ahead in the next four or five years. The Sua Pan soda-ash scheme in Botswana should be profitable a year after completion

The cost of the plant is expected to be R920-million, including escalation. There will be R320-million of equity and R600-million of debt, suggesting some sensitivity to interest rates. AECI will have 26,5%, Anglo and De Beers 26% and Botswanan interests the 48% balance. AECI will thus contribute about R85-million to equity. Soda Ash Botswana will be an associate and only dividends will come to account

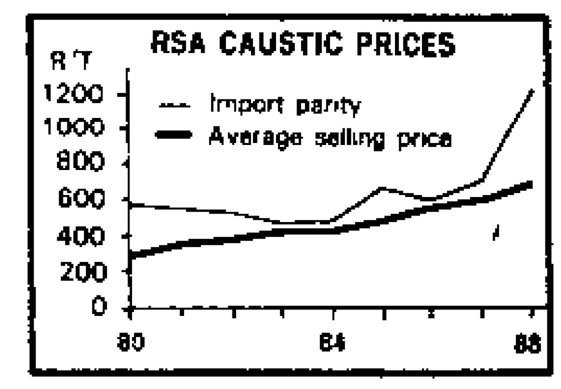
AECI reports a "somewhat higher level of borrowings", but does not publish an abridged balance sheet with its results. Mr Sander seems comfortable, so there will probably be no rights issue until the synfuel project goes ahead

The company will increase profit retentions to degear. Mr Sander believes dividend cover will move from the present 2,2 to 2,5 and possibly even higher if there is a bonanza year

At 1 600c, the share is 9,7 times earnings and yields 4,7%. With another earnings spurt of 20% to 30% in prospect, the share seems better value than most blue chips



In common with world prices of many chemicals, that of caustic soda has soared well above current domestic value (the level at which it pays to dump in SA). The lower graph shows how AECI has held SA prices down



Sasol earnings increase by 35%

B/Day 27/2/89 ZILLA EFRAT 183

SASOL has increased its earnings by 35% in the six months to December after good performances from all business activities apart from synthetic fuels.

Earnings rose to R279,9m (R207,2m) or 49,6c (36,8c) a share An interim dividend of 25c (22,5c) has been declared, covered two times

Directors said the operating profits from the synfuels division were 16% lower than the already depressed results of the comparable interim period in spite of the recent introduction of additional protection of 2,4c a litre for the domestic liquid fuel industry

The average US dollar price of petroleum products was substantially lower than that of the comparable period, and although the average US dollar value to the rand was also lower, it was not sufficient to compensate for the fall in the dollar price and general cost increases in the SA environment.

The increase in tariff protection has been treated as an extraordinary income and amounts to R18,2m.

The group's turnover, excluding levies and excise duty, rose by 18,5% to over R2bn (R1,7bn), while operating profits soared 48,5% to R526m (R354m).

The net asset value has risen 9% to 608,4c (588,1c) a share

Strike ballot at refineries

CIT 28/2/89

Staff Reporter

ALMOST 500 members of the Chemical Workers' Industrial Union (CWIU) held a strike ballot at the SA Petroleum Refineries in Durban at the weekend, following a deadlock in wage negotiations

The outcome of the ballot is expected to be known by late today, a union spokesman said yesterday

BP SA and Shell are 50% shareholders in Sapref, the spokesman said

SA aspirin breakthrough

BDay 1/3/87 (183)

Business Day Reporter

NORISCEL, the chemical division of the Noristan pharmaceutical group, has developed a salicylic acid production process which will save R2m a year in imports.

Salicylic acid is a base component in the manufacture of Aspirin, of which Noristan is the sole SA producer

Noristan MD Hugo Snyckers says initial production will suffice for local needs but the final capacity will allow for exports The establishment of a local production facility is the culmination of years of research into the use and beneficiation of local raw materials with Sasol-produced phenol as the main ingredient.

A R1,5m IDC loan has been granted for the project.

COMPANIES

Improved margins boost Noristan's profits

BD 2/3/87 (183)

ZILLA EFRAT

PHARMACEUTICAL group Noristan Holdings' earnings for the six months to December were boosted by satisfactory performances from the pharmaceuticals and fine chemical divisions and an increase in interest received

● SNYCKERS

The group, which was listed on the JSE in April last year, improved its taxed earnings by 35% to R2,3m (R1,7m) and earnings rose 15% to 5,5c (4,8c) a share The number of shares in issue increased from 35,8-million to 42-million

An interim dividend of 1,5c a share has been declared, meeting prospectus forecasts

Turnover rose 5% to R27,7m (R26,4m) But an increase in operating margins to 15% (10,5%) produced a 51% rise in operating profits to R4,2m (R2,8m)

Directors say total sales have been adversely affected by a reduction in sales on tender to the public sector

Interest received jumped 120% to R277 000 (R126 000) because of the injection of funds from the pre-listing share issue Interest paid dropped 53% to R215 000 (R455 000)

The group's gearing improved to 12% (40%) and liquidity increased as shown by the current ratio of 4,3 1 (3,2 1)

Financing and leasing charges, which rose 59% to R489 000 (R307 000), had an impact on pre-tax profit, which jumped 75% to R3,8m (R2m)

The group's tax rate rose from 20% to 39% because prior assessed losses had been fully utilised in the previous financial year This reduced profit growth at the taxed level and the tax man will be smiling with his increased cut, up 239%

MD Hugo Snyckers says a plant manufacturing salicylic acid — used in the production of asprin — will come on stream in June this year A loan of R1,5m has been obtained from the IDC for the plant, which will save SA R2m through import substitution

Directors say the results for the second half of the year are normally better than in the first half and therefore confidently expect the prospectus forecasts of pre-tax profits of R8,9m, or earnings of 13,3c a share, to be achieved

Fuel strikes may escalate

Cape Times 2/3/89

183

Own Correspondent

THE strike by about 500 workers at the Shell and BP SA Petroleum Refineries (Sapref) in Durban remained unresolved late yesterday

Workers at another major Durban petroleum refinery, Mobil, are expected to join the strike today

The strikes, which could hold serious implications for the country's fuel supplies, was called by Cosatu affiliate the Chemical Workers' Industrial Union (CWIU) in support of demands for an 18% pay rise and improved working conditions

Members of the CWIU at Sapref downed tools at midnight on Tuesday, Miss Pat Horn, Southern Natal petroleum co-ordinator for the union, said yesterday

Miss Horn said Sapref had requested an urgent meeting in "a last-ditch attempt" to avoid the strike, but despite some movement by both sides, it remained unresolved

Sapref's managing director Mr Henri Joubert said that by late yesterday the dispute still remained unresolved "We are trying to maintain as normal a service as possible using non-union members to operate essential services and keep supplies

"We are not keen on this type of action and we would like to reach a settlement with the striking workers as soon as possible

"We informed the union we are prepared to continue negotiations but their demands are higher than what we are prepared to offer," he said

Meanwhile, the results of a strike ballot conducted at Mobil yesterday were expected to be released today, according to Miss Horn

"The only other two refineries in South Africa are in Cape Town and Sasolburg," she said

The management of Chrome Chemicals at Mobeni in Durban has been accused of locking out striking workers and preventing night-shift workers whose duties ended at 6am yesterday from leaving the factory

Mr Mohamed Motala, local organiser of the Chemical Workers' Industrial Union, said the dispute arose after a union member had been unfairly dismissed

Dr Wilhelm Holznagel, the works manager, confirmed the strike, but denied that the strikers had been locked out He said the gates had been opened for the night-shift workers to leave the premises at the end of their shift at 6am, but a shop steward outside instructed them not to leave

183

SASOL

Chemicals take off

Profits from synfuels slumped further in the six months to end-December but Sasol nevertheless boosted EPS by 34,8% and paid a 25c (22,5c) dividend

The bottom-line performance was better than might have been expected from a group which was long seen as primarily a synfuel producer But that no longer applies in the 1988 financial year, chairman Joe Stegmann pointed out that, including Sasol 3, less than 50% of the group's operating profits are derived from synfuels MD Paul Kruger says that in the 1989 interim this contribution was "considerably less than 40%" In the 1985 year, this activity contributed around 66% of operating profits

"The energy and chemical markets tend to balance each other," says Kruger "In the early Eighties, when oil markets were booming and inflation was high, chemical markets were a disaster."

Despite the additional protection of 2,4c/*l* for the domestic fuel industry, the operating income from synfuels fell by 16% from the already depressed levels of the year-ago interim The fall in the average rand/dollar rate was not enough to compensate for the drop in the dollar price of petroleum products and general cost escalations

Sasol, like other chemical producers, has benefited from booming chemicals markets, both internationally and at home. It has seen rising prices for a number of major products, such as ethylene solvents and waxes, as well as higher-volume sales following capacity improvements Hard-wax production at Sasolburg was lifted by about 40% last year, while in October ethylene production facilities at Sasol 1 were recommissioned, at low additional capital cost Ethylene income should make a bigger impact in the second half

Sasol's operating margin thus rose from 20,6% to 25,8%, with operating profit rising 48,5%, and the bottom line was some 10% better than management expected when the annual report was published last October

What also helped was better control of cost escalations Apart from inflation-induced costs, mining costs have been rising more rapidly in recent years, cyclical maintenance was needed on capital equipment at the 28,3 Mt/year Secunda mines, where the equipment had all been installed at about the same time, and the geographic expansion of these mining operations also boosts working costs

Sasol's own mines at Secunda and Sasolburg produce about 90% of its requirements, and the remaining tonnage is bought from other producers Kruger notes that this involves additional costs, with some of the other suppliers as far as 70 km from the plant A fifth Sasol mine being established at Secunda should help to contain these costs

The new polypropylene plant at Secunda is due for completion towards the end of this year and Kruger says it should contribute to next year's profits, with a substantial portion of its output targeted at exports And, while most of Sasol's chemicals are commodities, there are plans to move further into specialised, higher-margin products Benefits from the rationalisation in the fertiliser industry which was initiated late last year should grow, as should the favourable effects for farmers of better rains

The fire on January 30 at Sasol 3 will not affect group results Management says more than 60% of the synthol plant will be in production by the beginning of March and the total plant will be operational by the end of September. Kruger says he is "absolutely confident" this will be achieved, and that the insurance claims will be met. He says the total claim, including the cost of bringing the plant back to production and loss of profits, should be less than R300m

Sasol Limited does not consolidate Sasol 3, which is only 50% held Its contribution to the group's earnings consists of dividend payments and, though no interim dividend was paid, it could pay a dividend this year Sasol 3 holds considerable cash after its years of high cover

Sasol expects the oil price — which at US$15/barrel is currently higher than in the first half — will in the medium term stabilise at around $14/barrel Profits will depend for the rest of the 1989 year largely on the maintenance of chemical and oil prices, stable operations and cost control The group is forecasting second-half attributable profit will be higher than the halfway figure, though it is uncertain whether the increase in total EPS for 1989 will be as high as the near-35% just reported

An increase in the total payout of at least, say, 11,5% to 53c looks possible At 935c, the prospective yield would then be 5,7%

Andrew McNulty

SASOL REVS UP

Six months to	Dec 31 '87	Jun 30 '88	Dec 31 '88
Turnover (Rm)	1 719	1 758,6	2 037
Operating income (Rm)	354,4	423,7	526 3
Dividend income (Rm)	25,6	24,6	—
Attributable earnings (Rm)	207,1	266,4	279,2
Earnings (c)	36,8	47,4	49,6
Dividend (c)	22,5	19,5	25,0

Sasol's Kruger . . . moving to higher margin chemicals

Petrol strike goes into third day

Health / Health / 13 Sept Times 3/3/89

DURBAN — The strike by workers at the Shell and BP SA Petroleum Refineries, Sapref, enters its third day today

The 500 strikers decided yesterday to continue the strike in support of demands for an across-the-board increase of R180 or 18% (whichever is the greater)

No decision was taken at the meeting about an invitation by management to reopen talks with the Chemical Workers' Industrial Union

A union official said the workers refused to accept the 12,5% pay rise offered by management

Sapref said essential services at the refineries were being manned by non-union members

Mean

AK645 6/3/89

New strike vote threat to fuel supply

183

The Argus Correspondent

DURBAN — As the strike by about 650 workers at the Shell and BP SA petroleum refineries entered its sixth day today, more than 400 workers at Mobil's refinery have voted overwhelmingly in favour of strike action which could affect the country's fuel supplies.

Mobil spokesman Mr Barry Housdon said he was unable to comment because Mobil had not been advised either by the union of the result of the ballot

Management was to meet the union today at its request.

The Southern Natal petroleum co-ordinator for the Cosatu-affiliated Chemical Workers Industrial Union, Miss Pat Horn, said today that 95 percent of the 84 percent of workers polled voted for the strike

This followed management's refusal to take part in joint industry-wide negotiations

She confirmed today's meeting with Mobil management and said workers would meet tomorrow to discuss action after the ballot.

Miss Horn said a conciliation board meeting between the union and Shell subsidiary, Veetech Oil, failed on Friday to resolve a dispute on wages and working conditions.

Wages at Veetech were below those of Shell and the company was not prepared to negotiate a worker housing scheme. All other Shell workers had a housing scheme, she said

Boom for petrochemicals

B/Day 6/3/89 (183)

ZILLA EFRAT

SYNERGY between synfuels and petrochemicals presented SA with the opportunity to become an important player in the international chemical market because of certain competitive advantages which have not been exploited, said Sasol executive director Andreas Du Toit at the conference

He said SA had inherent competitive advantages and could look forward to a boom period for petrochemical investments The total expenditure on synfuel plants over the next five years could be R15bn if the proposed AECI coal-based synfuel plant was approved by government

The estimated normal capex of the three major chemical companies — AECI, Sasol and Mossgas — would be R4,5bn over the next five years if their capex continued at the 1987 and 1988 reported levels, said Du Toit

Another possible capex area was investment in the conversion of available chemical feedstocks from synfuel plants to their first derivative stage, but it was not certain that this type of investment would take place

Cape Times 6/3/89 (160) (160A) (160) (180) (183)

Mobil workers vote to join petrol strike

Own Correspondent

DURBAN. — The strike by workers at BP South Africa Petroleum Services (Sapref) enters its sixth day today while at the Mobil refinery, workers voted on Thursday and Friday to go on strike.

Ms Pat Horn, co-ordinator of the Chemical Workers' Industrial Union's petroleum sector in southern Natal, said 95% of the 84% poll at Mobil had voted to take strike action as a result of management's refusal to participate in joint negotiations in the petroleum industry.

The company has requested a meeting today with the union to try to resolve the wage dispute and workers will meet tomorrow to discuss the next step, Ms Horn said.

In the other dispute, shop stewards and Sapref management met on Friday in an effort to resolve the strike by Sapref workers.

"Some progress was made in the meeting and in principle agreement was reached on the wage increases

"But the company's refusal to agree to educational assistance for their employees' children has created a stumbling block to reaching a settlement," Ms Horn said.

"This is a particularly important issue to workers," she said.

Medicines now '80 percent' too expensive

ARGUS 7/3/89 183

The Argus Correspondent

JOHANNESBURG — The consumer would save 80 percent on the price of drugs if the State tender system for medicines was abolished, says Mr Gary Kühn, the president of the South African Association of Retail Pharmacists

He told the 39th annual meeting of the association yesterday that medicine sold by manufacturers to wholesalers was 40 times more expensive than that sold by manufacturers to the State

The wholesaler then put on his mark-up as did the pharmacist By the time the drugs reached the consumer the price was hugely inflated

"What justification could there be for the price difference?"

Report

He hoped the De Villiers Commission report on drug prices, to be released next month, would suggest a solution

Mr Kühn quoted these examples of medicine price differences

- Bactrim 500mg R32 (tender price), R186,40 (wholesale price)
- Naprosyn 250mg R35 (tender price) R128,99 (wholesale price)
- Zyloprim 300mg R1,30 (tender price per box of 30), R21,97 (wholesale price)
- Brufen 400mg R15,35 (tender price for 250 tablets), R88,30 (wholesale price)
- Amoxil 250mg R12,56 (tender price per 100), R45,10 (wholesale price)

Angry

It was the pharmacist who had to face the angry consumer and was constantly blamed for inflated drug prices

But an official report compiled by the University of Pretoria had shown the community pharmacist did not make excessive profits

Recent figures had shown the average retail pharmacy operated on a net return on investment of less than five percent

● Sapa reports that the Minister of Health, Dr Willie van Niekerk, told Parliament yesterday that a group of retail pharmacists from all over South Africa will within weeks announce a 20 to 25 percent cut in the cost of their prescription medicines

Dr van Niekerk told the House of Delegates "It will make us all proud when chemists come forward and do a thing like this themselves"

Take lead

He had made representations to the Minister of Finance, Mr Barend du Plessis, on the possible abolition of sales tax on medicines But he and Mr du Plessis felt it would be preferable to subsidise only those who could not pay

He did think that VAT would be levied on medicines

Earlier Mr P I Devan (Solidarity Cavendish) said the government should take the lead in trying out a whole range of new ways to control health costs

There should also be a drastic revision of the Medical Schemes Act

He suggested a medical cost containment board be established to monitor health-care costs and find ways of cutting them

Call to end tender system for medicines

Star 7/3/89

By Toni Younghusband, Medical Reporter

The abolition of the State tender system of purchasing medicines would save the consumer as much as 80 percent on the price of drugs, Mr Gary Kohn, president of the South African Association of Retail Pharmacists (Saarp) said yesterday

Addressing the 39th annual general meeting of the the association, Mr Kohn asked how it was possible that medicine sold by manufacturers to wholesalers was 40 times more expensive than that sold to the State

COMMISSION

The wholesaler then put on his markup as did the pharmacist By the time it reached the consumer, the price was hugely inflated

Mr Kohn asked what possible justification there might be for this price difference and said he hoped the De Villiers Commission report on drug prices, which was scheduled to come out next month, would come up with a solution

He pointed out that a report compiled by the University of Pretoria showed that the community pharmacist did not make excessive profits hon the Minister's reply, was there any stage that our ambassador in Ciskei declined to give the people of East Peelton assistance with their problem?

The MINISTER Mr Speaker, I am not aware of that at all but what I am very well aware of is that our ambassador went out of his way to facilitate provision of the necessary protection at all times He involved himself personally and he visited President Sebe on this matter personally I can given the hon member the assurance that that was the attitude of our ambassador throughout this situation

Statutory bodies abolished

22 Mr R R HULLEY asked the Minister of Economic Affairs and Technology

Whether it is his intention to abolish any of the statutory bodies falling under the control of his Departments in accordance with the Government's stated policy of privatisation and deregulation, if so, (a) which bodies and (b) when, if not, why not?

B306E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Reply laid upon the Table with leave of House)

(a) and (b) In the case of the Department of Trade and Industry it is considered to abolish the Travel Agents Board and to repeal the Travel Agents and Travel Agencies Act, 1983 (Act 58 of 1983) This matter is now being considered by the board and their proposals will be submitted to me at the end of May 1989

No other statutory bodies which are linked to the Departments of Trade and Industry and of Mineral and Energy Affairs are ear-marked for abolishment or lend themselves thereto However, investigations are continuously being conducted, where necessary in close consultation with the Ministry for Administration and Privatisation, to establish whether, in the spirit of privatisation and deregulation, specific activities could possibly be transferred to the private sector with advantage A number of activities which have been identified are on their way to privatisation or have been privatised already, as follows

(i) *The Industrial Development Corporation of SA Ltd (IDC)*

There is no intention to privatise the IDC as such, because the Corporation has to assist in implementing the Government's policy in respect of industrial development, import replacement, export promotion and small business undertakings However, the privatisation of the following industries which are controlled by the IDC for its own account on behalf of the State is receiving attention

— Foskor The privatisation of Foskor in its entirety is being withheld until the company's results and market conditions make it possible

— Alusaf The transfer of and control over Alusaf to and by private sector interests and the quotation of the company will take place as soon as circumstances are favourable

— Sorghum beer industry Good progress has been made in preparing the extensive sorghum beer industry for merging into a unit which can be privatised The follow-up actions are aimed at arousing the interest of the private sector, in which the consumer will hopefully also be represented

(ii) *The Council for Scientific and Industrial Research (CSIR)*

The CSIR itself is not ear-marked for privatisation However, certain functions of the CSIR have been privatised already or are in the process of being privatised, namely

— The South African Inventions Development Corporation (Saidcor) will ultimately be replaced by a private company in terms of legislation now before Parliament

— The motor vehicle fleet of the CSIR has been sold and is now operated by a private leasing company

— The design office of the CSIR had been underutilised and has been taken over by the office personnel By also undertaking private work, besides the work which is now being done for the CSIR, the work can be done on a more cost-effective basis In this way the cost to the CSIR has been reduced appreciably

— The training function at the CSIR is now also being undertaken by a private company which too, is contracting for work from outside Accordingly, the training aspect of the CSIR is done on a more cost-effective basis

(iii) *The Atomic Energy Corporation of SA Ltd*

The high precision mass production facility of the AEC is now on the road to privatisation

Maternity benefits of wives of national servicemen

23 Mr R J LORIMER asked the Minister of Defence

Whether the wives of national servicemen are entitled to the same maternity benefits and medical care as are the wives of members of the Permanent Force, if not, why not?

B307E

The DEPUTY MINISTER OF DEFENCE

No, this is a service condition for Permanent Force members Sufficient provisioning is normally made for the majority of families of National Servicemen by their own medical schemes in the private and public sectors In addition, there are not enough personnel and facilities in the SA Defence Force available to cope with the extra load and it will also place an additional burden on the SA Defence Force budget

Mr R J LORIMER Mr Speaker, arising out of the hon the Deputy Minister's reply does he believe it is fair to discriminate against national servicemen like that?

The DEPUTY MINISTER Mr Speaker, I can reply to that We do not see that as discrimination As I have already pointed out national servicemen can make use of their own medical schemes Further to that question I must point out to the hon member that in cases where certain circumstances arise Treasury approval may be granted for those cases to be handled by the South African Medical Services

Mr R J LORIMER Mr Speaker, further arising out of the hon the Deputy Minister's reply, if I draw cases of hardship to the attention of the hon the Deputy Minister is he in a position to do something about it?

The DEPUTY MINISTER Mr Speaker, yes, provision is made for those specific cases

Control of pesticides

24 Mr M J ELLIS asked the Minister of Agriculture

Whether he is considering introducing legislation to amend the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, No 36 of 1947, in order to transfer control of pesticides to the Minister of Environment Affairs, if so, when will such legislation be introduced?

B308E

†The DEPUTY MINISTER OF AGRICULTURE

No

*25 Mr M J ELLIS – AGRICULTURE [Withdrawn]

Latin abolishment as requirement for admission in Supreme Court

26 Mr D J DALLING asked the Minister of Justice

Whether he intends to introduce legislation in 1989 to abolish the requirement of a qualification in Latin for admission as an advocate in the Supreme Court, if so, when, if not, why not?

B313E

The MINISTER OF JUSTICE

Last year the hon member for Sandton also asked me about the possible abolition of Latin as a prerequisite for persons wishing to practise as advocates and attorneys On 8 March 1988 I pointed out in this House that before I exercise my power in terms of section 1 of the Admission of Advocates Amendment Act, 1987 (Act 17 of 1987), to determine a date on which the concession granted in terms of that Act is to cease to apply, I require the viewpoint of the advocature According to a majority resolution of the General Council of the Bar of South Africa it is proposed that Latin be abolished as a requirement The various Bars were, however, not unanimous in this regard and several representations on behalf of individual Bar Councils were once again received advocating the retention of Latin as a requirement for admission as an advocate

I have, in the meanwhile, had the benefit of a wide range of views in the course of which the following factors have emerged as most relevant —

(a) certain provincial division of the Supreme Court of South Africa have held that a special university course in Latin is suffi-

Hansard.

cient to satisfy the requisites prescribed by law for admission as an advocate,

(b) as a result of the said decisions several large universities have successfully adapted their syllabuses to meet the needs of the legal profession,

(c) a large number of students have planned their curricula accordingly, and

(d) it is undesirable to make Latin I, which for the past 7 years has not been required by some universities and provincial divisions, a requirement once again

A certain standard of Latin is, however, indicated as a requirement for the study of law for the following reasons —

(a) many of our legal rules are expressed as Latin maxims,

(b) certain standard ideas are succinctly expressed in Latin, and

(c) Latin expressions are part of every-day court language

It has been suggested to me authoritatively that either of the following options, or a combination thereof, is viable —

(a) Latin at matriculation level as prescribed by the Joint Matriculation Board, or

(b) a special university course in Latin which will entitle a student to proceed to Latin I, or

(c) a special university course in Latin comprising general principles of grammar, legal phrases and expressions, and a Roman legal and cultural overview

The implication is that I am contemplating a recommendation to the Government that Latin I as a compulsory course for admission as an advocate ought not to be re-instated subject to what I have said above

I am therefore considering introducing legislation this year with the above guidelines in mind, if time so permits Naturally this will be done after interested parties have had the opportunity to study my proposal

Universities co-ordination of admission of students

27 Mr R M BURROWS asked the Minister of National Education

(1) Whether he has introduced any measures for bringing about any form of co-ordination among universities regarding the admission of students to particular courses and faculties, if so, what measures,

(2) whether he will make a statement on the matter?

B314E

The MINISTER OF NATIONAL EDUCATION

(1) No However, the Department of National Education is negotiating with the Committee of University Principals on measures to ensure that in general, students of better quality will be admitted to universities

(2) No

Restrictions on use of hormonal herbicides

28 Mr R M BURROWS asked the Minister of Agriculture

(1) Whether he issued a press statement recently concerning restrictions to be placed on the use of hormonal herbicides in South Africa, if so, (a) when and (b) what were the contents of the statement,

(2) whether these restrictions have been introduced, if not, why not, if so, what means of enforcing these restrictions have been introduced,

(3) whether he will make a statement on the matter?

B315E

†The MINISTER OF AGRICULTURE

(1) Yes

(a) on 1 February 1989,

(b) to announce that where necessary, the ban on the use of certain hormonal herbicides will be extended to other production areas in the Republic where crops sensitive to the use of these remedies are produced

(2) no for the reasons set out in the media release it is at this stage not deemed necessary to extend the prohibition currently in force in the Tala Valley and surrounding area and on aerial application in Natal to the whole of the Republic,

Hansard.

(3) no, since the matter was dealt with in full in the said media release

Paternoster function for members of FCA

29 Mr P G SOAL asked the Minister of Information, Broadcasting Services and the Film Industry

(1) Whether he held a function for members of his Foreign Correspondents' Association at Paternoster on 3 February 1989, if so, what was the (a) nature and (b) total cost of the function,

(2) whether any members of Parliament were invited to attend this function, if so, (a) why and (b) what are their names?

B316E

The MINISTER OF INFORMATION, BROADCASTING SERVICES AND THE FILM INDUSTRY

(1) A function was held for the accredited foreign correspondents in South Africa It should be noted that, contrary to what was implied by the question, the Foreign Correspondents' Association is independent from the Bureau for Information and is not under the control of or run by the Minister of Information, Broadcasting Services and the Film Industry,

(a) An informal function in the form of a snoekbraai

(b) R4 542,26

(2) Yes,

(a) and (b) The guest list included Members of Parliament as well as non-Members of Parliament In view of the fact that the composition of such a guest list is completely within the discretion of the host, I do not feel under obligation to divulge further details in that regard

Mr P G SOAL Mr Speaker, arising from the reply of the hon the Minister, may I ask him whether he will accept that I did not put "his" in my question but that it has obviously arrived in the question as a result of translation? Would he also tell us whether the members of Parliament invited to the function were only members of the NP? [Interjections]

The MINISTER Mr Speaker, the answer is no

Mr C W EGLIN That is not the point Mr Speaker

†The SPEAKER Order! The time for questions on general affairs has expired and unfortunately I cannot call upon the hon member to speak

Business interrupted in accordance with Rule 180C(3) of the Standing Rules of Parliament

Cycads

30 Mr R J LORIMER asked the Minister of Environment Affairs

Whether any control is exercised over the (a) movement and (b) buying and selling of cycads within South Africa, if so, (i) in terms of what statutory provisions and/or regulations and (ii) which authorities are responsible for enforcing such statutory provisions and/or regulations in each province?

B318E

The MINISTER OF ENVIRONMENT AFFAIRS

(a) Yes

(b) Yes

(i) The relevant nature conservation ordinances of the four Provincial governments

(ii) The Nature Conservation Authorities of the four Provincial governments

Port Elizabeth negotiations on training base

31 Mr D J N MALCOMESS asked the Minister of Defence

(1) (a) With reference to his reply to Question No 15 on 14 February 1989, what progress has been made in the negotiations concerning a certain training base in Port Elizabeth and (b) when does he anticipate that the matter will be finalized,

(2) whether he will make a statement on the matter?

B324E

The MINISTER OF DEFENCE

(1) (a) Valuations of both the SA Defence Force terrain and the offered City Council terrain were done and handed to the City Council of Port Elizabeth who must now indicate

(a) (i) —
(ii) once,

(b) (i) Mr Clem Sunter
(ii) Kimberley Boys' High School,

(2) departmental permission is not required when people other than teaching staff address schools after school hours with the permission of the principal,

Natal Education Department

(1) no,
(a) and (b) fall away,

(2) falls away,

Orange Free State Education Department

(1) yes
(a) (i) once,
(ii) —
(b) (i) Mr Clem Sunter
(ii) pupil councils of all secondary schools on the Gold Fields,

(2) yes,

Transvaal Education Department

(1) yes,
(a) (i) —
(ii) once,
(b) (i) Mr Clem Sunter
(ii) Pretoria Boys' High School,

(2) departmental permission is not required when people other than teaching staff address schools after school hours with the permission of the principal

†Mr A GERBER Mr Chairman, arising from the hon the Minister's reply, I conclude, if I heard correctly, that Mr Clem Sunter appeared on one occasion during official school functions, namely in the Orange Free State That is how I heard it The hon the Minister must admit that Mr Sunter had the opportunity to influence the children at this function I would like to know from the hon the Minister if this particular person endorses the principle of Christian national education?

†The MINISTER Mr Chairman, for the information of the hon member the reply is as follows This function was organized with the permission and with the staff of the Director of Education of the Orange Free State Several superintendents of education in the Free State were present at the function Further, the Std 9s and Matrics were invited Nobody was under any obligation to attend it Further, it is within the rights and powers of the Director of Education to decide to have it in school hours The Director of Education did this The Director of Education is of the opinion, and I agree with that, that it was also an opportunity to inform high school pupils in a broader context than the academic tuition they receive at school Thus it took place with his full approval, and I think it was in the interest of all the pupils that they could attend it

†Mr A GERBER Mr Chairman, further arising from the hon the Minister's reply, I now received a reply to a question I did not ask, namely that permission was granted I would like to know whether this person endorses Christian national education or does the hon the Minister not know?

†The MINISTER Mr Chairman, naturally I did not ask this particular gentleman that

†Mr S C JACOBS Have you read Clem Sunter's book?

†The MINISTER The fact remains that the subject with which it dealt, is of importance to everybody in this country and also to White pupils The faster the Opposition realizes that we do not live here in compartments, but also are bringing about intergroup liaison, acknowledging human dignity, building bridges and taking note of the realities of this country in the interest of our children, the better

Investigation into pre-primary schooling

*3 Mr R M BURROWS asked the Minister of Education and Culture

(1) Whether a committee of the Committee of Education carried out an investigation into pre-primary schooling, if so,

(2) whether this committee has completed its report, if not, why not, if so, what are the main recommendations of this report,

(3) whether he will make a statement on the matter?

B321E

The MINISTER OF EDUCATION AND CULTURE

(1) Yes,

(2) no, the committee has not completed its proceedings,

(3) no

Mr R M BURROWS Mr Speaker, arising out of the hon the Minister's reply, could he give us an indication — I understand that a meeting on this matter will be in progress over the next few days — as to whether a report can be expected in the near future?

†The MINISTER Mr Speaker, the hon member always comes with such a question following the previous one I want to tell him that it is not the style of my Department to drag its heels, but it is also not the style of my Department to just do things without having made the necessary inquiries and consulted with the partners concerned, and the hon member should know that We shall therefore make the result of that known as quickly as possible

Mr R M BURROWS Mr Speaker, further arising from

Mr SPEAKER Order! I regret to have to inform the hon member that the time allotted for own affairs' questions has expired

Business interrupted in accordance with Rule 180C(3) of the Standing Rules of Parliament

Universities' restrictions on admission of students

*4 Mr R M BURROWS asked the Minister of Education and Culture

(1) Whether restrictions, either in absolute numbers or percentage, in regard to the admission of students to courses and/or faculties have been introduced in any or all of the universities falling under his control, if so, (a) what restrictions and (b) when,

(2) whether he has made provision for the co-ordination of student admissions in particular faculties among universities falling under his control, if not, why not, if so, what provision,

(3) whether he will make a statement on the matter?

B322E

The MINISTER OF EDUCATION AND CULTURE

(1) No,
(a) and (b) fall away,

(2) no, because the admission of students is the responsibility of the universities,

(3) no

183 **Research on pesticides**

*5 Mr M J ELLIS asked the Minister of Agriculture and Water Supply

(1) Whether his Department has at any stage conducted or commissioned research into the use and/or environmental impact of pesticides, if so, (a) when, (b) who conducted the research and (c) what were the findings of the research conducted,

(2) whether the findings of such research are available to members of the public, if not, why not, if so, in what form,

(3) whether any further research of this nature is contemplated, if not, why not, if so, what are the relevant details?

B333E

The MINISTER OF AGRICULTURE AND WATER SUPPLY

(1) Yes
(a) At least for the past 20 years
(b) The Division of Pesticide Dynamics of the Plant Protection Research Institute in Pretoria and certain departments at universities working under contract for the Institute
(c) The research done on the use and/or effect of pesticides on the environment forms part of a comprehensive research programme carried out in the interest of farmers and the consumers in the RSA It is impossible to summarise the findings in a few words The findings have been published in literally hundreds of scientific articles in international and local scientific journals and technical communications, some of which are issued by the Department of Agriculture and Water Supply. Amongst other this research gave rise to the total withdrawal or severe restriction of at least 27 pesticides

It is, however, important to note that the published research results are completely objective and that the decision to impose an embargo or limitation on a pesticide rests with the Registrar of Act 36 of 1947 and the Minister of Agriculture

(2) Yes, the research findings are available to members of the public In the form of scientific publications and scientific project reports

(3) Yes, the research is of an ongoing nature, but according to thoroughly planned programmes that are dealt with in order of priority, taking into account the available manpower, equipment and funds This programme involves 10 Research workers, 9 research Technicians and 4 research assistants The budget for the financial year 1988/89 is R700 000 of which R307 000 is used for current expenditures Nineteen research facets are conducted in this programme

For written reply

General Affairs

Apprentices indentured

16 Mr J B DE R VAN GEND asked the Minister of Communications

(a) How many (i) White, (ii) Indian, (iii) Coloured and (iv) Black apprentices were indentured to his Department, and (b) in which trades were they indentured, as at 31 December 1988?

B70E

The MINISTER OF COMMUNICATIONS

(a) (i) 51, and

(ii), (iii) and (iv) none, and

(b)

motor mechanic (petrol)	(10),
motor mechanic (diesel)	(3),
painter/decorator	(11),
carpenter	(17),
plumber	(1),
panelbeater	(1), and
welder	(8)

Technicians/postmen resignations

17 Mr J B DE R VAN GEND asked the Minister of Communications

(a) How many employees in his Department resigned in 1988 and (b) how many such employees were (i) technicians and (ii) postmen?

B71E

The MINISTER OF COMMUNICATIONS

(a) 6 449, and

(b) (i) 443, and

(ii) 362

Vacant posts: designations

18 Mr J B DE R VAN GEND asked the Minister of Communications

(a) How many posts on the establishment of his Department were vacant as at 31 December 1988 and (b) what are the designations of these posts?

B72E

The MINISTER OF COMMUNICATIONS

(a) 5 958 — which figure represents the difference between the total authorized establishment and the number of persons who occupy posts on the fixed establishment, and

(b) Assistant Restaurant Manager, Superintendent, Assistant Printer, Assistant Museologist, Assistant Quantity Surveyor, Assistant Human Resources Officer, Restaurant Manager, Architectural Draughtsman, Postmaster Grade 4, Postmaster Grade 3, Deputy Legal Adviser, Senior Human Resources Officer, Administrative Officer, Senior Psychometrist, Senior Administrative Officer, General Assistant, Personnel Officer, Job Evaluation Officer, Control Telcom Electrician, Senior Job Evaluation Officer, Control Telcom Machanic, Telcom Officer, Operating Inspector, Mail Handling Officer, Industrial Journalist, Registry Clerk, Sorter, Industrial Social Worker, Branch Postmaster, Marketing Officer, Telegraph Officer, Printer, Senior Architect, Statistician, Data Officer, Reprographic Manager, Technician, Driver, Psychometrist, Photographer, Psychologist, Senior Design Artist, Chief Inspector Works, Language Officer, Chief Human Resources Officer, Works Inspector, Chief Psychometrist, Telcom Electrician, Chief Job Evaluation Officer, Telcom Mechanic, Dealer, Security Assistant, Catering Assistant, Instructor, Telcom Assistant, Mail Handler, Learner Printer, Postman Exchange Superintendent, Learner Works Inspector, Telephonist Waiter, Inspector of Uniformed Staff, Senior Housekeeper, Museum Design Artist, Senior Caretaker, Human Resources Officer, Cook, Senior Foreman, Internal Auditor, Senior Stores Foreman, Cost Investigation Officer, Foreman, Senior Security Officer, Design Artist, Security Officer

Hospitals: beds needed/available

19 Dr M S BARNARD asked the Minister of National Health and Population Development

How many hospital beds were (a) available and (b) needed for (i) White and (ii) non-White patients in hospitals falling under the control of his Department as at 31 December 1988?

B73E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(a) Medunsa Dental Hospital

(i) and (ii) 10 beds,

(b) (i) and (ii) no additional beds

Sandton: additional post offices/postal services

23 Mr D J DALLING asked the Minister of Communications

Whether it is the intention to provide any additional (a) post offices and (b) postal services in the Sandton area in 1989, if so, (i) where, (ii) what services, and (iii) when, in each case?

B78E

The MINISTER OF COMMUNICATIONS

(a) No,

(b) yes,

(i) Linbro Park and Sandton,

(ii) Linbro Park The provision of a mail collection unit, and Sandton The relocation of the existing post boxes to a separate lobby in the parking area of the same complex and the provision of an additional 1 500 post boxes, and

(iii) Linbro Park and Sandton October 1989

The following additional services are planned for the Sandton area for completion later than 1989

(i) The construction of a new departmental post office with 2 000 private post boxes in Wendywood to replace the existing hired premises The estimated date of completion is September 1990

(ii) The establishment of a post office in Morningside A departmental building is envisaged and a site has been identified Negotiations for the purchasing thereof are underway

Note

In a written reply furnished in response to question No 130 on 15 March 1988, it was envisaged that a new departmental post office in Wendywood would be constructed during 1989 The project has unfortunately been unavoidably delayed as a result of changes in the planning of the building

Telephone services: applications outstanding

47 Mr D J DALLING asked the Minister of Communications

(1) How many applications for telephone services were outstanding in respect of (a) the exchanges of (i) Bryanston, (ii) Randburg, (iii) Benmore Gardens, (iv) Kelvin, (v) Bramley, (vi) Rosebank and (vii) Sunninghill Park, and (b) any other exchanges serving the Sandton constituency, as at 31 December 1988,

(2) when is it anticipated that the backlog in respect of each exchange will be eliminated,

(3) What steps are being taken to satisfy the demand for telephones in respect of each such exchange?

B96E

The MINISTER OF COMMUNICATIONS

(1) (a) (i) 157,

(ii) 606,

(iii) 155,

(iv) 114,

(v) 146,

(vi) 136,

'Some' chemists to lower prices

CAPE TIMES 7/3/89

86 183

A GROUP of retail pharmacists from all over South Africa will shortly announce a 20 to 25% cut in the costs of their prescription medicines, the Minister of National Health and Population Development, Dr Willie van Niekerk, said in the House of Delegates yesterday

He said the announcement would be made "in the next few weeks"

The cost of medicines — which has drawn the government and retail pharmacists into a gloves-off row — has already increased by an average 33% this year

Dr Van Niekerk was reported at the weekend as saying that the price cuts could be made if negotiations between his department, medicine manufacturers and wholesale and retail pharmacists succeeded Another meeting is scheduled this week It is one of a series under the chairmanship of Dr Coen Slabber, director-general of the Department of National Health, which has been taking place since November

Star 8/3/89.

Factories to make 'plastic houses'

183

By Norman Chandler

Eight factories are to be established in South Africa to produce polystyrene extruded houses — the revolutionary "plastic house" — in an effort to help beat the critical housing shortage

The development follows discussions held in Switzerland and France by the South African holders of the franchise for the revolutionary "plastbau" building system

The Star last year reported that the system was to be used in South Africa As a result of the story, more than 600 enquiries were received — including the SA Housing Trust, the Urban Foundation, building societies and banks, universities, potential investors, plastics companies, the Soviet Embassy in Harare, and homeland governments

CUTS COSTS

"Plastbau" is the name given to an expandable polystyrene bead foam core building panel which cuts construction costs by more than 25 percent Houses built by this method are popular in Europe and are also under investigation in the United States and the Far East

The plastic house has been named House of the Year for 1988 in France.

Mr Michael Childs, a spokesman for ESCC (Pty) Ltd Bophuthatswana, told The Star this week that the first of the factories — which would cost R5 million each to build and would provide work for hundreds of people — was scheduled for

Hope

Bophuthatswana, with others on the Rand and in QwaQwa

It was hoped to go into

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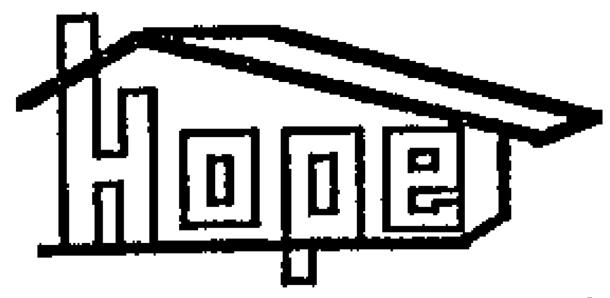

Bophuthatswana, with others on the Rand and in QwaQwa

It was hoped to go into production in the latter part of the year

Factories would also be built in coastal areas and there were also plans for moveable factories, which could be transported in pantechnicons to housing sites

Mr Childes said "The building method will be slightly modified for South African conditions, bearing in mind our major housing problem

"We will be looking at homes from the very low cost variety to luxury accommodation

"The low-cost homes will be erected in such a way that no foundations will be necessary, but will still have the strength of a conventional brick home

SAME SYSTEM

"They are also being designed to include a roof using the same system as the rest of the structure

"If the owner needs to, a foundation slab can be constructed on a do-it-yourself basis

"Electrical and plumbing requirements are extruded in the same process as the walls

"We anticipate that by this method of construction, costs will be considerably reduced

"It is anticipated that the system will bring the cost of houses at the lower end of the market to about R4 000 for a 40 sq m two-bedroomed dwelling"

Each factory would be able to produce 30 houses a day, and each house could be erected on site in three days

Sinclair Holdings makes R5m rights offer

LIZ ROUSE

B|Day 8/3/89 183

SINCLAIR Holdings made an operating profit in the six months to December but high interest charges more than eroded this profit — hence the decision to make a R5m rights offer

Shareholders are being asked to subscribe for 3 228 960 shares at 160c a share on a 35-for-100 basis

Sinclair shares were quoted at 150c bid and 190c sell yesterday and the last trading price was 190c

The group achieved a R515 000 operating profit in the six months to December on a turnover of R13,8m, compared with an operating loss of R266 000 on a turnover of R12,4m in the 1987 half-year

However, interest charges soared to R963 000 (R424 000), resulting in an attributable loss of R172 000 (R345 000 loss)

The group is projecting a "moderate" profit at the June year-end, after the imbalance between equity and external finance has been eliminated by the rights issue

Sinclair's hopes are based on factors which include a good pool cleaner season in the northern hemishpere, increased throughput in the injection moulding division, and other rationalisations

CIT TIMES 8/3/84

1 strike ends, another looms

DURBAN. — The strike by 650 Sapref workers here ended yesterday after the Chemical Workers' Industrial Union accepted management's wage offer of R160 a month or 15% across the board.

But CWIU organiser Miss Pat Horn warned that 450 workers at the Mobil refinery in Durban were "likely" to begin strike action today because "Mobil refused to negotiate jointly with other companies in the industry, and a dispute has arisen". — Sapa once held by President Bush

CAPE TIMES 9/3/89 83

Mobil strike suspended

DURBAN. — Workers at Mobil's refinery in Durban yesterday suspended strike action pending a decision on management's new wage offer. The union is to announce its decision on the offer today.

Mystery plan to bring down drug prices

Star 10/3/89

(183)

By Toni Younghusband, Medical Reporter

Almost half the total number of registered pharmacies in the country are likely to join a mystery scheme to bring down the price of medicine, the head of the scheme, Mr J D 'Kosie" van Zyl, has claimed

Mr van Zyl, general manager of the Medicine Distribution Corporation (Mediscor), said from his office in Cape Town yesterday that he was negotiating with pharmacies countrywide to form a group of pharmacists who would cut their prices He expected between 500 and 1 000 pharmacies to join

Mr van Zyl's scheme was revealed by the Minister of National Health and Population Development, Dr Willie van Niekerk, in Parliament this week However, Dr van Niekerk did not name Mr van Zyl s company

In answer to allegations by the South African Association of Retail Pharmacists that the Minister was being secretive about the scheme, Mr van Zyl came forward yesterday

He claimed his scheme would bring down the price of prescription drugs by between 20 percent and 25 percent

In an interview with The Star, Mr van Zyl said he was reluctant to reveal too much about the scheme because he was involved in very sensitive negotiations

'I hope to have the scheme in operation within the next few months I have been working on this scheme for a long time now and am speaking to various pharmacies," he said

Mr van Zyl said his group was a pharmacy group rendering a service to medical aid members

The scheme was aimed at medical aid members

He said he did not want to reveal now how his scheme would operate He would not say how the group was financed

"That is personal," he said

Drug costs: Mediscor behind cut

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Cape Times 10/3/89

By MEG BRITS

A NEW corporation, Mediscor, is behind the scheme to cut the spiralling cost of prescription medicines by 20-25% from April 3

The general manager and chief executive of Mediscor — or Medicine Distribution Corporation — is Mr J D van Zyl, immediate past president of the SA Pharmacy Council, the statutory policy-making body for wholesale and retail pharmacists

Mr Van Zyl was also, until August last year, MD of the Amalgamated Chemists' Association (ACA) ACA is the wholesaler associated with the Plus group of retail pharmacists

He said the reductions in medicine prices would be available only to members of contracting medical schemes

Mediscor would contract with various medical-aid schemes and societies to appoint member retail pharmacists in the areas in which the schemes wanted them, he said

It will then buy medicines in bulk from the manufacturers and other suppliers and distribute them through its retail member outlets

Obviously, Mr van Zyl said, it would be able to negotiate discounted prices with bulk buying power, and the saving would be passed on to consumer at the retail end

It does not appear that existing wholesale groups, of which there are eight in the country, have ever used their combined buying power (some R450m last year) to negotiate rock-bottom pharmaceutical prices

Mr Van Zyl said the primary objectives of Mediscor were to combat the high cost of medicine, to improve the standard of services rendered by the pharmaceutical profession and to enable members of medical schemes to enjoy the full benefits of the expert knowledge and skill of pharmacists

Most buyers of medicine in the private sector, he said, were members of medical-aid schemes The distribution system to be used by Mediscor would reduce the over-the-counter prices of prescription medicines by at least 20% and would also help to keep medical-aid subscriptions down

However, he said it would not be up to Mediscor whether medical-aid schemes told their members to obtain their prescriptions through specific retail outlets

Mediscor retail members would also not be allowed to advertise their lower prices, he said

Mr Van Zyl said he was making the announcement about Mediscor, originally scheduled for the end of March, because Health Minister Dr Willie van Niekerk had been accused of being "very secretive" about the group

He said that because of "sensitive negotiations all over the country", he had asked the minister not to disclose the name of the group

Dr Van Niekerk could not be contacted for comment yesterday

● A spokesman for the Representative Association of Medical Schemes yesterday said Rams welcomed the move

Cape Times 10/3/89

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MP queries pay at Mosgas

IT WAS obvious that all was not well at Mosgas when a foreigner with no apparent skills was employed there as a purchasing manager at a salary of R24 000 a month — twice that of the Minister of Economic Affairs and Technology, Mr John Iyman (Ind Camperdown) said in the House of Delegates yesterday

Speaking in an interpellation debate on the number of foreigners employed at the project, he also wanted to know the conditions and price at which Gencor and another unnamed company had obtained 30% and 20% respectively of the Mosgas shares and why no existing oil companies had been given the opportunity to take part

The minister should say why $1,3 million (R3,3m) had been paid to an overseas company to get it to accept a letter of credit from a South African bank

The minister, Mr Danie Steyn, said in reply that purchasing did not only involve buying "sardines and fish" The acquisition of highly technical equipment could be a very complex matter

The purchasing manager in question, who had earned R30 000 and not R24 000, had left the country as he had come here to do a specific job, which he had completed

His remuneration had been laid down in a contract awarded by tender to a company to do that specific job

There was nothing preventing any oil company becoming involved in Mosgas, the minister said Gencor had been the only company to come forward, and the government had accepted its involvement gladly — Sapa

TM605 16/3/89

AECI plant to close: 350 could be jobless

False Bay Bureau

ABOUT 350 people could lose their jobs when the nitroglycerine plant at AECI in Somerset West closes down at the end of June, according to factory manager Mr Bertie Humphries

He said every effort would be made to find retrenched workers other jobs but those not likely to be placed had said they were happy with their retrenchment package

This package was based on length of service, age and salary

SELL LAND

Mr Humphries said there were no plans to sell or donate the land on which the plant stood, but the possibility could not be ruled out.

The nitroglycerine section shutdown was announced four years ago AECI had decided to phase-out nitroglycerine-based explosives because of falling demand after the development of waterproof explosives

Demand for nitroglycerine would be met by the AECI Modderfontein factory

Mr Humphries said the nitroglycerine shutdown would not affect other explosives or accessories manufactured at the Somerset West factory

Lovasz listings

6/7 wer 12/3/84

IN terms of the deal by which Lovasz Chemicals is to acquire Royal Beech-Nut SA (RBN) for R45-million, shareholders of Lovasz can take part in three new listings

The earnings of Lovasz are expected to increase by about 40%, and net assets value by 100%

Curle Securities, adviser to Lovasz, says the new structure will comprise pyramid Royal Group Holdings, which will control the existing listed Lovasz Chemicals.

Lovasz Chemicals will change its name to Royal Beech-Nut Corporation. It will control two new subsidiaries — Royal Beech-Nut, which will acquire the existing Royal Beech-Nut from the Imerman family interests, and the existing Lovasz Chemicals

Row over bid to sell cut-price medicine

St Times. 12/3/89

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By GWEN GILL

A GROWING number of pharmacies are cutting the costs of prescription medicines

Medical aid members in many parts of the country could be paying 20 percent less for these within months, said Mr Kosie van Zyl, managing director of a new group, Medicine Distribution Corporation

He said this week at least 50 pharmacists had approached him to join in the discounting since details of his operation were revealed two days ago

Since last October, a large Pretoria pharmacy, Pharmarama, has been quietly cutting prescription prices by 25 percent

But a huge row is brewing in pharmaceutical circles over what the professional bodies see as support for a commercial venture by Minister of Health Dr Willie van Niekerk

Mr Van Zyl has been on the Pharmacy Council for 25 years, the last five as president

He said "Mediscor's operation will be like a franchise

"Our aims are to bring down the cost of drugs, improve the standard of pharmaceutical practice in South Africa and enable medical aid members to enjoy the full benefits of the expertise of the pharmacist

"We are expecting between 500 and 1 000 of the country's 2 700 pharmacies to join us We should be able to buy in massive quantities at a discount That's how we'll be able to cut the price of prescription medicines"

Unpleasant

Selling prescription drugs at discount prices breaks an ethical rule of the pharmaceutical industry and could result in pharmacists not being allowed to practice

Mr Gerhard Slabbert, a director of Pharmarama, said this week "Consumers are flocking into my store to see what's going on"

Though it welcomes moves to cut medicine prices, a spokesman for the Pharmaceutical Society of South Africa this week slammed the Minister of Health's "use of his privileged position" to draw the public's attention to Mediscor

The Deputy Minister of Health Services in the House of Assembly, Dr Michael Veldman, moved on Friday to cool down the row

He appealed to all parties to end the "unpleasant war of words" between pharmacists and the Government in a "responsible manner"

Industry sources warned that cutting prices could mean many pharmacists going out of business

"A survey last year showed that if prescriptions were discounted by five percent, 40 percent of pharmacies would have to close The figure rose to 80 percent if a 15 percent discount were given"

However, neither Mr Slabbert nor Mr Van Zyl believe it will be necessary for pharmacists to lose their jobs

Lovasz shareholders have something to chew on

Star 13/3/89

Shareholders of Lovasz Chemicals are set to benefit substantially from the deal, structured to sell control of Royal Beech-Nut South Africa (RBN) to their company

Lovasz chief executive, Vivian Imerman, states that shareholders will be given the opportunity to participate on favourable terms in three new listings while the earnings of Lovasz itself are calculated to increase by about 40 percent, and net assets value by some 100 percent, based on pro-forma estimates for illustrative purposes, in the financial year ended February 28, 1989

A month ago, Curle Securities, advisors to Lovasz, who structured the deal, announced that the Imerman family, whose interests include control of Lovasz, had snapped up Royal Beech-Nut in a R45 million coup from under the noses of other suitors

RBN had been constrained in its activities by US disinvestment pressures and the change to South African ownership is seen by RBN managing director, Doug Johnstone, as "very positive".

"We have internationally renowned trade marks which enjoy world-wide popularity in a fast-moving consumer line," says Johnstone

The core of the deal is that a structure will be created comprising

- A newly formed pyramid company on top to be known as Royal Group Holdings which will control

183

- A holding company which will be the existing listed Lovasz Chemicals whose name will change to Royal Beech-Nut Corporation (RBN Corporation) and which will in turn control two new subsidiaries
- Royal Beech-Nut (new RBN), which will become the new name of an existing company to be acquired by Lovasz and which will in turn acquire the business of the existing Royal Beech-Nut from the Imerman family interests and,
- Lovasz Chemicals (new Lovasz) which is currently named Lovasz Chemical Corporation (Proprietary) Limited and which will take over the group's chemical manufacturing and trading interests

This structure involves the listing of the three new companies on the Johannesburg Stock Exchange — Royal, new RBN and new Lovasz — and the transfer of the listing of one — the existing Lovasz Chemicals under its title of RBN Corporation, probably to the Industrial Holding sector of the Exchange.

Two other deals which slot in with the overall structure are the sale of the existing Lovasz Chemicals subsidiary Trimpak for R5 million in cash to new RBN in which its activities are seen to provide "synergistic benefits" and the acquisition by the existing RBN of certain product ranges from the Kellog Group for R1 million in cash

- Shareholders in the existing Lovasz Chemicals will qualify for renounceable rights to subscribe for shares in Royal, new Lovasz and new RBN, all at prices yet to be determined Furthermore, Lovasz's minority shareholders will be given the opportunity to exchange their shares for shares in Royal

Lovasz sets three listings in motion

183 KAY TURVEY

LOVASZ Chemicals' recent R45m acquisition of Royal Beech-Nut is set to result in three new listings and the formation of another major SA industrial group on the JSE.

Lovasz is to be transferred to the industrial holding sector of the JSE under its new name, Royal Beech-Nut Corporation (RBN Corp), and it will fall below a newly formed top pyramid company to be known as Royal Group.

The core of the deal is that RBN Corp will control two new subsidiaries:

☐ Royal Beech-Nut (new RBN), which will become the new name of an existing company to be acquired by Lovasz and which will in turn acquire the business of the existing Royal Beech-Nut from the original purchasers — the Imerman family; and

BDay 17/3/84

☐ Lovasz Chemicals (new Lovasz), currently named Lovasz Chemical Corporation (Pty), which will take over the group's chemical manufacturing and trading interests.

Technical details of the new listings are not available at this stage but it seems likely that Royal will seek a listing in the Industrial Holdings sector, new RBN in the food sector and new

● To Page 2

Lovasz sets three new listings in motion

BDay 17/3/84

● From Page 1

Lovasz in the chemicals and oil sector

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Lovasz's minority shareholders will be given the opportunity to exchange their shares for shares in the pyramid company Royal

The shareholders of Lovasz Chemicals are set to benefit substantially from the deal, says CE Vivian Imerman

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183

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The shareholders of Lovasz Chemicals are set to benefit substantially from the deal, says CE Vivian Imerman

Market waits for more on Lovasz

Star 14/3/89

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Diagonal Street

ANN CROTTY

The Lovasz share price held steady at 250c yesterday following the release of details of a re-organisation that will see it become part of a pyramid structure involving four listed companies to be controlled by the current controlling shareholders of Lovasz, the Imerman family.

The deal involves a number of stages, chief of which sees the Imerman family selling recently acquired Royal Beech Nut to Lovasz for R48,5 million (which includes costs of R3,5 million) and Lovasz selling this on to a new company which will be called RBN.

In addition RBN will acquire Lovasz' food manufacturing and packaging division, Trimpak, for R5 million cash as well as certain product ranges from Kellogg's for R1 million.

In a concurrent deal, Lovasz will inject its remaining operating assets, all of which are related to the chemical industry, into a new company, "new Lovasz". This move will result in Lovasz becoming a holding company with controlling interests in RBN and "new Lovasz" Lovasz, which will then be renamed Royal Beech-Nut Corporation, will initially derive its income approximately equally from RBN and "new Lovasz".

Control by the Imerman family is guaranteed by the creation of a pyramid company, to be called Royal, which will have the controlling stake in Royal Beech-Nut.

This structure will ensure that the Royal Beech-Nut group will be able to grow through paper-backed acquisitions without threatening the Imerman's control

Until more detailed figures are available relating to the earnings history of RBN and to the condition of its balance sheet it will be impossible to assess accurately the attractiveness of the deal.

The details will highlight exactly how good a deal the Imerman family has pulled off There has been some speculation that only by paying over the odds did the Imerman's manage to acquire RBN in the face of competition from the big players in the industry The figures so far available belie this speculation

On the basis of certain assumptions made by management, pro forma information has been provided which suggests that Royal Beech-Nut group would have earned about R9,68 million for the 12 months to end-February 1989 This compares with the R4 million it did earn.

Allowing for some impact from the Kellogg's deal and benefits from the restructuring, this suggests earnings of about R4,5 million from RBN and puts the R45 million price tag on a reasonable price/earnings rating of 10 times

The factors which seem critical to the deal (and which are expected to be released in April) include RBN's earnings history, the assumptions underlying management's earnings projections for RBN; RBN's balance sheet (there are reports that the deal also involved a large dividend payment to the US parent) and; the number of new Lovasz shares that will have to be issued.

charged with misconduct by the Transvaal Education Department on the grounds of his absence from duty without leave or valid cause on 16 June 1986 He was found guilty and cautioned,

(2) yes, an appeal has, however, been lodged by the Department of Education and Culture and the matter is therefore sub judice,

(3) falls away,

(4) no

For written reply

General Affairs

Rabies in animals: cases reported

46 Mr R J LORIMER asked the Minister of Agriculture

Where any cases of rabies in animals were reported to his Department in 1988, if so, (a) how many, (b) where did each outbreak occur and (c) what steps were taken in each case?
B83E

The MINISTER OF AGRICULTURE

Yes

(a) 420

(b)

Transvaal Region	16
Northern and Eastern Tvl Region	45
High Veld Region	69
Free State Region	45
Natal Region	143
Eastern Cape and Karoo Region	37
Western Cape Region	7
Venda	1
KwaZulu	31
Transkei	26

(c) All dogs in the rabies controlled areas of Natal and Northern Transvaal are annually inoculated against rabies After each outbreak contact animals are destroyed where necessary and all dogs and cats in a radius of 15 km around an outbreak are inoculated All movements of dogs and cats to, within and from the rabies controlled areas are subject to permit control During 1988 altogether 743 909 animals were inoculated against rabies

National servicemen: qualifications

112 Mr R R HULLEY asked the Minister of Defence

(a) How many national servicemen in the (i) August 1988 and (ii) February 1989 intakes had a (aa) Std 8 certificate, (bb) matriculation certificate and (cc) tertiary education diploma or degree and (b) what percentage the respective intakes did this constitute in each case?
B264E

The MINISTER OF DEFENCE

(a) (i) and (ii) It is policy not to divulge personnel strengths

(b)	(aa)	(bb)	(cc)
(i)	24,13%	52,72%	16,74%

(ii) The figures for the February 1989 intake is not available as yet

National servicemen placed in institutions outside SADF

113 Mr R R HULLEY asked the Minister of Defence

(1) How many national servicemen in the (a) August 1987, (b) February 1988 and (c) August 1988 intakes were placed in organizations or institutions outside the South African Defence Force in terms of section 16 of the Defence Act, No 44 of 1957,

(2) how many such servicemen in the (a) August 1987, (b) February 1988 and (c) August 1988 intakes were placed in (i) the Office of the Receiver of Revenue, (ii) Infoplan (iii) the Small Business Development Corporation and (iv) other specified organizations or institutions,

(3) what criteria are applied in determining where such servicemen are placed?
B265E

The MINISTER OF DEFENCE

(1) (a) 21

(b) 52

(c) 34

(2) (a) (i) 0

(ii) 0

(iii) 0

(iv)

SA Transport Services	1
Department of Water Affairs	1
Department of Development Aid	4
Department of Trade and Industry	4
Cape Prov Administration (Hospital Services)	2
Department of National Health and Population Development	2
Administration House of Assembly (Department of Agriculture and Water Supply)	1
Bureau for Information	1
Department of Agricultural Economics and Marketing	1
Provincial Administration OFS	1
Department of Mineral and Energy Affairs	3
	21

(b) (i) 0

(ii) 0

(iii) 2

(iv)

Pretoria Metal Pressings	1
Bureau for Information	1
CSIR	1
Department of Foreign Affairs	2
Cape Prov Administration (Hospital Services)	4
Natal Prov Administration (Hospital Services)	3
Tvl Prov Administration (Hospital Services)	4
Prov Administration OFS (Hospital Services)	3
Department of Development Planning	4
Admin House of Assembly (Department of Agriculture and Water Supply)	14
Department of Agricultural Economics and Marketing	2
Department of Mineral and Energy Affairs	1
Armscor	1
Department of Finance	1
Departmentof Justice	1
Department of Education and Training	1
Prov Administration OFS (University of the OFS)	2
Admin House of Assembly (Department of Education and Culture)	4
	50

(c) (i) 0

(ii) 0

(iii) 1

(iv)

Department of Agriculture Forestry (Gazankulu)	2
Department of Foreign Affairs	9
National Parks Board	1
Department of Mineral and Energy Affairs	1
Department of Agriculture and Environment Affairs (Kwa-Ndebele)	1
Department of Agriculture and Environment Affairs (Lebowa)	3
Department of Agricultural Economics and Marketing	5
CSIR	1
Department of Agriculture and Environment Affairs (Venda)	1
Cape Provincial Administration (Hospital Services)	1
Department of Health (Kwazulu)	1
Department of Agriculture and Environment Affairs (Kangwane)	4
Natal Provincial Administration	1
Kentron	1
Department of Transport	1
	33

(3) The stipulations of Section 16(2) of the Defence Act (Act 44 of 1957) and also the requirement of and possible future utilization of these members in the SA Defence Force, measured against the requirement of the institutions who are involved

Noxious plants: amount spent on herbicides (183)

116 Mr R J LORIMER asked the Minister of Agriculture

(a) What amount was spent on herbicides for the control of noxious plants in the 1988-89 financial year, (b) what noxious plants were involved and (c) what amount was spent on each of these plant varieties?

B268E

The MINISTER OF AGRICULTURE

(a) R554 040,00 for the period 1 April 1988 until 28 February 1989,

(b) opuntia species (jointed cactus) and nasella tuft-grass,

(c) R380 366,00 on opuntia species and R173 674,00 on nasella tuft-grass

Reply substituting reply to Question No 65 on 3 March 1989, put by Mr R R Hulley (col 211)

SADF complaints regarding actions of troops in townships

65 Mr R R HULLEY asked the Minister of Defence

(1) Whether any official complaints were lodged with the South African Defence Force in 1988 regarding the actions of troops in any Black townships, if so, (a) how many, (b) on what dates and (c) what was the nature of the complaints in each case,

(2) whether these complaints have been investigated, if not, why not, if so, what were the findings in each case,

(3) whether any action has been taken as a result, if not, why not, if so, what action?

B166E

The MINISTER OF DEFENCE

(1) Yes

(a) 7

(b)	(c)	(2) and (3) Yes
22-05-88	Assault	The member was handed over to the Lebowa Police SA Defence Force is not responsible
02-06-88	Assault	The member was found not guilty and the SA Defence Force nor responsible
11-06-88	Rape	Civilian trial 18 months imprisonment suspended for 3 years and 5 lashes with a cane Fine of R50 was also imposed for Contempt of Court
15-06-88	Pointing of a firearm	Case has not been finalized
16-10-88	Harassment	The Officer Commanding of the Command resolved the dispute with the plaintive
25-10-88	Murder	The SA Police is investigating the case
03-11-88	Assault	The member was found guilty and a fine of R50 or 10 days imprisonment was imposed

HOUSE OF REPRESENTATIVES

INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Self-help building schemes

1 Mr C KOEBERG asked the Minister of Local Government and Housing

Whether he will make a statement on self-help building schemes?

*The MINISTER OF LOCAL GOVERNMENT AND HOUSING Mr Chairman, the answer to the question is yes, self-help housing is an approach to the urgent provision of affordable housing for our community It is also aimed at promoting home-ownership

Our housing programme is imaginative and flexible and is carried out in co-operation with the community, management committees and local authorities

The Housing Board has already approved applications for about 6 000 units throughout the country and many of the houses have already been erected The department receives new applications every day for this highly successful programme

In the Western Cape alone there are 60 local authorities involved in self-help projects There are also projects in the Northern Cape, the Transvaal, the Orange Free State and Natal

*Mr C KOEBERG Mr Chairman, I should like to ask the Minister to tell us whether he is going to concentrate in the future solely on self-help housing as his department interprets it, or whether he still intends continuing with the provision of conventional houses The reason I am asking this is because self-help housing in the small towns in the rural areas is perhaps not as successful as in the Cape [Interjections]

*The CHAIRMAN OF THE HOUSE Order! The hon member's time is now being wasted He only has two minutes

*Mr C KOEBERG Mr Chairman I did not say it was not working I am talking about different towns In some towns it can work, but in others it will not work Artisans are scarce in some towns

I should like to know from the hon the Minister what has happened to the funds appropriated for housing—such as the conventional housing in Graaff-Reinet—because the officials say that there are no more funds for this type of housing, but only for self-help building schemes If funds for self-help building schemes are in fact being made available, why can funds for conventional housing not be made available too? Could there not be a division and couldn't the Government be asked to assign a certain number of plots for the one type of scheme and a further number for the other type of housing scheme?

The waiting lists would get much longer, because it would probably take the owner two years to build a house himself if he did not have assistance In such a situation the waiting lists will get even longer I therefore want to ask the hon the Minister to ensure that the conventional type of housing will continue to be built and that he will not think only in terms of self-help building schemes [Time expired]

*Mr A ESSOP Mr Chairman, there is some confusion with regard to the erection of self-help housing Some local authorities ask those who are interested in the self-help building schemes to first purchase land from the local authority The land is therefore not included in the contract entered into initially between a self-builder and the local authority I would very much like the hon the Minister to clear this matter up Is the price of land included in the original purchase price, or is it an additional amount to be paid?

Secondly I want to refer to the deposits Is it obligatory for a person who belongs to the self-help building scheme to pay a deposit?

Mr C E GREEN Mr Chairman, I should like to know from the hon the Minister if it is not possible for the person who wants a house to exercise an option He must have an option if he wants to have a self-help house This should not be a hard and fast rule People in the platteland find it difficult to operate a self-help scheme They find it impossible to do

I should like the hon the Minister of Local Government and Housing to ask his officials to approach the matter from a different angle when they market these self-help schemes What happens now, is that the officials are saying they are

Mauritian launch pad for SA chemical exports

B/Day 14/3/89

EDWARD WEST

MULTI Construction Chemicals (MCC) plans to use Mauritius as a launching pad for export drives to Madagascar, Seychelles and the east coast of Africa

MCC is a Johannesburg-based company specialising in chemical compounds for the mining and construction industries

MCC director Trevor Enerson said the company would begin the export drive in the next seven to eight months

A textile boom in Mauritius had opened up a concrete admixtures market for MCC, which specialised in chemical compounds for mining and construction industries

Exporting began 10 months ago with MCC shipping 240 tons of industrial floor hardeners for the Mauritian textile industry

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Shortage

Mauritius established itself as an export free zone after textile importers sought new countries from which to import textiles because Hong Kong began selling its textiles to the communist bloc, Enerson said

The construction of new textile factories in Mauritius was hampered by a shortage of natural aggregates, leading to the need for imported materials

MCC introduced a special floor hardener to Mauritius and laid 22 000m² of floor at one of the country's largest textile mills

MCC's strong foothold in the ready-mix concrete market in Mauritius was attributable to the low cost of its admixtures, said Enerson

Owing to a technology agreement with Sentrachem subsidiary Karbochem, MCC had access to local raw materials, enabling it to offer low cost products

BDay 15/3/89

Phace offer exclusive to pharmacists

RICHARD BARTLETT 183

PHACE COSMETICS launched an exclusive share offer nearly a year ago but still has close to half the available shares to sell

Phace joint MDs Chris Meagher and Noel Fisher registered this unlisted public company in April last year with the intention of selling 300 of the company's 710 ordinary shares to registered practising pharmacists

The share offer, which opened in April last year, has an authorised share capital of 710 ordinary shares and 1,5-million 6% preference shares

The share offer closed on June 20 last year but had been extended for a period of 30 days continuously since then and will be until all 300 have been sold

The 300 shares available to pharmacists must be bought in the ratio of one ordinary share to 5 000 prefs

The remaining 410 shares, unlinked to preference shares, are owned by Avroy Shlain Cosmetics (51%), Fisher (24,5%) and Meagher (24,5%)

Avroy Shlain Cosmetics MD Avroy Shlain said he saw the investment not as the creation of a competitor but rather as working with a competitor

Over half of the 300 shares available to pharmacists had been sold in the past 11 months, said Fisher

Projected profits for Phace in the 1988/89 season were R1,8m Turnover is expected to increase by 76% one year after the launch of the company's products this month

Considering that advertising had not yet taken effect the outlook was very positive, said Fisher.

BDay 15/3/89

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The share offer closed on June 20 last year but had been extended for a period of 30 days continuously since then and will be until all 300 have been sold

The 300 shares available to pharmacists must be bought in the ratio of one ordinary share to 5 000 prefs

The remaining 410 shares, unlinked to preference shares, are owned by Avroy Shlain Cosmetics (51%), Fisher (24,5%) and Meagher (24,5%)

Avroy Shlain Cosmetics MD Avroy Shlain said he saw the investment not as the creation of a competitor but rather as working with a competitor

Over half of the 300 shares available to pharmacists had been sold in the past 11 months, said Fisher

Projected profits for Phace in the 1988/89 season were R1,8m Turnover is expected to increase by 76% one year after the launch of the company's products this month

Considering that advertising had not yet taken effect the outlook was very positive, said Fisher.

Star 16/3/89 183

Diesel fuel levy up 2½c a litre

By Paula Fray

The Minister of Finance, Mr Barend du Plessis's, announcement of the introduction of a 2½ cents per litre levy on diesel fuel as from next month was a blow for the "overtaxed" motorist but was expected, hauliers said yesterday

The increase has been labelled inflationary by the Progressive Federal Party spokesman on transport, Mr John Malcomess

Mr du Plessis said the heavy vehicle licence levy had been phased in from November 1, 1988, while the levy on diesel fuel would be instituted on April 1

Neither the heavy vehicle licence levy nor the diesel fuel levy would be specifically earmarked for roads, he said.

The heavy vehicles belonging to the South African Transport Services (Sats) would be subject to these levies on the same basis as those of the private sector, to eliminate "unfair competition"

'POSITION OF BEING OVERTAXED'

The chairman of Unity Longhauls, Mr G Donald, said: "It was expected . but it puts road hauliers in a difficult position of being overtaxed — especially when taking the toll roads and previous fuel tax increases into account"

He said the Minister was making it extremely difficult for the private sector to compete with sectors of Sats

Chief Executive of the National Association of Private Transport Operators, Mr Andre Jacobs, was angered by the 2½ cents levy

"The Government said the increase in the heavy vehicle licences was needed because of the damage done to roads. But if the levies are not put back into roads, what is it talking about?"

ICI, AECI merge some divisions

Star 17/3/89

183

Finance Staff

A decision has been reached to merge the agrochemicals interests of ICI (SA) and AECI with effect from April 1, it was announced yesterday

The new company will be known as ICI-Kynoch Agrochemicals and Mr CJC Irvine has been appointed managing director

This development is seen by both companies as a logical extension to improve their combined resources in the South African agrochemical market

The agrochemical market, which comprises insecticides, herbicides and fungicides, is estimated at around R600 million per annum

ICI will contribute the research and development while AECI will add its marketing and technological skills to the new company.

AMIC (183)

17/3/89. (183) FM MC (183)

Forecasts beat[illegible]

Booming export earnings helped Amic [illegible] attributable earnings by 47[illegible] in the [illegible] end-December, after the [illegible] 25% While good results looked [illegible] Amic after figures from [illegible] interests such as AECI and Highveld, there [illegible] uncertainties, particularly among the unlisted holdings

Attributable earnings of the unlisted subsidiaries Mondi and Boart International, in fact, grew strongly despite the guarded comments on their prospects given in Amic's last annual report

At that stage continued advance in operating profits was expected for Mondi, on the assumption that its manufacturing and sawmilling operations remained at high levels As management thought then that this would be offset by the increasing impact of deferred tax, the group was budgeting for unchanged earnings in 1988 In his annual review this week, Amic chairman Graham Boustred says higher pulp and paper production and higher export prices enabled Mondi to lift attributable profit by 56% from R104m to R162m

Similarly, on the outlook for Boart, Amic said a year ago that much would depend on the gold price but it was expected it would be difficult to repeat the 1987 results (attributable earnings rose 47%) in real terms Boustred says Boart enjoyed sustained demand for its products and services throughout the year "The high level of gold prospecting continued through most of the year and, towards the year end, steadily increasing world base metal prices stimulated prospecting activity in this field," he says Boart's attributable earnings rose by 54% to R97m (R63m)

A laggard was the 100%-held Scaw Metals, whose earnings including the equity accounted earnings of its investment in Haggie, rose by 10,7% to R62m Scaw is more exposed to the domestic market than Amic's other main subsidiaries, and has been hit hard by the depressed state of the heavy engineering and transport sectors Like companies such as Standard Brass and Union Carriage, its foundaries have been working well below capacity

Boustred tells the *FM* that Scaw was heavily involved in producing for the railways, whose cutbacks affected the company's earnings by some R12m-R15m Another problem last year was the steep rise in the price of scrap steel, which went up by around 50% The company has entered into

AMIC'S GROWTH

Year to December 31	1987	1988
Turnover (Rm)	3 546	4 728
Earnings (Rm)		
— operations	475	847
— associated companies	164	218
Attributable earnings (Rm)	352	517
Earnings (c)	673	963
Dividends (c)	225	290

new relationships in response to the cutbacks, is building a second sponge iron kiln and is expanding exports — though these take time to build up "Scaw is very liquid, with R50m in the bank," says Boustred "We are happy with the company"

Amic nonetheless got pre-tax earnings up by 73% to just over R1bn With the deferred tax provision jumping to R242m (R61m), the effective tax rate was 33% (20%) and EPS advanced by 43% Cash has been absorbed by continuing high capex as well as by repayment of borrowings, which has pared the debt equity ratio to 25% from 71% in 1986 On cover of 3,3 (2,9) times, the dividend was raised 29%, placing the share, at 8 150c, on a historic yield of 3,6% This compares with a yield of 3,7% on Barlow Rand and an average yield on the industrial index of 3,4%

Andrew McNulty

(183)

LOVASZ

Mixing food and chemicals

When a company listed in the chemicals sector buys — in a private auction — a food company with sales about two-and-a-half times larger than its own from a disinvesting US giant, Nabisco, there are bound to be intriguing questions

Prominent among the points being debated is the price paid The effect on assets is clear the deal in which the Imerman family interests — who own 65% of Lovasz — have bought Royal Beech-Nut (RBN) has the potential to turn Lovasz into a medium-sized and growing food and chemicals group almost immediately RBN will be sold on to Lovasz, which had turnover of R44,6m in the year to end-February 1988

It seems that factors other than price clinched the deal The Imerman bid was apparently accepted because, though Nabisco could have got a higher price, undertakings were given about RBN's future. Some other bidders, understood to have included major food groups, would have rationalised RBN but this could have been politically unacceptable to Nabisco The Imermans have undertaken to preserve RBN as a unit, with its management and staff

Lovasz CE Vivian Imerman denies the R45m price is excessive He contends it was at an effective historic p e of about 10 After the deal, he says, Lovasz's gearing is likely to be considerably lower (it was 62% at end-February 1988) because of the effects of the rights issues and RBN's inherent situation

Lovasz estimates EPS in the year to end-February 1989 at 15c against the year-ago 11,8c But, says Lovasz, they would have been 40% higher with incorporation of RBN, assuming issue (for comparative purposes) of 19,4m new Lovasz shares (currently worth R48,5m) for the RBN acquisition Lovasz's net worth, 74c at year-end, would have doubled to 148c including the cost of brand names acquired, equivalent to 59c a share

Imerman says the deal includes technical and brand agreements He says Nabisco had decided to disinvest for political reasons, but the move was hastened by its takeover by corporate raider Henry Krawitz for US$25,5bn The Imerman family, rather than Lovasz directly, acquired RBN because the US company wanted a quick, clean deal Conditions about JSE and shareholder approval would have been unattractive The expected R3,5m handling and holding fee largely comprises interest on the price for RBN until it is transferred to Lovasz group, expected in about four months

Lovasz will acquire an Imerman company holding RBN It will retain control of RBN, but will offer existing shareholders rights to subscribe for shares in RBN, to be listed Proceeds will contribute to payment for the acquisition, with the rest of the price raised via a Lovasz rights issue The Imerman family is making no "turn" on the price RBN will also acquire for R5m cash Trimpak-Crystallizers, the food division started by Lovasz on the base of a few relatively small acquisitions last year

The accompanying restructuring of Lovasz will result in three new listings, probably in July Lovasz, renamed Royal Beech-Nut Corp will become a holding company, the operating chemical company will be re-listed as Lovasz Chemicals, and the operations of RBN will be listed as Royal Beech-Nut Limited A pyramid company, Royal, holding the Imermans' interest in Lovasz, will offer new shares to other Lovasz shareholders Floating of Royal shares will allow the Imermans to dilute their involvement while retaining control, and allow leveraging and flexibility in further acquisitions

Some brokers have commented that the deal appears to be a call on minorities to take the burden of the acquisition while the Imerman family's commitment of funds is unclear For his part, Imerman says the family could have retained RBN and any Lovasz minorities could sell their rights He says the family intends to follow its rights in the issues, though some may be placed with institutions

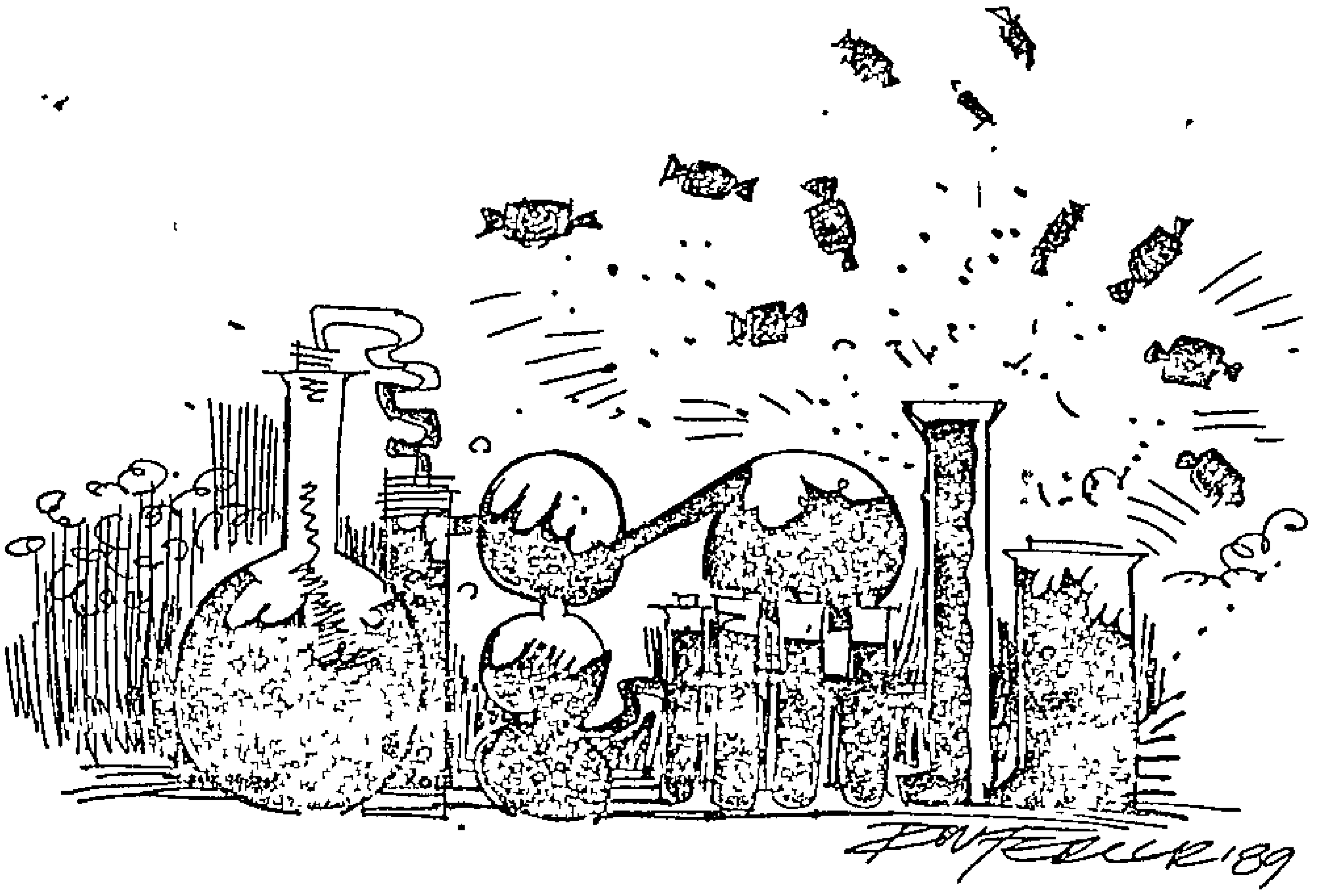
The multiplication of listings indicates the potential the Imermans believe the acquisition holds Lovasz and RBN are not obviously compatible, though the latter has long been a customer of the existing Lovasz RBN is believed to have been constrained from growing strongly by double tax and other factors related to its parentage Imerman believes local control and marketing and established management spells major potential

To comment that Lovasz has no expertise in food, Imerman says processed foods are compatible with chemicals operations They are a fast-growth sector, especially in the black market RBN manufactures and markets locally and has stand alone management of depth who are largely South African and are "raring to go" Peter Curle, of Curle Securities, adviser to the acquirers, says RBN's SA management is "superb"

Imerman plans to grow RBN organically and by acquisitions, and export possibilities are being examined He expects Lovasz's sales to RBN to grow considerably

The deal and restructuring of Lovasz cannot be properly assessed until full details are released, probably in April On the apparent fundamental implications for Lovasz, the share's 92% rise this year (from 130c to 250c) and its thin dividend yield of 1,2% do not seem unjustified

Tergue Pisne



Trek looking attractive

183

Diagonal Street
21/3/89
ANN CROTTY

Trek has turned in a good performance for the six months to end-February and with prospects of the same to come in the second half, the share at R11 is looking quite attractive.

At the interim, turnover was up 23 percent to R445 million with operating income up 37 percent to R19,3 million. A change in accounting policy has resulted in income from investment being up a mere 2 percent R6,3 million. After a sharp reduction in interest payments and no change in the tax rate, taxed profit showed a 29 percent advance to R15,4 million

Attributable income was up 30 percent to R15,4 million (R11,8 million) equivalent to 76,1c (58,6c) a share from which a dividend of 32c has been declared.

If the 30 percent earnings improvement can be maintained for the full year then the group is looking at annual earnings of 165,5c a share and, assuming a dividend cover of around 1,7 times, then a dividend of just under 100c a share could be expected

This puts the share on a prospective p/e of 6,6 times and on a dividend yield of 9 percent.

The group can afford the relatively low cover as it has no gearing. The balance sheet as at end-February shows non-interest bearing debt (primarily accounts payable) of R117,6 million. Short-term loans, which were at R4,4 million in February 1988, have disappeared. The balance sheet at end-August 1988 showed that out of R188,3 million current assets, cash and near-cash accounted for R77,8 million

The group operates in a controlled environment and to a large extent performance is determined by government controlled price increases and government determined marketing margins.

But chairman Dirk Jacobs points out that two crucial variables over which management has some control are turnover and expenses, although turnover is greatly influenced by the strength of the economy.

But within that constraint Trek does have some scope to influence its turnover using such factors as siting of stations and service offered to draw consumers.

During the review period Mr Jacobs says that there was strong demand from all three major market sectors -retail, industrial and government-related. To date he has not seen any adverse impact following the February price increase but he indicated that if the expected slowdown in the economy does materialise then it will adversely impact petrol sales.

Omnia's EPS jumps 71% on fair weather

BDay 22/3/89 ZILLA EFRAT (183)

OMNIA Holdings, the fertiliser group, achieved a 71% rise in earnings a share for the year to December as a result of improved weather conditions

Earnings a share increased 71% to 43,57c (25,46c) A final dividend of 10c has been declared, bringing the annual total to 15c (5c)

Turnover jumped 31% to R237m (R181m) Margins and interest on long-term loans remained relatively unchanged, contributing to a 58% rise in pre-tax profits of R17m (R11m)

Directors say the increased sales and profits are due to favourable weather conditions which led to an extended planting season, causing farmers in the Highveld to plant aggressively and resulting in the fertiliser division achieving an all-time record

Terminal

The group is in a non-tax-paying position as it has investment benefits carried foreward from the past. Tax paid of R162 000 relates to a subsidiary.

Attributable profits rose by 61% to R17,6m (R11,9m) and were boosted by income from associates of R548 000

MD Neville Crosse says Omnia's acquisition of Fedmis's share in the Richard's Bay ammonia terminal was strategic as the group needed a terminal for its imports

The group extention of its agricultural operations by the acquisition of the seed business of Cargill and Ciba-Geigy constituted a major strategic move into this agricultural hi-tech industry, say directors

They say this year started well because of the extended planting season All production facilities are operating at full capacity The group expects to increase profits and dividends accordingly

Star 23/3/89 183

Cases of permanent damage reported

Anger over delay in skin cream ban

By Toni Younghusband, Medical Reporter

Studies conducted in the PWV area have shown that between 30 and 40 percent of black women using skin lightening creams have permanent skin damage

Dr Marius Barnard, the PFP spokesman on health, said in Cape Town yesterday there was growing bewilderment and anger in medical and pharmaceutical circles at the Minister of Health's apparent reluctance to immediately ban skin lightening agents Dr Barnard said had the creams been affecting white women, they would have been banned years ago

Surveys conducted by doctors in Johannesburg and Pretoria estimate that up to 42 percent of women suffer permanent damage

The creams contain a harmful substance called "hydroquinone" which, if used long enough, actually darkens the skin The skin becomes coarse, with small raised bumps which eventually join together to form larger raised areas These changes are permanent and irreversible

In a recent newspaper interview, one manufacturer said all evidence of the damaging effects of skin lighteners was from cases prior to 1983 when the amount of hydroquinone was cut from around five percent to two percent

However, a Pretoria University dermatologist says in the latest edition of the British *Journal of Dermatology* that 46 percent of women using the low dosage creams show skin damage

The skin-lightening industry is believed to be worth about R80 million a year

Dermatologist

A Johannesburg dermatologist said a study she conducted at the Hillbrow Hospital in the gynaecological outpatients department showed that 28 of 100 women examined had skin damage as a result of these creams

The doctor, who may not be named, pointed out that the study was done on a random sample of patients

Dr Nick Hardwick, formerly of the University of Pretoria and now living in London, found in a recent survey that 35 percent of all black people examined at the outpatients department of a Pretoria hospital showed signs of hydroquinone damage

Of 142 women examined, 60 had damaged skin Of the men examined, 15 percent showed signs of permanent damage

Consumer organisations and the medical and pharmaceutical professions have made repeated calls on Dr Willie van Niekerk to ban the creams They were to have been banned on July 1 this year but Dr van Niekerk announced he would grant manufacturers a "three-year phasing-out period"

The Star Finance

Star 29/3/89 183

Samancor held in high esteem

Sharespot
LYNNE PEACH

Samancor is held in high esteem by the market, particularly so these days when the outlook for the rand is a cause for concern

This SA-based metal mining group exports four-fifths of its production and because world sales are mainly denominated in US dollars, the relatively weak rand is very good news for Samancor

The group is also a low-cost producer, a sizeable supplier on international markets, and its most important products are currently riding a high wave of strong world demand/prices

Samancor, whose largest shareholder is Gencor, produces a variety of mineral, metal and chemical products It is the Western world's largest producer of chrome ore, ferrochrome and manganese ore, and is one of the largest producers of manganese alloys

World stainless steel production has been growing strongly and the demand and prices for chrome ore and ferrochrome have increased substantially.

Dr John Muller (acting Chief Executive) says that although the rate of increase has slowed, prices continue to rise. He does, however, expect prices to flatten-out in the second half of this year Over the long term, he expects demand growth for ferrochrome to average three to four percent a year.

Dr Muller went on to confirm that the first of two new ferrochrome furnaces at Tubatse is due to come on stream this week while the second is scheduled to become operational during the fourth quarter of 1989

An unexpected level of growth in industrialised nations boosted the carbon steel industry which lifted demand for manganese ore and alloys It is the first time in a decade that demand has exceeded supply, and prices consequently rocketed Dr Muller confirms that prices are still firming Over the long term, he expects demand growth to average about one percent a year.

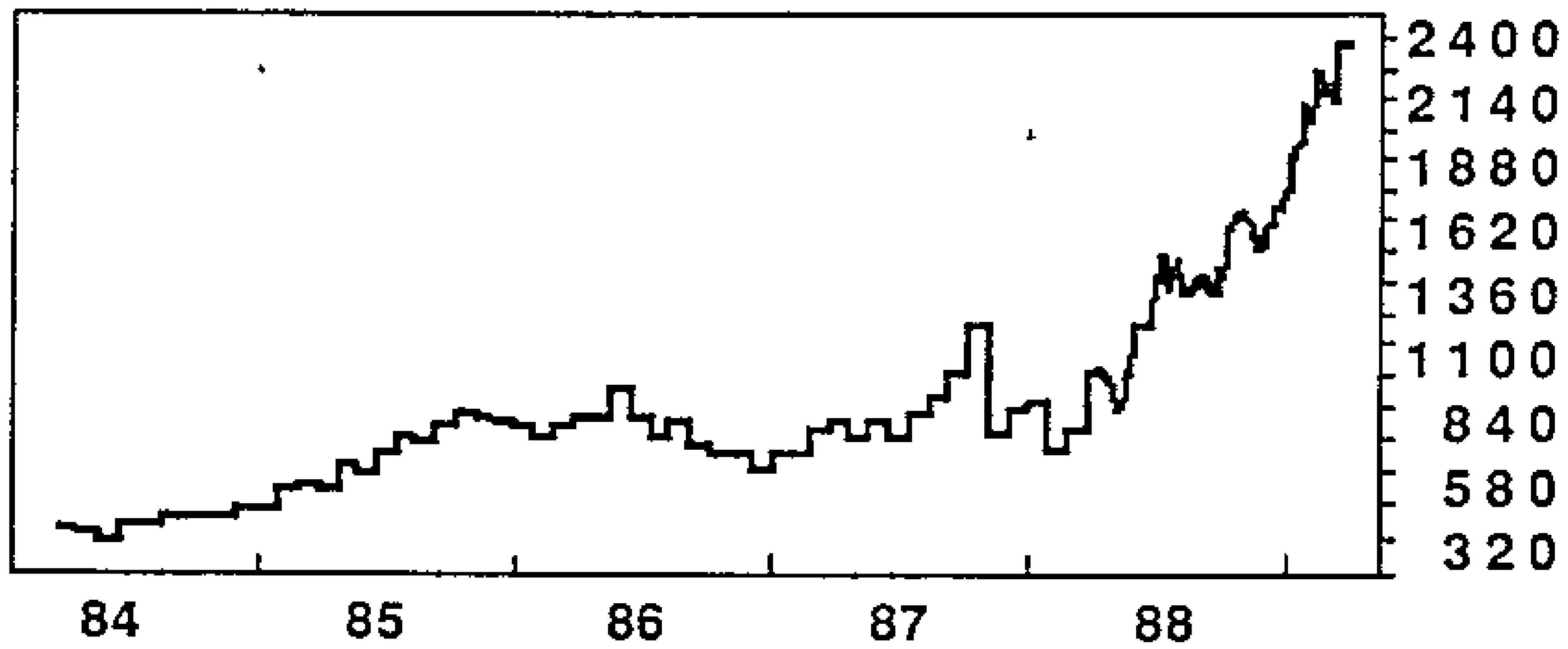
As far as new developments are concerned Samancor, in conjunction with a local partner, is currently investigating the feasibility of producing stainless steel Dr Muller says the first part of the analysis showed sufficient promise for the group to go ahead with final stages of the feasibility study

Samancor has changed its year-end from March to June, and in the nine months to December 1988 earnings soared to 195,8c, compared with 125c for the full year to March 1988 An interim dividend of 85c was declared (75c for the 12 month period to March) The dividend includes an extraordinary dividend of 40c, a "bonus" in view of the exceptionally high attributable income

These results were achieved on the back of improved demand and prices for the group's major products, a trend which Dr Muller predicts will continue for the rest of the financial year. The weaker rand also made a notable contribution to group performance

The market is speculating that earnings for the full year to June 1989 will rise dramatically, to around 380c. This places the share on an attractive forward price-earnings ratio of 6,3

SAMANCOR - CLOSING PRICE



Early in 1988, Samancor's share price took off and hasn't stopped since According to the charts, the share has not run out of steam yet

Sweet smell of success for Protea

01Day 31/3/89 ZILLA EFRAT (183)

PROTEA Chemicals, the chemicals trading and manufacturing group, has increased its earnings by 25% a share for the six months to February and further improvements are expected in the second half of the year

Earnings rose to 10c (8c) a share The interim dividend of 3,25c (2,75c) a share is covered 3,1 (2,9) times

Executive chairman Mike Struwig says growing demand for products distributed by the trading division, improved efficiency and productivity in the manufacturing division and the weaker rand all aided the rise in earnings

He says acquired companies Mikrochem and Phenlax are performing as expected, but will not have a material effect on earnings in the financial year

Dominant share

A new sub-division, Protea Sales, was established after the acquisition of Poliva Sales, whose activities have been merged with the group's existing drycleaning and laundry supply activities Protea Sales now holds a dominant share of its market, says Struwig

Turnover improved 28% to R177,6m (R138m) With slightly improved margins, operating income jumped 43% to R12,3m (R8,6m)

The interest bill soared 131% to R3,8m (R1,6m) due to increased funds employed for higher levels of activity and increased average interest rates

The percentage of borrowings to permanent capital after the purchase of Mikrochem and Phenlax rose to 73%, but Struwig says this is within the group's objective of between 35% and 75% and in line with the seasonal requirements and the cash flow forecasts

He says the figure is expected to reduce to under 65% by the financial year-end The current ratio is 1 1,4 (1 1,3)

Attribuatble profits grew by 26% to R4,7m (R3,7m) as the tax rate remained relatively unchanged and outside shareholders interests dropped significantly

COMPANIES

B/Day 31/3/89 (183)

Encouraging report from AECI

ANALYSIS: STEPHEN RICHTER

AECI'S latest financial report provides encouraging reading for its shareholders, and the directors look for a stronger performance in 1989 as many favourable factors fall into place

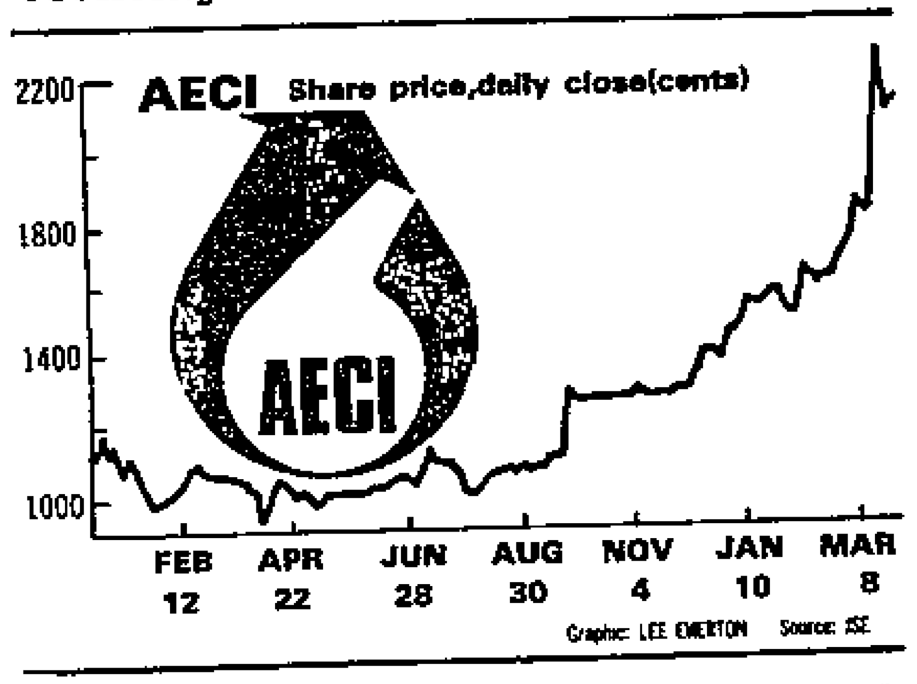
The chemical giant is riding the crest of a wave of increased activity within the manufacturing sector Strong demand for plastics, specialty chemicals, fibres, explosives and paints all played a major role in boosting turnover by 25% to R4,1bn Earnings growth during the year kept pace with the rise in turnover as net trading income rose 28% to R473m

Problems

It appears that AECI's bottom-line performance could have been better were it not for certain problems that developed The group suffered from a failure on its Coalplex chlorine plant early in the year which severely reduced availability of this product and affected a number of downstream plants

Another problem was the group's inability to obtain satisfactory supplies of ethylene The shortage of this product has been responsible for the under-utilisation of AECI's polyethylene plants To obtain additional supplies, the group imported 35 000 tons of the product at a cost which exceeded the local selling price

With these setbacks basically solved, AECI can now take advantage of favourable market conditions as well as placing increased emphasis on other areas of its business The AECI Chlor-Alkali and Plastics division should produce strong results this year as demand for polyvinyl chloride (PVC) remains firm both locally and overseas Consequently, the group has boosted production capacity for this product Therefore, even if the slower economy causes domestic demand for



PVC to decline, management should have no trouble placing any additional production on international markets at favourable prices

The Explosives and Chemicals division generated the group's second largest net trading income, followed by the Polymer Derivatives activity Demand for explosives and chemicals is expected to advance at a satisfactory pace although stiff competition within the industrial chemical sector could translate into slower profit growth for this product Management is also optimistic regarding prospects for polymer derivatives

The division that requires the most attention is labelled "Other Trading Activities", which includes AECI Paints, Kynoch Fertilizer and Chemical Services Limited While accounting for 30% of group turnover, these activities could produce only 11% of net trading income The Kynoch operation appears to be the main culprit, as there is substantial excess capacity among the fertiliser producers while selling prices remain under pressure

Therefore, AECI's October purchase of various Fedmis assets from Sentrachem should help reduce excess capacity to a certain extent, thereby creating a more favourable environment in which Kynoch can operate

Looking further down the road, the November agreement with Botswana for a R920m soda ash venture will give AECI the controlling interest in this project Production is expected to commence in 1991 with the capability to produce 300 000 tons of soda ash and 650 000 tons of salt per annum

AECI enters the current year with a relatively healthy balance sheet as the gearing ratio is at a reasonable 57%, which is consistent with the group's previous performances. But a worrying factor is the steady decline in the current ratio to 1,4 last year, compared to 2,5 in 1983 But this ratio has been below 2,0 for the past five years and does not seem to present a serious problem in view of the chemical giant's strong bottom-line performance.

Cyclical

Perhaps the directors are taking this factor into account along with the uncertainty overhanging the economy in view of the increased dividend cover over the past few years This indicator rose to 2,2 last year from 1,9 in 1986

AECI has long been considered a cyclical company, but if management can produce satisfactory results similar to those of the past few years, investors should continue to boost the share's market rating

The share closed at 2 075c yesterday which places it on an earnings and dividend yield of 7,9% and 3,6% respectively This compares with the chemical sector index which trades at roughly an 8,0% earnings yield and 4,0% dividend yield

April 1989

Gencor prepares for Mobil takeover

183

CAPE TOWN — Mobil South Africa and General Mining have announced that agreement has been reached with Mobil US for the sale of the local petrol operation to Gencor

They said the deal is subject to satisfactory completion of a diligence investigation and approval of the authorities where necessary.

The agreement is not likely to be signed before the end of June.

Gencor said no further information would be made available until then

Gencor also said it will continue Mobil's current labour practices, and continue to fund and support the Mobil Foundation, the oil company's social responsibility programme

Included in the sale are the Mobil refinery in Durban and the marketing networks operated in Namibia, Botswana, Swaziland, Lesotho, Transkei, Bophuthatswana, Venda and Ciskei. About 12 affiliated companies are involved.

The chairman of Mobil in southern Africa, Mr R J Angel, said: "The Mobil companies are staffed with excellent people and local management has extensive experience in the oil industry, gained in southern Africa and on assignments in other areas of international operations."

Mr Angel said present employment policies, practices and benefits would continue and "all existing agreements and arrangements with the Chemical Workers' Industrial Union will be honoured" — Sapa.

183 Sowetan 2/4/89.

Battling ignorance

'White is beautiful' myth feeds R80-m skin lightener industry

By LULAMA LUTI

ALTHOUGH there seems to be a lull in the campaign for the banning of skin lighteners, the anger has not subsided

The deadline set for the ban was extended to January 1, 1991

The Minister of National Health and Population Development, Dr Willie van Niekerk, extended the deadline despite continued calls – for almost over a decade now – to have lighteners banned

Initially, skin lighteners were to have been banned in July this year but, last year, allegedly succumbing to threats by manufacturers to take him to court, the minister decided that "a three-year phasing-out period was necessary because of certain legal, economic and health reasons "

But Community Health Awareness Project secretary Dr Vusi Dlamini disagreed

"Authoritatively, I can put it to you that there are no health considerations in this issue Research has proved that the use of skin lighteners – which contain hydroquinone – can lead to skin cancer "

If used over a period of time, hydroquinone actually darkens the skin It becomes coarse with small raised bumps, which eventually join together to form larger raised areas The changes are permanent and the process is irreversible

In 1982, South Africa limited the amount of permissible hydroquinone to be used in skin lighteners to 2 percent, but medical reports showed that even this amount was enough to cause permanent disfigurement

Said Dlamini "Obviously, on medical grounds, skin lighteners should have been banned a long time ago The fact that the amount of this substance has been reduced, does not make them any less harmful than they really are "

Community leader and activist Muntu Myeza said "Basically there is nothing wrong with any people enhancing their appearance However, if that exercise is made as a superficial alteration of one's being, then it becomes questionable

"A wrong conception has been created about skin lighteners – that being white is beautiful This is far from true

"Any peron using skin lighteners should be ashamed because a lighter skin does not make that person prettier "

Myeza added that the idea that white women were more beautiful amounted to psychological oppression

Should skin lighteners be banned, the fate of thousands employed in the R80-million industry would be in the balance

However, Dlamini is adamant that those employed in the industry would have no problems looking for alternative employment

"The poeple who have invested in this industry should engage in more productive, less harmful products," said Dlamini

Spokesperson for the Black Consumer Union, Dr Ellen Khuzwayo, endorsed the sentiments expressed by Dlamini

"I am not impressed by the fact that these workers are employed at the expense of crippling our community They can find alternative jobs

"What saddens me most is that the sector of the community most exploited is illiterate

"They are the ones who are difficult to get at and think that when you advise them against using these damaging skin lighteners, you are depriving them of beauty They are not aware of the long-term effects of skin lighteners," she said

National Health Minister Dr Willie van Niekerk.

Star Line

SALLY SEALEY

Swimming Pool Institute replies to criticism

The National Swimming Pool Institute (NSPI) has come under fire from consumers who believe that the organisation is ineffective because it is made up of a cartel of swimming pool companies and their suppliers

Consumers have told Star Line that the NSPI had in many cases failed to respond to allegations made against its members and in cases where it had responded clients had been dissatisfied with the results

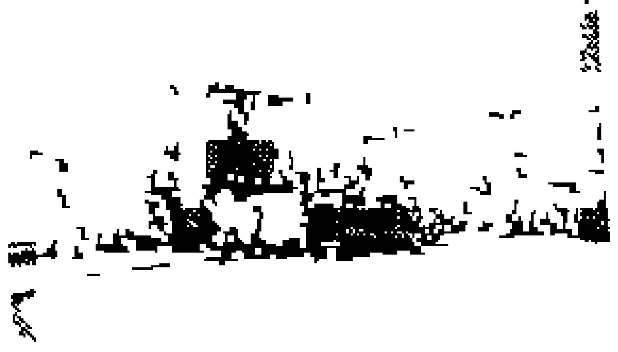
Mr Brian Ginsberg, who sits on the NSPI board, said the board consisted of six members — three swimming pool builders and three material suppliers

He stressed that the NSPI was a consumer-oriented body

It was not only the NSPI's duty to protect the consumer but to protect member-companies also

"Our main function is to act as mediators between the consumer and the pool company"

Mr Ginsberg said that even though the NSPI was made up of swimming pool companies against which, in some cases, the consumers laid



Private pool stains irk owners.

complaints, "there is no conflict of interest"

Star Line has received several letters from poolowners who have complained about alleged shoddy workmanship of some of the NSPI's member-companies

A common complaint from consumers relates to stains which often appear on the white cement covering of a pool

Mr Ginsberg said "Most pool builders stipulate in their contracts that pool plaster is not under guarantee

"The product can stain This can be due to the type of cement used. There can be a certain amount of 'bleeding' through the white product

"This has no effect on the functioning of the pool, it just doesn't look very nice"

Mr Ginsberg said the NSPI did not have the authority to push its members into repairing or completing pools

"We are really troubleshooters We can only advise a builder or a supplier on what action to take"

'Wonder' disinfectant ready for SA market

By Toni Younghusband Medical Reporter 183

The only disinfectant proven effective against all known viruses, including Aids and Hepatitis B, is to be introduced in South Africa

Developed in Britain, the disinfectant acts against all 17 virus families and has been hailed as a major breakthrough Star 5/4/86

"No other disinfectant is effective against all viruses and a lot of those already on the market have toxic or corrosive side effects," said Mr Ralph Auchincloss, managing director of the firm which developed the disinfectant

He said many of the substances used to disinfect hospitals irritated the skin, eyes or lungs of the employees and patients The new disinfectant had no side effects It would be introduced to hospitals, doctors and dentists before being sold to the consumer

A mass poisoning highlights flaws in farm health codes

(183)

WMAIL 7-13/4/89

Fifty farm workers were poisoned this week after drinking water from an empty pesticide drum. Pesticide drums are clearly enough marked ... but few farm workers can read. The tragedy highlights the lack of health safeguards in rural areas, reports EDDIE KOCH

THE mass poisoning of migrant workers on a potato farm in the Free State this week has been linked to the indiscriminate use of deadly pesticides in South African agriculture

Some 50 migrants from Transkei, employed on a farm near Bethlehem, fell ill at the weekend after drinking water from a disused drum of insecticide A three-year-old girl, Mhlabakazi Kondo, died and eight people are critically ill

The poison involved was monocrotophos, a member of the organophosphate group of insecticides These are popular in South Africa because they degrade rapidly and reduce the risk of contaminating food crops But they affect the human nervous system and cause severe headaches, trembling, loss of speech, twitches, blurred vision,.respiratory difficulties, coma and death

The farmer, WT Oosthuizen, this week said his employees were aware of the dangers of insecticides and he had warned the migrants about them However, two casual labourers had used a drum of poison over the weekend without his knowledge

But community and trade unionists say the explanation is a typical example of victim blaming and that it obscures the real reason for such disasters the fact that government controls over the use of poisons on farms are non-existent

"The pesticides are widely used in horticulture, fruit and vegetable farming, maize cultivation, sorghum farming and cotton growing. They are cheap, effective and extremely economical The basic attitude among farmers is the more the better," says Dave Cooper, an agriculturalist for the Environmental Development Agency

"Regulations exist to govern the registration and marketing of pesticides but once they are on the farm there are absolutely no restrictions on the way they are used "

The Machinery and Occupational Safety Act, which makes provision for government inspections and the election of health and safety officers from among the workers, is one of the few pieces of industrial legislation that protects workers in the farming sector

"But the law is hardly enforced because the official factory inspectorate lacks the manpower to monitor urban factories effectively let alone visit remote rural farms," says a doctor who works for the Industrial Health Research Group.

Adds Orange Vaal General Workers' Union (OVGWU) representative Phillip Masia "We have never come across a single case of health and safety representatives being nominated by farmers as required by the law " OVGWU organises farm workers in the Free State

The upshot is there is no monitoring machinery to ensure that warnings contained on the labels of drums of pesticides are observed The dangers are aggravated because the majority of farm labourers are illiterate

The unbridled use of poisons may be the reason why more workers die on South Africa's farms each year than in any other sector of the economy, excluding mining

Latest figures from the Workmen's Compensation Commissioner (WCC) show that there were claims for 183 fatal accidents on farms in 1985 The building sector, which has the next highest fatality rate, had 126 claims The WCC does not handle compensation claims for injuries and deaths in the mining industry

Apart from insecticides in the organophosphate group, a number of chemicals which are banned or heavily restricted in the industrialised world are used in South African agriculture

Most notorious are herbicides which contain ingredients of the defoliant Agent Orange, 24-D and 245-T, and are used on sugar plantations and forestry estates to control weed growth "Homeland" governments spray homes, hospitals and public buildings in rural areas with DDT to control malaria Toxins contained in DDT take years to break down and pose a serious threat to human health because they enter the food chain

The forestry industry also uses lindane, a chemical banned in many countries, to protect stockpiles of timber in sawmills from pests The Paper Print and Allied Workers' Union, which organises foresters, is currently involved in a dispute with the management of a sawmill in Pietermaritzburg over the plight of some 30 workers whose eyesight has been adversely affected by pesticides, says organiser Ernest Masala.

The number of people poisoned globally by pesticides each year is estimated at 750 000 by the World Health Organisation

Under-arm industry to offer ozone-free options

Star 8/4/89

PAT DEVEREAUX

183

ARE you ozone friendly? This the big question South Africans should be asking after the launch of a major campaign to make consumers aware of gaping holes in the world's protective layer.

The countrywide campaign, about to be launched by the Wildlife Society of Southern Africa, will help consumers identify ozone-safe products that do not pollute the atmosphere with chlorofluorocarbons (CFCs), found in certain industrialised aerosol products.

According to a liaison officer for the Wildlife Society of SA, a logo will be made available to producers of CFC-free goods and they will display ozone-friendly stickers on their products.

"Certain supermarket stores in Durban are taking the idea so seriously they have pledged to phase out polystyrene and styrofoam packaging and displays," said the spokesman.

So serious is the ozone problem that the Government has aligned itself with other countries who signed the Montreal Protocol, which in 1987 called for the elimination of CFCs by the year 2000.

In line with this, South Africa's major manufacturer of products with CFCs, AECI, has agreed it will stop producing CFCs for use in aerosols within 18 months.

The atmospheric pollutant CFCs is used in propellants and many types of spray cans, cleaning solvents in the computer industry, fire extinguishers and as coolants in refrigerators and air conditioners.

Many countries have already banned foam plastic — known to contain CFCs — because of the cost of disposing of it.

TOCO BUYS STAKES IN VITREX, PREMIER VIA ALZAC HOLDING

5/4/89

ZILLA EFRAT

TOCO Holdings has acquired strategic interests in Vitrex and Premier Chemicals via its interests in Alzac Holdings, for an effective cash outlay of R1,6m

Through a partnership structure with management, Toco has bought a 24% stake in Vitrex and 14,4% of Premier.

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry

The move will strengthen Toco's position as a manufacturer and distributor of industrial products

Columbia Consultants and Pride Consultants, which acquired stakes in Premier via their investment banking arms last year, will participate as passive partners of Toco in Vitrex and Premier.

Had the transaction been effective on April 1, 1988, it would have had no material effect on Columbia or Pride's earnings for the year to March 1989, but would have increased Toco's earnings by 0,78c a share

Vitrex and Premier are expected to contribute meaningfully to growth in earnings a share of Toco

Various transactions since October mean 60% of Alzac is retained by its management and 40% held by Toco, Pride and Columbia in the ratio 60 20 20 Alzac holds 60% of Premier, while Premier management holds 40%. Vitrex is fully held by Alzac

"To maximise the benefits which Vitrex and Premier gain through access to the technical and marketing experience within the Toco group, Toco will have a 50-50 representation on the board of Alzac with the Alzac management," says Toco MD Adrian Goodman.

Changing industrial policy in spotlight

180 HELOISE HENNING

THE changing industrial policy of government has prompted FCI to hold a two-day seminar on April 19-20. B/Day 20/4/89.

It said discussion sessions had been aimed at bringing about interaction between industrialists and decision-makers.

Deputy Finance Minister Org Marais would speak on what industry could do to help the economy grow beyond 2% GDP.

Topics would include industrial strategy, seeing raw products through a "pipeline" for added value, home-grown technology and deregulation

Star 11/4/89 183

Computers change image of chemistry

Contrary to the traditional image of the chemist as someone huddled over test-tubes and chemicals, today's scientist is likely to be bent over a keyboard while the tedious work is done by computer, reports PAULA FRAY.

Twentieth century technology cannot go untouched by the contribution of computers And, according to the displays at the 30th Biennial Convention of the South African Chemical Institute, the chemical industry is no exception

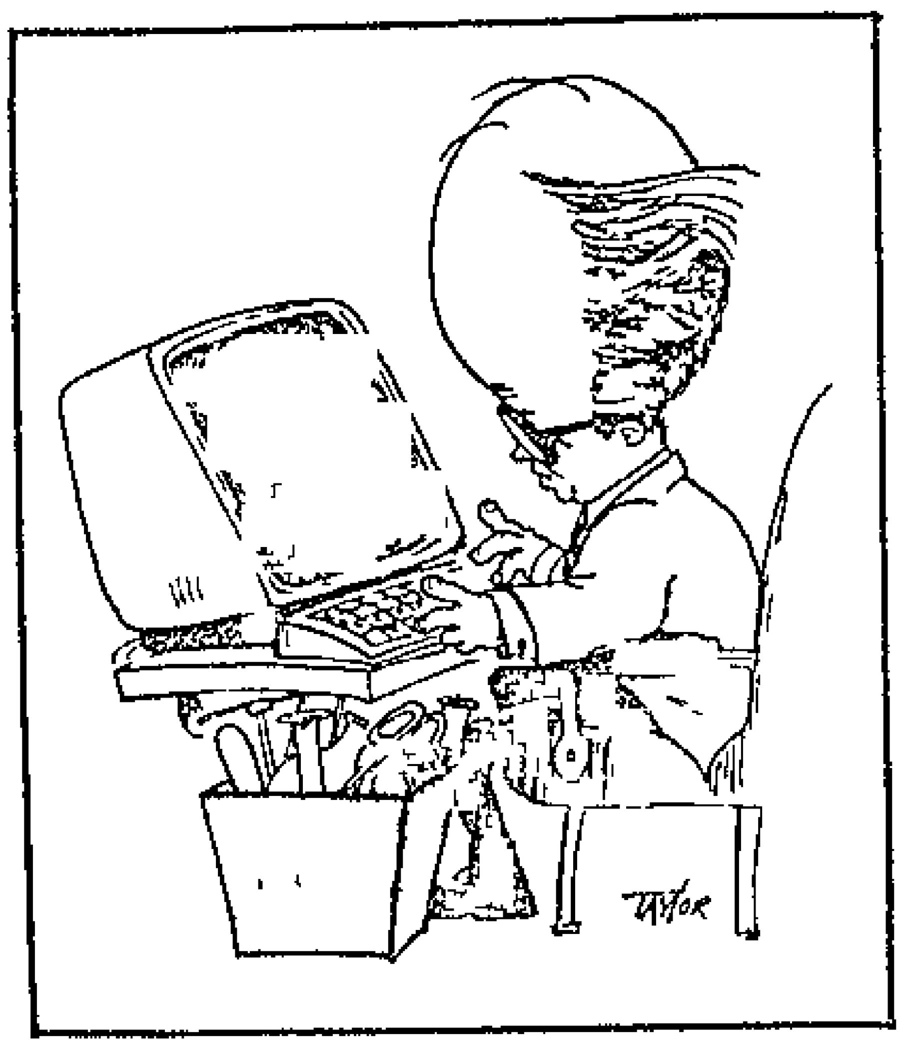
According to chemist, Dr Lorraine Lotter, computers are becoming increasingly important to interpret the data and to do analysis automatically and faster

One area in which South Africans are making great strides is hydro computers where a locally designed and manufactured computer is able to analyse the carbon (pollution) content in water

Gone are the days of repeating experiments in order to find out what the water contains It now takes about two minutes to analyse 5 ml of water Another advantage is that the computer costs only R65 000, nearly half the price of an import

Computers also assist genetic engineering by purifying and extracting the vital DNA structures while the oil which insulates electricity transformers is kept water-free with a machine which measures water content in other liquids

So, if your steel is too brittle because of a high carbon content or too flexible because of a low carbon content, there is no need to go through a 15 hour process to find out the content In about 18 minutes you can have the volume of about five elements in steel — using the latest in computers



The days of spending hours over a test tube are "long gone," said Mr Dirk Reyskens

He added that the unskilled person's duties could be replaced by the automated computers which could extract a variety of elements in a short period

However, the computers are mostly foreign made "At the moment, production levels do not warrant local manufacture," he said

Perhaps the most interesting computers being used are those which analyse the drug content in blood — such as the one which found "world record holder" Ben Johnson guilty of drug abuse at the Seoul Olympics

A slightly slower one is used in South Africa for events such as horse racing

The local company of the international group, whose computers were used for the Seoul Olympics, also displayed a time-saving computer one hundred test-tubes holding less than 5 ml each can be filled and then tested automatically — overnight — and the data processed for the morning

Chromatography — the separation of a mixture into its component substances by passing it over material which absorbs these at different rates so that they appear as layers — is used for various applications, including monitoring source water characterisations for change

It is marketed as the most versatile and powerful analytical technique available to the water treatment industry

And, if all these uses for computers are not enough, print-outs, graphics and detailed results are added by-products

Sentrachem gets 'bonus' R45m on sale

B/Day 12/4/89 ZILLA EFRAT 183

CHEMICAL group Sentrachem has realised R45m more than anticipated from the disposal of its fertiliser division Fedmis to the AECI, Sasol and Omnia groups because the value of working capital was higher than expected

The announcement of the disposal in August last year stated about R175m in cash would be realised from the sale of the fixed assets and subsequent realisation of net working capital. However, a circular to shareholders says the sale of fixed and current assets will realise a net amount of about R220m

Financial director Robin Morris says original estimates of working capital were fairly conservative Stock levels and debtors were higher than anticipated

The R220m will significantly improve Sentrachem's balance sheet and reduce gearing to about 45%, placing the group in a much stronger position to make planned new investments without undue strain on its capital structure

The proceeds of the sale are being invested with financial institutions to yield an immediate benefit The effects of the disposal and the anticipated interest income are expected to have a minimal positive influence on the profits attributable to shareholders for the year to March

The R220m realised represents about 20% of Sentrachem's shareholders' interest at March 1988 after repayment of Fedmis's interest-bearing debt.

Hansard

result and (b) what are the particulars of the above incidents,

(2) whether he now intends taking any further action regarding the protection of South African citizens living in this area, if not, why not, if so, (a) what action and (b) when?

B524E

The MINISTER OF FOREIGN AFFAIRS

(1) No

Regarding the incident on 2 January 1989 about which representations were made to the Ciskei Government as indicated in my reply to Qustion No 21, senior Ciskei Ministers visited East Peelton on 12 February 1989 and through dialogue, succeeded in establishing harmony in the area

As regards the other two incidents furnished to my Department, the South African Government was informed by the Ciskei authorities that a group of people had been detained after attempting to coerce unwilling residents of East Peelton to attend a meeting They have subsequently been released

(2) As and when the need arises the South African Government is always ready to take action to protect its citizens

Study of Portuguese community in Republic

*9 Mr K M ANDREW asked the Minister of Home Affairs

(1) Whether his Department has commissioned the Human Sciences Research Council to undertake a study of the Portuguese community in the Republic, if so, what are the relevant details,

(2) whether the Portuguese community's perceptions of the South African Government and its policies are amongst the aspects being investigated, if so (a) why, (b) who decided that these perceptions should be investigated and (c) to whom is the report to be made available?

B525E

The MINISTER OF HOME AFFAIRS

(1) and (2) The Human Sciences Research Council (HSRC) was commissioned by the Department of Home Affairs to undertake a study of the Portuguese community in the Republic of South Africa The Council has completed its task and I have received a copy of the report during the past week I am still studying the report but I am prepared to make it available to interested persons

Mr K M ANDREW Mr Speaker, arising out of the hon the Minister's reply — if the answer to this is in the reply the hon the Minister is tabling I will be happy — may I ask what the cost of the study was to the Government?

The MINISTER Mr Speaker, I cannot give the hon member that information offhand but I will notify him in due course of what the cost was

†Mr J H van der Merwe Mr Speaker, further arising out of the hon the Minister's reply, in the second part of the question it is asked whether the viewpoint of the Government and its policies are some of the aspects brought to the attention of the respondents I should like to know whether the views of the other political parties were also brought to their knowledge

†The MINISTER Mr Speaker, I think the hon member will find the particulars in the reply that is tabled and if the hon member would like to be further informed on this matter, he can get the report itself with pleasure

(Rest of reply laid upon the Table with leave of House)

It is commonly accepted that there is a large Portuguese community in the Republic — some estimates put their numbers as high as 600 000 Next to the Afrikaans and English speaking communities and groupings the Portuguese community constitutes a substantial group in the South Africa community life, originating largely from immigrant stock The stage had been reached where the Department of Home Affairs and the Immigrants Selection Board required some specific and particularly recent information relating to this community As is generally known, the Department is responsible for the admission of immigrants to the RSA, the promotion of immigration especially professional and highly-skilled manpower in certain categories the granting of temporary work permits and the issue of naturalisation certificates

Hansard

After consultation with the HSRC, and with proper cognizance being taken of the cultural and economic impact of the Portuguese community in many spheres of activity in the Republic, it was clear that there was a real need for a fairly wide-ranging exploratory study of that community The following aspects were included in the terms of reference to the Council

— Factors which promote adaptation

— Factors which delay/inhibit adaptation

— Perceptions of the South African government

— The general welfare of the Portuguese community, in the economic, social and political field

— Sentiments in respect of Portugal and other Portuguese areas

— Factors which can promote re-immigration to Portugal and other Portuguese areas

— Factors which might influence decisions on re-immigration

— Re-immigration choice of host country (apart from Portugal and Madeira, there are large communities in Brazil and Venezuela)

The HSRC being the specialist research institution was allowed the necessary professional and scientific scope to develop a proper questionnaire which would satisfy the requirements of the Department, while, at the same time, addressing some questions generally which could provide entrepreneurs, developers, service institutions and other bodies in the Republic with useful information on the potential of the Portuguese community

The Portuguese community's perceptions of the South African Government and its policies were considered relevant as there exists a need, for the purposes of successful immigration, promotional actions and the assurance of the continued sojourn of immigrants in the Republic, to become aware of all the aspects and factors of the South African way of life which are beneficial to immigration promotion

The decision that these perceptions should be investigated followed on the HSRC's scientifically constructed and proposed questionnaire which, in common with most professionally constructed questionnaires contains in-built checks and balances, as well as questions specifically aimed at eliciting clear-cut standpoints on the part of the respondents The final decision on the acceptability of the HSRC's proposed questionnaire was taken by the Department of Home Affairs at top management level

Ban on benzine hexachloride (183)

*10 Mr R J LORIMER asked the Minister of Agriculture

(1) Whether the use of benzine hexachloride has been banned in South Africa, if not, why not, if so, why,

(2) whether there has been any relaxation of this banning in recent years, if so, why,

(3) whether his Department is still in possession of any surplus stocks of this substance, if so, what quantity,

(4) whether his Department disposed of any surplus stocks in the last two years, if so, (a) how and (b) to whom?

B526E

†The MINISTER OF AGRICULTURE

(1) Yes, because of the build-up of certain isomers of benzine hexachloride in the adipose tissue of animals which may lead to unacceptable residue levels in meat and wool,

(2) yes, as an emergency measure specifically for the combating of locusts by the State during 1985/86,

(3) no,

(4) yes, (a) as a grant, (b) to South-West Africa/Namibia Administration specifically for the combating of locusts

Mr R J LORIMER Mr Speaker, arising out of the reply of the hon the Minister, is he aware of the studies which indicate the use of this chemical as being highly dangerous even as an emergency measure against locusts and that the damage to the environment thus done is something that will harm that part of the environment for a very long time indeed?

Mr P G SOAL Can't we use it against the Nats?

†The MINISTER I should like to tell the hon member that arious tests were done on sheep

slaughtered in this area The residue levels of benzinehexachloride found, were below the maximum level, on other words, it is not dangerous for human consumption

Mr R J LORIMER Mr Speaker, further arising from the reply of the hon the Minister, it is not just damage to possibly the meat that is being raised in that area but damage to the general environment in terms of other fauna and flora that inhabit the areas?

†The MINISTER Mr Speaker, we only use benzinehexachloride in an emegency situation when we deal with locusts and not for other purposes

Specified squatter areas. residents

*11 Mr J J WALSH asked the Minister of Constitutional Development and Planning

With reference to his reply to Question No 5 on 14 March 1989 (a) for how long have the residents of Fechter, Flenter, Witlokasie and Joodsekamp lived in these squatter areas, (b) how many persons are currently residing in these camps and (c) who owns the land on which they are currently residing?

B527E

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

This matter vests in the Administrator of the Cape Province and he has furnished the following information

(a) Approximately 20 years

(b) Fechter (Witlokasie) 1 114 persons
Flenter 1 290 persons
Joodsekamp 793 persons

(c) The Municipality of Knysna

Certain person repatriated

*12 Mr S S VAN DER MERWE asked the Minister of Home Affairs

(1) Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply has been repatriated if so (a) on whose instructions and (b) why was this person refused permission to remain in the Republic

(2) whether any representations or applications regarding temporary residence for this person have been received by his Department, if so, (a) when, (b) from whom, and (c) with what result, in each case?

B528E

†The MINISTER OF HOME AFFAIRS

(1) and (2) I refer the hon member to the press release which was issued on this matter by the Director-General of Home Affairs on 3 February 1989, a copy of which I lay upon the Table

Representations on the matter were received from various persons, *inter alia* the hon member himself The representations were, however, not successful due to the considerations mentioned in the press release

Mr Stefan left the country on board a ship of a Rumanian shipping line on Tuesday, 14 March 1989

PRESS RELEASE BY MR G B S VAN ZYL, DIRECTOR-GENERAL OF HOME AFFAIRS STEFAN CASE

On 20 January 1989 it came to the notice of the Department of Home Affairs that Mr Ionel Cristian Stefan, aged 25 and presumably a citizen of Rumania, deserted from a fishing vessel, the "Razelm" He has been sojourning illegally in the RSA since then and in terms of the provisions of the Admission of Persons to the Republic Regulation Act, 1972 he is a prohibited person

During the course of the investigation of the case it was established that Mr Stefan married a South African citizen from Cape Town, Mrs Nanette Sharon Miller (neè Joss), aged 39, on 7 January 1989 At the time of the marriage Mrs Miller was a divorcee and mother of four children, two of whom were from her previous marriage She was unemployed at the time of the investigation and her four children were by order in the care of a children s institution

Mr Stefan was arrested by an immigration officer of the Department of Home Affairs on 23 January 1989 and was detained in the police cells Cape Town in terms of a warrant issued by the immigration officer pending repatriation Arrangements were made at the same time for

him to leave the RSA on 27 January 1989 Before this could take place, he, however, slashed his wrists and his departure had to be postponed He was examined by two doctors on 31 January 1989, and admitted to the Valkenberg Hospital as a certified patient. Ship jumpers present a vexing problem world-wide for the countries concerned and drastic measures are taken against them virtually without exception The case of Mr Stefan is further complicated by the fact that repatriation of persons to countries with which the Republic has no diplomatic ties is a difficult and slow process

The Department of Home Affairs is also not in possession of any background information pertaining to Mr Stefan in order to enable the Department to properly evaluate his continued sojourn in the Republic For this reason such persons must apply for residence permits from abroad to enable the Department to establish as far as possible, their acceptability beyond reasonable doubt, thus obviating a possible situation where repatriation cannot be effected

Mr Stefan has no authority to sojourn in the RSA and his marriage to a South African citizen does not entitle him to any right of residence in the country Arrangements have been made for him to leave the country as soon as possible after he has been found medically fit to travel Mr Stefan is at liberty, after he has left the country, to apply for a residence permit from abroad

ISSUED BY THE DEPARTMENT OF HOME AFFAIRS, PRETORIA 3 FEBRUARY 1989

Kwazakhele: alternative accommodation

*13 Mrs H SUZMAN asked the Minister of Constitutional Development and Planning

Whether he has taken any steps to provide the residents of Kwazakhele with alternative accommodation, if not, why not, if so, what are the relevant details?

B529E

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

This matter vests in the Administrator of the Cape Province and he has furnished the following information

The Executive Committee of the Ibhayi City Council at a meeting held on 29 March 1989 resolved to erect approximately 350 emergency housing units on a site identified for that purpose The size of a unit is 6 m × 3 m and has a door and two windows The erection cost is R2 300 per unit and it will be erected at the rate of 30 per day The project will be financed from internal funds and the cost will be recovered at the rate of R25,50 per month per unit

Rudimentary services will be provided to the emergency housing area

Sum allocated to environmental education

*14 Mr M J ELLIS asked the Minister of Environment Affairs

(1) Whether his Department allocates any sum of money to environmental education, if not, why not, if so, (a) approximately how much per year and (b) how is this sum (i) determined and (ii) monitored,

(2) whether it is anticipated that this sum will be increased in the near future, if not, why not, if so, (a) when and (b) by how much?

B530E

†The DEPUTY MINISTER OF WATER AFFAIRS AND OF LAND AFFAIRS (for the Minister of Environment Affairs)

(1) (a) The Department allocates approximately R900 000 per annum for environmental education and related projects

(b) (i) The amount allocated for this purpose is determined by the Department's continual financial commitments to environmental education organisations and annual estimates are otherwise being based on normal budgetry procedures An additional amount is allocated from the Strategic Reserve by Treasury

(ii) Monitoring of the allocated amount is carried out by means of project submissions and financial statements of beneficiaries, and money which is spent internally is monitored through

Shock reaction as fuel prices rise between 5 c and 11 c a litre

Petrol up again

Argus 14/4/89 (183)

By TOS WENTZEL, Political Correspondent

THE price of petrol will increase tomorrow by 5c a litre for 97 octane and 7c a litre for 93 octane, while the price of diesel will rise by 11,3c a litre

Retail trade, consumer and opposition political spokesmen reacted with shock to the decision

Announcing the increase today, a National Energy Council spokesman said "cost factors" had made a general price adjustment neccessary

The wholesale price of illuminating paraffin for domestic users would be increased by 5,3c a litre

The wholesale diesel price for consumers in agriculture, forestry, fishing, mining and the construction sectors would go up by 8,8c a litre

The petrol price last went up by the same amounts on January 16

The spokesman said the landed cost of fuel had steadily increased since December last year and, coupled with the deterioration of the value of the rand against the dollar, price increases had become unavoidable.

International crude oil prices had increased by more than 40% since September last year.

The petrol price increases, were still insufficient to provide for the full under-recoveries presently being experienced

In respect of 93 octane there was still a shortfall of 3,542c a litre, which would be debited to the cumulative under- and over-recovery account, known as the "slate", and financed by the Equalisation Fund

In spite the fact that the Equalisation Fund was still in a credit position it had been decided to increase prices now to avoid a larger increase later

In view of the increase it had been decided that increased transport costs, which became effective on April 1, would be temporarily financed by the Equalisation Fund and implemented simultaneously with the necessary price increases

The increased fuel levy of 2,5c a litre earmarked for April 1 would now only become effective from tomorrow

Mr Harry Schwarz the Democratic Party's finance spokesman [illegible]

petrol price to cover the government's tax requirements

Had the last increase been used to cover the increased price of oil rather than for tax the present increase would not have been necessary

"The real issue is whether there should be such a large excise duty on petrol when GST is already so high."

The timing was also unfortunate, coming so soon after the general round of price increases at the start of April — including postal and rail tariff increases

"The Democratic Party's forecast that the consumer price index would be higher during the second half of the year looks like being right

"This will have serious indirect consequences on the economy"

The move had been made so that by the time of the elections people would have forgotten about it

"It won't work that way, as the effect of the increase on the inflation rate will take a while to be felt"

"Frightening"

Mr Clive Weil of Checkers described the increase in the diesel price as frightening and highly inflationary, as it had a profound effect on [illegible]

"Assuming the reason for the increases is the rise in the oil price and the rand-dollar exchange rate, my comment would be that the government needs to take the consumer into its confidence as prices reach higher and higher into the stratosphere"

Because of the secrecy laws the public did not know what the global cost of petrol was — but it could run into hundreds of millions of rands

Mrs Lynn Morris, national president of the Housewives' League, said although the increase was not unexpected it was still "little short of catastrophic for the hard-pressed consumer"

Warning

She warned that some retailers might use the opportunity to put up their own prices out of proportion to the fuel increase

Mr Raymond Ackerman of Pick 'n Pay said he was "absolutely shocked" by the increase

Retailers had responsibilities to avoid excessive increases in food prices and he would tell his buyers to "fight harder than they ever have before" in the next few days

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Mr Harry Schwarz the Democratic Party's finance spokesman, said the increase announced today would spark a fresh round of price increases and boost the consumer price index

The [illegible] is that the country had [illegible] an increase in the petrol price to cover the government's tax requirements.

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Petrol price rise of 5c/l on the cards

RIAAN SMIT

GOVERNMENT is expected to announce a petrol price increase of more than 5c a litre today

The increase follows the 10c a litre hike on January 16

It was not immediately clear whether the price of diesel, which increased by the same margin as petrol in January, would also increase

The expected announcement, earlier than thought — almost certainly to minimise voter backlash ahead of the general election later this year — means motorists on the Reef will now pay at least R1,10 a litre for 93 octane and R1,06 for 87 octane

Apart from rectifying an equalisation fund under-recovery because of a sharp rise in the price of oil and the declining rand, the increase may also be aimed at cooling down the economy

Finance Minister Barend du Plessis said recently the economy was not responding as was hoped to an increase in interest rates late last year

In July 1970 high octane petrol cost 9,2c a litre In June 1979 it cost 54,18c a litre From January to March 1986 the price was R1,02 a litre.

It was reduced three times until it cost 82c a litre in July 1987 In September last year the petrol price was increased to 95c a litre

Cape Times 15/4/89 183

Petrol hike to make people poorer

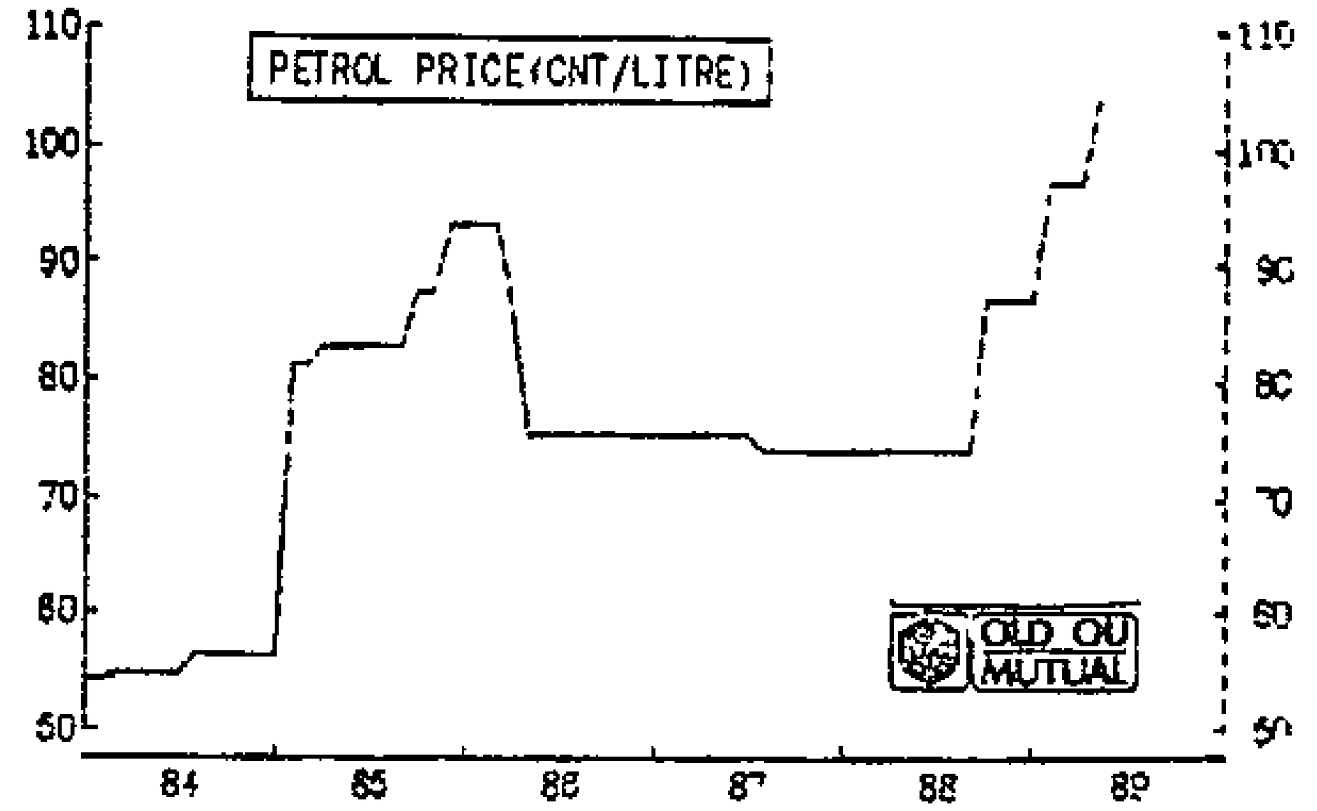
Staff Reporter and Sapa

THE new hike in the petrol price "will make people significantly poorer", say economists and consumer bodies who ask why the government has not lowered the tax proportion to soften the blow

In terms of the new price announced yesterday, motorists will now have to pay R1,03 for 93-octane (up by 7c) and R1,06 for 97-octane (up by 5c) at the coast.

Diesel (up by 11,3c) and paraffin prices also rose

- The president of the Association of Chambers of Commerce and Industry of South Africa, Mr Syd Matus, called for "an urgent independent investigation, with private sector participation, into the fuel price structure and its role in the economy"
- Leading ecomomists said yesterday that while the fuel price increase was "unavoidable and expected", it would have a devastating effect on consumers who would soon see most commodity prices soar
- The Motor Industries Federation president, Mr Alex Hawes, said he appreciated that a price adjustment was unavoidable, but could not understand why the government had still seen it necessary to impose an additional fuel tax of 12 cents on petrol between last September and this January
- The Federated Chamber of Industries said it was concerned that in the past eight months fuel had increased by more than 35% of which 10% had been in fuel tax
- The Director-General of the Automobile Association, Mr Peter Elliott, appealed to the government to review the tax element of the fuel price as a matter of urgency



Price of 93-octane petrol at the coast

Rice-AECI dispute settled

183

Star 21/4/87

In terms of an out of court settlement, Edenvale Electroplating (Pty) Ltd — the company belonging to the family of cricket player Clive Rice — has agreed to withdraw its claim of R1,9 million against AECI Explosives and Chemicals Ltd

In a press statement issued today, AECI announced that AECI Explosives and Chemicals Ltd has agreed to purchase a chemical conversion colouring process developed by Edenvale Electroplating for an amount of R435 000

Each party will pay its own legal costs, the statement said

Rice and his family had instituted civil proceedings in respect of alleged breach of contract — Sapa

AECI discloses Rice settlement

B/Day 21/4/89 (183)

SUSAN RUSSELL

AECI yesterday disclosed the terms of an out-of-court settlement reached in a R1,95m law suit instituted against it by Clive Rice's family's company

The claim, brought against AECI by Edenvale Electroplating (Pty) Ltd, arose out of a dispute over a contract involving the sale of a chemical conversion colour process developed by the Rice company

After the matter came before the Rand Supreme Court it was settled before going before a judge

An AECI spokesman said, in terms of the out-of-court settlement, Edenvale Electroplating agreed to withdraw its claim

AECI in turn agreed to buy the chemical conversion colour process from Edenvale Electroplating for R430 000

Each party is to pay its own costs

Mr Manasse Shole and Mr Lucas Sebobe, partners in a new ethnic hair-care venture, display some of their products at the Soweto factory.

Star 24/4/89

Firm faces big new challenges

(183)

New business challenges have come the way of Anikem, the chemical company, since it started identifying needs crucial to the success of black entrepreneurs

The traditional areas of business for Anikem are in the manufacture and marketing of speciality chemicals for water treatment and process chemicals for specific markets

Now Anikem's corporate marketing division is developing a new direction for the company, addressing the domestic cleaning chemicals market in conjunction with black entrepreneurs

Mr Hector McIvor, general manager of Anikem, says that his company is committed to building business relationships with black entrepreneurs

"Market research has identified that a number of black businessmen entering this market operate out of small factories and backyard blending facilities," Mr McIvor says

Because they buy small quantities of raw materials, these businessmen pay premium prices and cash for their purchases

Black entrepreneurs, he says, generally experience difficulty obtaining credit facilities from suppliers, a factor which exerts enormous strain on their tenuous financial reserves

They are forced to sell on a cash-for-goods basis which prevents them from securing effective distribution since most distributors expect at least 30 days credit

"Anikem wants to develop business relationships with these hard-pressed entrepreneurs with a view to alleviating some of these problems to the mutual benefit of both the entrepreneur and Anikem," he says

"In addition, Anikem can bring new products, technology and training to this partnership, helping the entrepreneur market his products more effectively"

He believes both parties will benefit from the relationship He stresses that his company is trying to develop business relationships and not a social responsibility programme

Soweto troika after big market in hair products

(183)

SPJ 24/4/89

Three Soweto businessmen who researched the market before they started manufacturing a range of hair-care products called "Silky Touch" just a year ago, can produce hair cosmetics worth R1 million a week — once they have created the demand

Mr Douglas Ruhukwa, a former employee of Colgate-Palmolive and the man who masterminded the formulations, is working with Mr Manasse Shole, a marketing expert and Mr Lucas Sebobe, a management man who spent nearly 20 years with IBM as the equal opportunities manager responsible for strategies

The men, who used their own capital to start the business, are excited about their venture — but they recognise they have a number of stumbling blocks to overcome before they are home and dry

Packaging, for instance, is one problem

Their factory is producing oils (for hair sheen), jel lotions, herbal conditioners, neutralisers, activators and styling creams. They make a hair softening treatment and a product to promote hair growth.

"We are also researching a dye system that will prevent hair from going ginger when it is treated," Mr Sebobe said

Each product requires special packaging, but the men cannot find firms willing to take small orders for containers

Competitive

"As a result we are forced to tie up much of our capital — and storage space — in containers we can't use immediately," Mr Sebobe said "This creates a liquidity problem"

Advertising is another expense their firm is not quite ready for They need to make their products known to capture a larger slice of the market — but can't spare the cash just yet.

Ethnic hair care, Mr Sebobe says, is a growth industry but he and his partners are limiting their marketing to salons which were "90 percent black-owned"

The market for hair products is competitive, but he believes the professional range the firm is producing at their Orlando West plant will take off once it is better known

The men are opening their own hair salon at the A Centre in Orlando West, to introduce "Silky Touch" to the public

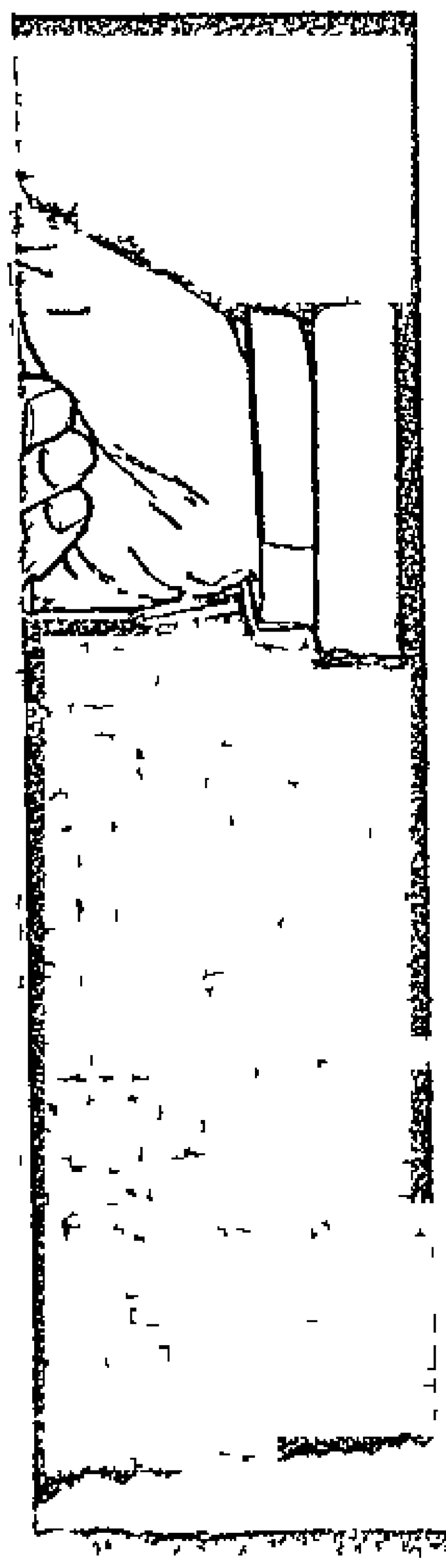
Their stand at the Matchmaker Fair is being partnered by Anikem, a company manufacturing chemicals

Mr Sebobe said he believed both his firm and Anikem stood to benefit from the partnership

"We are hoping to draw up a five-year plan," he said "Though Anikem does not manufacture hair care chemicals, it is possible that as we expand and diversify they may be able to supply us with some raw materials we will need for our operation"

Will hair-care products interest company buyers at Matchmaker 89?

"Certainly," Mr Sebobe said. "Silky Touch will make excellent gift packs for the staff come Christmas this year!"



Mobil Oil to sell out?

Cape Times 25/4/84

Own Correspondent

JOHANNESBURG. — Speculation that Mobil Oil is about to sell its SA interests to Gencor for \$150m (R360m) surfaced in the financial markets yesterday.

But Mobil Oil deputy general manager Mr Neville Deudney said Mobil would not comment. Two Gencor executives also declined to comment.

A disinvestment move by Mobil — the largest US company in SA with assets worth more than \$425m — would represent the fourth major US disinvestment this year.

Mobil mum on rumoured sale of SA interests

B/DAY 25/4/89 ZILLA EFRAT 183

SPECULATION that Mobil Oil would sell its SA interests to Gencor for $150m surfaced in the financial markets yesterday

But Mobil Oil deputy GM Neville Deudney refused to comment on rumours Two senior Gencor executives declined to comment

Gencor is the holding company of Trek Beleggings which has extensive investments in the oil industry Trek shares yesterday rose 25c to close at a new peak of 1475c This was against the trend of Sasol shares which fell 10c to close at 1330c

A disinvestment move by Mobil — the largest Amercan company in SA, with assets reported to be worth more than $425m — would represent the fourth major US disinvestment this year The other three were Hewlett-Packard, NCR and St Paul's Insurance Company

Companies held by Mobil in SA include Mobil Oil SA, Mobil Refining, Westchester Insurance, Condor Oil and Vialet.

Weekend Press said Mobil might be planning to transfer ownership of its SA interests to a tax haven in the Channel Islands — to avoid tax problems after the double tax arrangement with SA had been ended as part of US sanctions.

ARGUS 26/4/89

Mobil 'gives it away'

By TOM HOOD
Business Editor

MOBIL, the oldest oil company in South Africa, is pulling out of the country and selling its assets to General Mining and Union Corporation for a give-away R500-million, according to industry sources today.

Speculation of a disinvestment has been doing the rounds for more than a year and surfaced again with news of the American giant possibly giving up its entire African market.

The company is the largest American business remaining in South Africa and employs about 2 800 workers throughout the country, with a large contingent in its Cape Town head office.

The move from South Africa has been forced on the company by the prospect of huge tax savings, according to reports

HOLDS STAKE

The company's profits were in danger of being slashed by a third because of the ending of double-tax arrangements as part of United States sanctions.

Mobil's South African assets are valued at R1 060-million and include a refinery in Durban and more than 1 000 service stations.

Gencor, the mining and industrial giant, is already in the South African oil business, holding a stake in Trek with Shell and BP.

According to reports, Gencor is paying about 50 US cents in the dollar for the business, but this has not been confirmed by Gencor

Mobil executives in Cape Town and New York could not be reached for comment and Mobil (SA) chief Bob Angel is reportedly in the US

Among several hints that a withdrawal was imminent was the rise yesterday in the share price of Gencor oil subsidiary Trek, which is likely to take control of Mobil's oil interests Trek rose by 225c (17 percent) to R17 on the JSE yesterday, following a 25c increase on Monday.

● The chief executive of the French-owned Total oil company in South Africa said he was "extremely disconcerted" by the pullout.

Mr Bernard Lafitte said: "If one pulls out there will be increasing pressure on the rest of us to pull out."

He was speaking at a French Chamber of Commerce meeting in Johannesburg.

Mobil to sell SA interests to Gencor

Star 26/4/89

By Sven Lunsche

Industry sources confirmed this morning that Mobil Oil was selling its South African interests to mining group Gencor for an estimated R500 million

Mobil is the largest US company remaining in South Africa and has assets in the Republic valued at around R1 billion

Mobil executives in Cape Town and New York could not be reached for comment but financial analysts said a number of developments indicated that its withdrawal was imminent

- The financial rand has weakened over the last 10 trading days on a large selling order, which finrand dealers suspect is Mobil
- The share price of Gencor's oil subsidiary Trek, which is likely to take control of Mobil's oil interests, rose by 225c or 17 percent to R17 on the JSE yesterday after a 25c increase on Monday
- An article in the London *Observer* at the weekend suggesting that Mobil was planning to transfer ownership of its South African interests to a tax haven in the Channel Islands

The move was precipitated by fears of the effects of the Rangel Amendment, passed by the US Congress in December 1987, which obliged Mobil to pay taxes in the US on its South Africa profits

Star 26/4/89 (183)

The Star Finance

Adcock off to flying start

By Ann Crotty

After its first-half performance, Adcock-Ingram looks well on the way to surpassing management's earlier forecasts for full-year earnings of 124c a share

Helped by the first-time inclusion of Saphar-Med and strong performances by all divisions, this Barlow subsidiary was able to report figures for turnover and operating profit well ahead of expectations

In the six months to March, it lifted turnover by 44 percent to R215,9 million (R150,4 million) Operating income surged 51 percent to R30,3 million (R20,1 million), reflecting an improvement in margins from 13,4 percent to 14,1 percent

The interest bill rose from R612 000 to R2,2 million

Chief executive Don Bodley says this was due to the need to fund a higher level of turnover, expenditure incurred on increasing group facilities and upgrading existing capacity and the acquisition of Remedia

On the balance sheet the heavier interest bill is seen in an increase in short-term interest-bearing debt from R26,6 million to R47,1 million

Despite the increase the group reduced working capital from R29 million to R25 million

Mr Bodley says the higher gearing was in line with expectations

After tax at 46 percent, attributable income advanced 37 percent to R16,1 million (R11,7 million), equivalent to earnings of 60c a share on a 21 percent increase in shares in issue and representing a 13 percent improvement on the previous interim's 53c

The dividend has been lifted by 55 percent to 17c (11c) a share

The major single influence on the results was Saphar-Med (formerly Sterling Drug) acquired in May 1988 for R52,5 million

Shortly after the acquisition, Adcock said it expected Saphar-Med to contribute 15 to 20 percent of 1989 profits Management says Saphar-Med's performance is ahead of expectations

Mr Bodley says all divisions enjoyed higher volumes and improved market shares

183

Adcock Ingram benefits from Saphar-Med

TANIA LEVY

ADCOCK Ingram has begun to reap the benefits of acquiring Saphar-Med, which contributed to strong earnings growth in the six months to March

The Tiger Oats controlled pharmaceutical group acquired Saphar-Med from disinvesting Sterling Drug last year

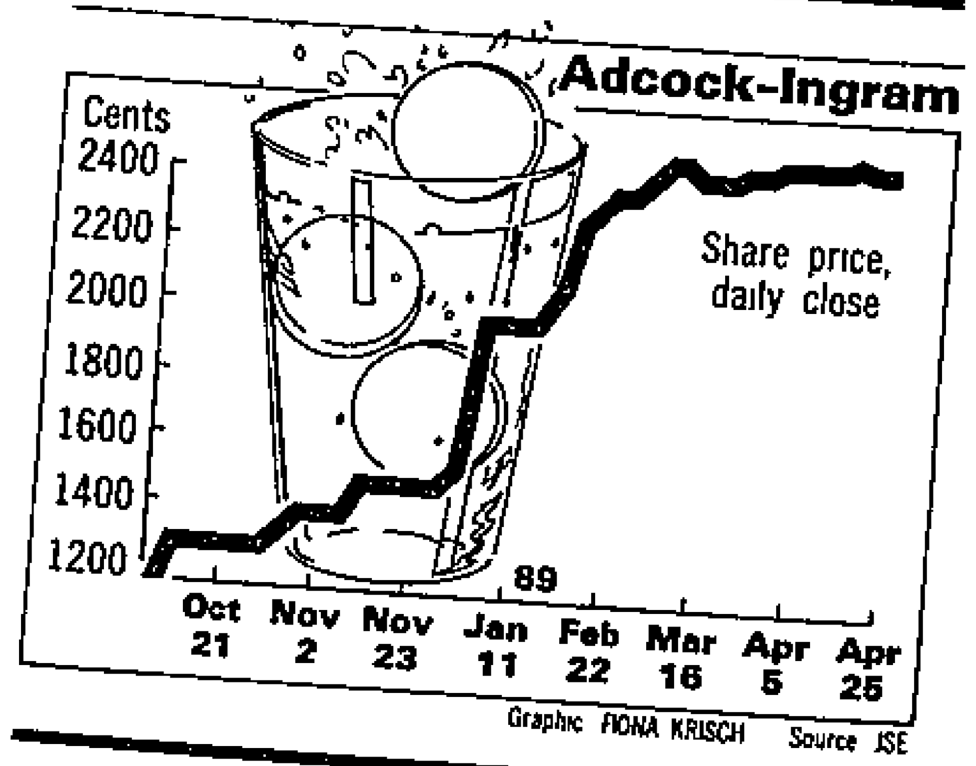
A 17c (11c) a share interim dividend was declared after Adcock increased attributable profits 37% to R16,1m (R11,7m)

Due to the increased number of shares resulting from the rights and capitalisation issues finalised in September, earnings grew 13% to 60c (53c) a share

All divisions recorded good sales, in spite of the economy's effect on the fast moving consumer goods sector and more difficult trading in the hospital sector as a result of funding cut-backs

The good overall sales performance and improved margins contributed to a 51% rise in operating income to R30,4m (R20,1m) after turnover grew 44% to R216m (R150,4m)

CE Don Bodley says major growth strategies in all trading divisions resulted in improved market shares and higher volumes



Planned capital expenditure requirements over the next three years amount to R74m

"We are continuing our policy of investment in research and development, and upgrading plant, equipment and information systems to facilitate future growth," says Bodley

Bodley predicts the same rate of growth for the second half

"We are confident that attributable earnings growth will be better than both the group's strategic objectives and the industry average," he says

CAPE TIMES 27/6/89. (illegible) 183

Mobil silent on disinvestment

By MEG BRITS

MOBIL OIL, the largest US employer in SA, yesterday maintained silence on its disinvestment deal with SA mining and industrial giant Gencor

However, based on market speculation that Gencor had acquired all the SA assets of the company — at a bargain price of some $150m (R360m) the share price of both Gencor and its petroleum company Trek rose on the JSE At lunch time, though Trek had dropped back from a high of R19 to R18,75

All calls made to Mobil staff yesterday were referred to the public affairs department, which said it would answer questions and issue a statement today

Speculation in the market was that staff would be told the details of the deal first, but there seemed to be little surprise at the news yesterday Rumours of a disinvestment deal have been doing the rounds for some time, in spite of vigorous denials by Mobil that it would pull out of SA

As late as September last year, major oil companies, including Mobil SA, denied any intention to disinvest and refused to negotiate disinvestment conditions with the Chemical Workers Industrial Union

Shell SA, Mobil Oil SA and Caltex stated unequivocally that they would continued to operate in SA

Mobil SA is believed to have been forced into the deal by the ramifications of the Rangel amendment, passed in December 1987 which repealed tax credits for American companies which paid tax in SA

The law is estimated to have cost the company about $5m (R12m) last year

In January 1988, Mobil Oil Corporation, America's second biggest oil company, lashed out at the US Congress for "sneaking through" the Rangel amendment to the 1988 Budget Bill, saying the legislation flew in the face of US foreign policy

At the time, George Bush, then Vice-President, described the law as "misguided" He said it would make it almost impossible for some companies to do business in SA

"It is going to hurt the very people that the misguided legislation is trying to help"

In April last year, Mobil snubbed a US House of Representatives panel probing oil sanctions It was among six oil companies which refused to testify before the subcommittee on mining and natural resources, which was staging a hearing on a Bill called the Anti-Apartheid Petroleum Sanctions Act

In written testimony to the sub-committee, Mobil warned that imposing oil sanctions would be tantamount to the US "playing its last card" against SA

It said SA could replace any technology US oil companies removed in withdrawing from the country

In May last year, Mobil defeated two [illegible] holder proposals that it abandon to limit its operations in SA

US chairman Allen Murray said at the [illegible] that, through its continued operations here, the company was working to bring about social and economic change in SA

"We will do everything we can to bring about the end of apartheid" he said

The effects of disinvestment by Mobil [illegible] the Mobil Foundation its social responsibility arm are not yet known

In January, [illegible] between 8 000 and [illegible] people had lost their jobs in SA as a result of disinvestment

Mobil SA is believed to have almost 3 [illegible] employees, more than [illegible] of whom are black

Govt to sanction Mobil Oil's deal

Cape Times 27/4/89 (183)

By CHRIS CAIRNCROSS

THE Department of Finance will eventually have to sanction any prospective purchase by Gencor or any other SA buyer of Mobil Oil's interests in this country because of the substantial implications the magnitude of such a deal could have for SA's foreign exchange position, according to Deputy Finance Minister Org Marais

And, as far as he was aware, no official approach has yet been received either by Gencor or Mobil in this regard, Marais said last night

This could merely mean that any prospective deal has not advanced far enough yet for the parties concerned to approach the authorities with any proposals for the transfer of funds arising from Mobil's "fire sale"

Mobil's assets in SA are conservatively valued at about R960m, and unconfirmed rumours among the investment community suggest that Gencor is in line to purchase them at bargain basement prices

Forex fears put multimillion-rand Mobil pull-out talk under scrutiny

BDay 27/4/89

CHRIS CAIRNCROSS

CAPE TOWN — Multi-million-rand international buy-out deals look like coming under much closer official scrutiny

The Finance Department is wary of the hole such sales might have on the foreign exchange kitty

Deputy Finance Minister Org Marais said last night his department would eventually have to sanction any prospective purchase — by Gencor or any other SA buyer — of Mobil interests

He added, as far as he was aware, no official approach had yet been received either from Gencor or Mobil

Marais said this could merely mean a deal had not advanced far enough for the parties to approach authorities with proposals for the transfer of funds

Mobil's assets in SA are conservatively put at R960m

There is speculation Gencor will buy them at bargain basement prices

Mobil executives in SA and the US have remained uncontactable on the oil giant's probable withdrawal from SA

No statement has been made by either party confirming or denying negotiations were taking place Gencor officials declined comment yesterday

Considerable political pressure has been exerted on Mobil to disinvest but this is now generally regarded as being a minor element behind current moves

The main reason is economic, oil industry sources said, becaue of removal of the double taxation agreement between the US and SA two years ago

Under the so-called Rangel Amendment Mobil — or any US company in SA — must pay US taxes on its SA profits as though they were income earned in the US

This is believed to have placed an unacceptable burden on Mobil's earnings from this country

☐ ALAN FINE reports if Mobil does disinvest it will anger trade unionists

Chemical Workers' Industrial Union general secretary Rod Crompton said yesterday withdrawal would demonstrated what he called a consistent attitude of duplicity

He added the union, to which several hundred of the 2 800 Mobil employees in SA belong, had no notice of the move He had faxed a letter to the company requesting urgent clarification

He said the union had tried since July 1987 to negotiate with Mobil an agreement to protect employees' interests in the event of a pull-out Mobil had refused to enter talks for the consistently restated reason it had no intention of disinvesting

"When Mobil's contingency plan for disinvestment was leaked to the media last August they repeated this," Crompton said

The CWIU's disinvest proposal, also put to another 38 subsidiaries of multinationals, seeks assurances on continued employment, earnings, benefit fund rights and other matters for workers in the event of a withdrawal

● To Page 2

Forex fears in Mobil talk of a pull-out

183 BDay 27/4/89

● From Page 1

Crompton said his union would considering what to do over the next few days

Gencor energy division executive director Bernhard Smith issued a flat no comment Other Gencor personnel said Smith was the only person authorised to comment

Adrian Botha, director of the American Chamber of Commerce in SA (Amcham) of which Mobil is a member, said he had been unable to get confirmation of the move

"If true, it is obviously very disappointing," he added

Botha said the Rangel Amendment had increased substantially the costs of operating in SA

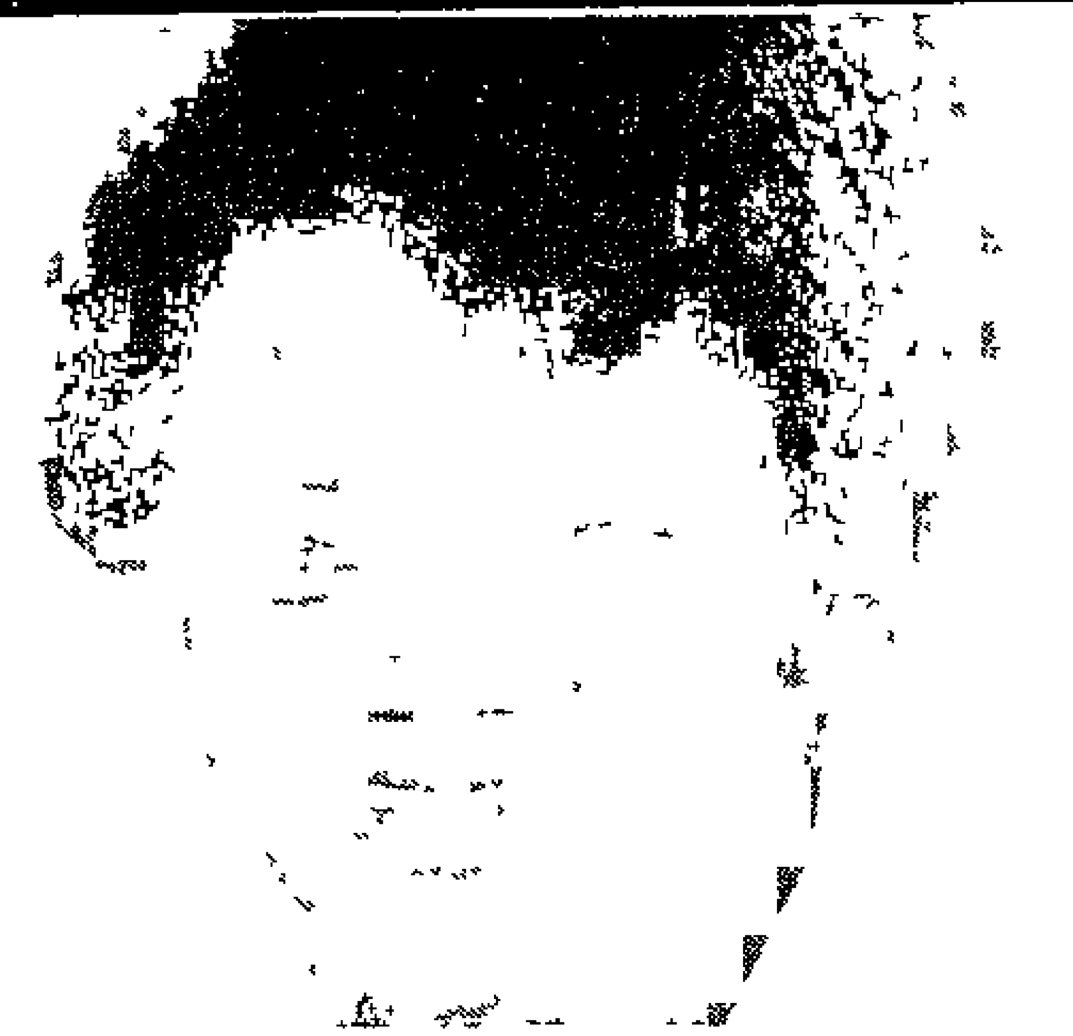
He added that, while the disinvestment drive at national level in the US had, for now, petered out, it remained fairly intense at state and local level

Botha said rumours of Mobil's probable disinvestment had been circulating for some time but he had heard no similar talk about any other US companies

● Comment: Page 6

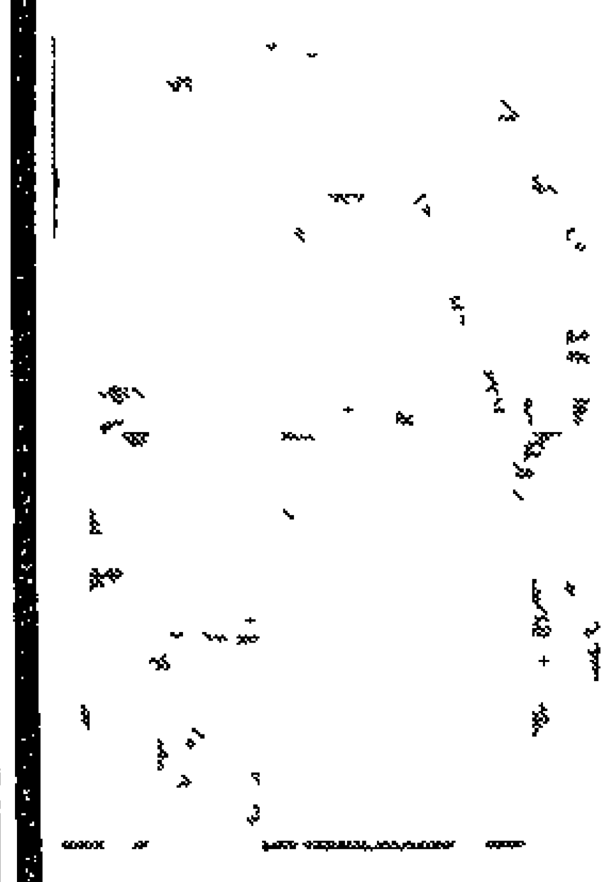
Skin lighteners do damage

183



A PRETTY face like this could be damaged by skin creams.

HEALTH GUIDE



By MOKGADI PELA

ADVERTISEMENTS promoting skin lighteners have succeeded in bringing money for manufacturers and sellers, but scientific tests have proved that they damage the skins of those using them

The skin-lightening industry in South Africa is believed to be worth about R80 million a year and employs thousands of people Yet the permanent damage to the skin has prompted the medical fraternity ,to call for its ban

The controversy around the use of skin creams seems to revolve around an ingredient called hydroquinone (a chemical which bleaches one's skin) This chemical removes the cells resulting in the skin being dark

According to Dr James Phillips, of the department of anatomical pathology at the South African Institute for Medical Research with prolonged use, the skin darkens

"It becomes coarse, with small raised bumps which eventually join to form larger raised areas "

"As far as medical science is concerned those changes are permanent and irreversible " Dr Phillips said

He said because of the pressure exerted by the medical sphere, in 1982 the concentration of hydroquinone in cosmetics was limited to two percent

Most users of skin lighteners among blacks argue that they want to look beautiful According to the March issue of the London-based publication *New African* black women have been brainwashed that white is beautiful

They therefore believe that beauty can only be approximated by them if the skin is made as light as possible

It was for this reason that in the 70s the Black Consciousness Movement popularised the slogan *Black is Beautiful* to restore confidence and pride among blacks

The slogan reminded blacks that by seeking to run away from themselves and emulate whites they insulted the intelligence of whoever created them black

Advertisers have for a long time had a field day in convincing women to buy skin creams This they did by using enticing language which capitalised on the gullibility of the buyers So the pressure by several health bodies and women's groups ensured that the situation did not continue for ever

After relentless pressure by various groups and medical scientists, the Department of National Health and Population Development announced on July 1 last year that products containing hydroquinone would be banned

But only months later, the decision was reversed and the ban was postponed to 1991 The Government said the postponement was due to ' health, economic and legal reasons "

This reversal angered many people who accused the authorities of insensitivity The Black Consumers Union said that if the product had been for white consumers, the issue would not have been allowed to go so far

Pharmacists have also protested angrily The Natal Wholesale Chemists Group has refused to stock the products and two major supermarkets will not sell them

Dermatologists say a black skin affords protection against ultra-violet light and therefore protects one against skin cancer Dr Phillips added "A black skin is ideally suited to a South African climate "

In Australia there is a big campaign among whites to try and prevent the high incidence of skin cancer This is done by wearing protective clothing like hats and using sun-blocking creams to avoid excessive exposure to the sun

In South Africa the prevalence of reptile faces and necks among black women shows that the fight between the community and the producers of skin lighteners will continue for as long as a complete ban is not imposed on the production of the creams

Coronation Hospital specialist Dr Joe Variava summed up the controversy surrounding the use of skin creams by saying that the interests of industry and capitalism superseded the health and wellbeing of individuals

"Any concerned health worker would support a call of banning dangerous products," he said

Govt reverses decision on diesel concessions

BDay 27/4/89. (183)

CAPE TOWN — Government has bowed to pressure from transport contractors and has decided to re-instate certain concessions it withdrew from them only weeks ago

MIKE ROBERTSON

Deputy Finance Minister Org Marais said yesterday government had decided that transport contractors who conveyed agricultural products would be allowed to apply for a partial refund of the excise duty and fuel levy on diesel

It announced only weeks ago that, from April 15, contractors would no longer be entitled to claim the partial refund

Marais said, after numerous representations, it had been decided to reinstate the refund of 18,6c/l in its entirety, retrospective to April 15

The deputy minister said refunds to farmers in respect of diesel used for production purposes remained unchanged

Marais said that, in addition to re-instating the partial refunds, he was also appointing a committee to investigate the granting of concessions to transport contractors who conveyed agricultural products

Mistake

This was because concessions had been misused in some cases and had resulted, to a certain extent, in unfair competition in the transport industry

Asked why government had changed its mind less than two weeks after removing the concessions, Customs and Excise Commissioner D J Colesky said the department realised it had made a mistake in taking action without consulting with interested parties

However, the problems which had caused the department to act in the first place would now continue

He said some contractors were carrying agricultural products on one leg of a journey and other products on the return leg and were claiming concessions for both legs This gave them an unfair advantage over their competitors who did not qualify for the concessions

He said it was hoped the committee would be able to come up with a solution to this problem

B/Day 27/4/89

Trek shares climb after Mobil sale

ZILLA EFRAT 183

NO announcements were forthcoming on Gencor's purchase of Mobil Oil's SA interests yesterday

It is not known what effect the acquisition will have on Gencor's oil company Trek Beleggings, but Trek shares have been climbing since Monday They initially rose R2 to a high of R19 on the JSE yesterday, but came off to end the day 175c firmer at R18,75, a 10,3% rise on the day

Mobil which employs 2 793 people in SA, has been in SA for 91 years

In 1897 the US corporation, Vacuum Oil, established a branch in what was then the British Cape Colony Its name was later changed to Mobil Oil SA

Mobil markets a full range of petroleum products and owns or supplies 1 143 service stations

Another Mobil subsidiary in SA, Mobil Refining Company SA, owns a 65 000 barrels-a-day fuels refinery in Durban It also has a 47% stake in South African Oil Refinery

Minor SA operations include asphalt manufacturing, road surfacing, re-refining of used lubricating oil and marine and insurance activities Today, Mobil's investment in SA is about $400m

Mobil to explain it's decision to pull out

From RAMSAY MILNE
The Argus Foreign Service
in New York

THE full board of the Mobil Corporation, meeting in New York tomorrow, is expected to explain its sudden decision to pull out of South Africa — a move that could act as a spur for other US companies that have, like Mobil, so far resisted the strong international pressures to withdraw

DISINVEST

Mobil spokesmen today refused to comment on Mobil's decision or to explain the apparent contradiction in the oil giant's move. Mobil is the largest US company operating in South Africa.

The company has until now strenuously rejected attempts from dissident shareholders and political pressure groups to divest itself of its South African holdings

Indeed, in its current proxy statement to shareholders Mobil reiterates its opposition to a shareholder proposal that it withdraw from South Africa — which makes reports of its planned withdrawal all the more mystifying

Company spokesmen would not confirm today South African and US reports that the withdrawal was being made because of a tax measure sponsored by Congressman Charles Wrangel, a New York Democrat, under which American companies are prohibited from deducting the taxes paid to the South African government from the taxes they pay to the US

The measure is reported to have made big inroads in Mobil's South African revenues

Congressman Wrangel, a leading member of the Black Caucus, said today he could not confirm that this was the reason for the Mobil withdrawal, but if so, the news "indicates that my amendment is having its intended effect to have US corporations cease their contributions to the South African economy and the apartheid regime."

At the time of the Wrangel measure, the Foreign Minister, Mr Pik Botha, described it as "a particularly gross form of hypocrisy," and argued that such attempts to undermine the South African economy would set back racial change.

The measure, enacted in late 1987, took effect in the 1988 tax year which ended on April 17

Mobil's South African assets are reportedly being sold to Trek, a subsidiary of Gencor, which runs a chain of 400 petrol stations

Mobil, with assets totalling close of 4 25 billion dollars, has been in South Africa for 92 years, refining, distributing and marketing petroleum products It employs 3,000 workers, a majority of whom are black

Tomorrow's board meeting is a regularly scheduled one and has not been called specifically to deal with the South African issue

If the board does confirm Mobil's withdrawal it will make moot a shareholder proposal to sever all economic ties with South Africa A proposal to this effect was on the agenda for the company's annual meeting on May 11.

Mobil directors had been urging a vote against the proposal, which it characterized as 'singleminded and inflexible.'

While announcing it planned resolutely to resist divestment pressures, Mobil frequently stated that by remaining in South Africa the company was able to help black workers and the black community, and to help work for change in the country

Since 1985, more than 170 US companies — including such high-profile giants as General Motors, Coca-Cola, IBM and Kodak — have left South Africa under pressure from antiapartheid shareholders and activists in the US

Twins Pharmaceuticals in the big league

(1831)

TANIA LEVY

TWINS Pharmaceuticals results for the year to March place it among the major industry players

Turnover topped R400m and earnings of R32,9m have been recorded

On an annualised basis, Twins' earnings grew 17,5% to 36,1c (30,7c) a share A dividend of 14c a share has been declared

These are the first consolidated annual results since the formation of JSE-listed subsidiary Safimed, the inclusion of which makes comparisons with the previous year's figures meaningless

In addition, the reporting period was changed when Twins was listed via the Triomf cash shell

Safimed, in which Twins has a controlling interest, reported a disappointing 22% decline in earnings to 16,1c (20,6c) a share in the year to March

This resulted from increased finance costs, losses by the pharmaceutical ethical division and a poor performance by the generic medicine division

Benefits expected to flow from the merger with Propan Generics have not yet been fully realised

Nevertheless, Safimed has declared a 2,5c a share dividend

Star 28/4/87 (183)

Board explanation today

Mobil pull-out puzzle: Why a turnaround?

By Ramsay Milne
The Star Bureau

NEW YORK — The full board of the Mobil Corporation, meeting in New York today, is expected to explain its sudden decision to pull out of South Africa — a move that could act as a spur for other US companies that have, like Mobil, so far resisted the strong international pressures to withdraw.

Mobil spokesmen refused to comment on Mobil's decision or to explain the apparent contradiction in the oil giant's move Mobil is the largest US company operating in South Africa

Double taxation

The company has until now strenuously rejected attempts from pressure groups to divest its SA holdings

Indeed, in its current proxy statement to shareholders, Mobil reiterates its opposition to a shareholder proposal that it withdraw from South Africa — which makes reports of its planned withdrawal all the more mystifying

Company spokesmen would not confirm South African and US reports that the withdrawal was being made because of a tax measure sponsored by Congressman Charles Wrangel, a New York Democrat, under which American companies are prohibited from seeking double-taxation relief by deducting the taxes paid to South Africa from the taxes they pay to the US

The measure is reported to have made big inroads in Mobil's South African revenues

Congressman Wrangel, a leading member of the Black Caucus, said yesterday he could not confirm that this was the reason for the Mobil withdrawal, but if so, the news "indicates that my amendment is having its intended effect — to have US corporations cease their contributions to the South African economy and therefore the apartheid regime"

At the time of the Wrangel measure, Foreign Minister, Mr Pik Botha described it as "a particularly gross form of hypocrisy", and argued that such attempts to undermine the South African economy would set back racial change

Mobil's South African assets are reportedly being sold to Trek, a subsidiary of Gencor, which runs a chain of 400 petrol stations

Mobil has been in South Africa for 92 years, refining, distributing and marketing petroleum products It employs some 3 000 workers, the majority of whom are black

Since 1985, more than 170 US companies — including such high-profile giants as General Motors, Coca-Cola, IBM and Kodak — have left South Africa under pressure from anti-apartheid shareholders and activists in the US

Diesel rebate is restored

183

CAPE TOWN — The diesel rebate of 18,6c/litre for transport contractors carrying agricultural and forestry products on behalf of farmers and foresters is to be restored retroactive to April 15, Deputy Minister of Finance Dr Org Marais said yesterday.

The additional 2,5c/litre on diesel collected as part of the levy on heavy vehicles would not be refunded, and refunds to farmers for production and transport diesel for their own products would remain unchanged.

Star 23/4/87

As the rebate had led to misuse, a committee would be appointed to investigate the matter, Mr Marais added — Sapa

 (183)

Uncertain oil prospects affect sentiment on gold

EDWARD WEST

UNCERTAINTY over the future of the oil price is dominating bearish sentiment on the gold price

Disbelief that oil will maintain its recent bull trend and disbelief that inflation will continue to increase is reinforcing bearish sentiment in gold

This is the view of stockbrokers V H Simmons and Co who feel the gold share market is undervalued

Growing inflationary pressure has dissuaded investors from moving into precious metals, leaving the near-term focus for prospective gold-buyers on oil

Increased oil prices generally exacerbate inflationary pressure, causing gold and oil prices to move in tandem

Although the oil price has advanced about 25% in the past six months, stockbrokers remain sceptical of the ability of oil to remain in the $15 and $17 range

This is why gold has not moved in tandem with oil and broken through the psychological $400 barrier, they say

Bull run

The oil price has been falling for the past eight years, from $33 in 1981 to early 1986 when it plummeted from just under $30 to below $10 in seven months It then rallied to $20 in mid-1987 Since then it has remained weak

V H Simmonds' analysts feel the bear market in the oil price bottomed out in mid-1986 and then entered a long bull run

A strong oil price in a market filled with bearish sentiment has indicated that oil buyers prepared to pay current prices for oil know something many others do not, say the brokers

When investors discover the inflationary implications of such a development they will bring the gold price up in line with the oil price, they say

The Far East, anticipating such a scenario, has been a consistent buyer of precious metals

However, commodity and financial futures brokers, Holcom Futures, argue that oil prices are unlikely to retain current high levels, in spite of favourable fundamentals

Holcom Futures director Charles Johnston said yesterday investors and fund managers needed to see a marked rise in the US consumer price index before they would be convinced gold would provide a suitable hedge against inflation

TMI acquires form-guide Computaform

'African states get SA petrol'

M Day 27/4/89

183

Political Staff

CAPE TOWN — SA oil companies were exporting petrol to unnamed countries in Africa at a foreign exchange profit, Economic Affairs and Technology Minister Danie Steyn said yesterday.

SA also supplied petrol to the three BLS countries (Botswana, Lesotho and Swaziland), the four independent homelands (Transkei, Bophuthatswana, Venda and Ciskei) and Namibia, but as they were within the Customs Union these were not technically regarded as exports.

The only difference in prices between SA and these countries was due to different levels of levies and transport costs, he said

SA oil companies also exported petrol to other countries subject to the conditions that no financial support by the Equalisation Fund was applicable on these exports, that any of these exports would not detrimentally affect the supply situation in SA, and that "a foreign exchange profit" was realised.

Steyn did not name the African countries outside the Customs Union and said the selling prices in these countries were not recorded on a continuous basis

1 796 vacancies in Cape Town hospitals

B Day 28/4/89

Political Staff

CAPE TOWN — There were 1 796 vacancies at the five state-run hospitals in the Cape Town area at the end of last year, National Health and Population Development Minister Dr Willie van Niekerk said yesterday

He also disclosed the average occupancy at the Red Cross Memorial Hospital for Children over the past two financial years was more than 106%.

Van Niekerk, who was replying to a question by Dr Marius Barnard (PFP, Parktown), said there were 172 medical vacancies at Groote Schuur Hospital at the end of last year, four at Red Cross, 87 at Tygerberg, two at Woodstock and eight at Somerset.

All told, there were 873 vacancies at Groote Schuur, 67 at Red Cross, 701 at Tygerberg, 32 at Woodstock and 123 at Somerset

The total staff establishment at these hospitals at the end of last year was 19 959

This means that almost 9% of the posts were vacant at the end of last year

Second thoughts on rebate

CAPE TOWN — The diesel rebate of 18,6c/*l* for transport contractors carrying farm and forestry products will be restored retroactively to April 15 when it was stopped

Deputy Finance Minister Org Marais said yesterday the concession had led to misuse so a committee headed by Deputy Director General of Finance A M Pretorius would investigate the matter 183

Marais said many representations had been made because of the diesel rebate being taken away but the additional 2,5c/*l* levy on heavy vehicles would not be refunded B\Day 24\4\89

Representations to the Committee Concerning Agricultural Transport can be made before May 30 at Private Bag X47, Pretoria 0001 — Sapa

Gencor to buy out all Mobil SA operations

Cit Times 29/4/87

62 103 232

By MEG BRITS

AGREEMENT has been reached between Mobil Corporation in the US and General Mining (Gencor) for the sale of Mobil's South African operation to Gencor

This was announced yesterday, following a meeting of Mobil SA staff held at the Nico Malan Theatre and addressed by the company's chairman, Mr Robert Angel

A statement from Gencor said the deal was subject to the "satisfactory completion of a due diligence investigation, the approval of the authorities where necessary and the signature of a contract between the parties"

The statement said that the closing of the deal was unlikely before the end of June

It also said Gencor had agreed to continue Mobil's current labour practices and agreements, and to continue to fund and support the Mobil Foundation

No sale price was announced, although Mobil said that it exceeded the local book value of the companies, estimated at $400 million (R960 million)

Speculation this week was that Gencor had acquired Mobil SA assets for a bargain US50c in the dollar

Sapa reports that the Mobil refinery in Durban, and the retail and commercial petroleum marketing networks operated by Mobil in SA, Namibia, Botswana, Swaziland, Lesotho, Transkei, Bophuthatswana, Venda and Ciskei are included in the sale Some 12 Mobil-affiliated companies are involved

Mobil Corporation chairman Mr Allen Murray cited the impact of recently-enacted and proposed US legislation and regulations as the major motivation for the sale

Adcock pays high price for Sterling buy-out

The Star Tuesday May 2 1989

Bottom Line

MICHAEL MENOF

Adcock-Ingram enjoyed record sales and attributable earnings in 1988.

The exceptional growth trend since 1982 is set to continue, with targets for 1989 higher than ever

The 1988 annual report featured two important items: the group acquired disinvesting US firm Sterling Drug's net assets for R10,29 million and its trademarks for a R46,3 million. The acquisition, renamed Saphar-Med, had a marginal effect on group earnings.

The purchase price was funded by a rights issue of 462 270 ordinary shares of R120 each.

The capitalisation issue of nine ordinary shares for each share held at close of business on September 23 1988 should improve the share's marketability.

The US disinvestment debacle raises some interesting questions. Are SA companies grossly overpaying withdrawing US investors? Surely the US companies value SA as distributors and marketers of their products?

Wouldn't it be in SA's interests to pay the tax-deductible expense of royalties and technical fees based on products sold or manufactured, rather than goodwill, which is not tax-deductible?

Should the Government control the outflow of capital by imposing stiffer legislation, thereby preventing funds leaving the country?

It is easy to blame the Government for overspending, but why are SA businssmen paying such astonishing prices for foreign-controlled companies still requiring SA distributorship

Legislation is needed to freeze the purchase price and pay it out in instalments over, say, five years

Turnover increased to R334,64 million (1987: R250,86 million), with pre-tax income R45,13 million (1987: R32,2 million)

The effective tax rate declined to 42,9 percent (1987: 46 percent) — tax was R19,34 million (1987: R14,82 million)

Income from associates, minority shareholders' interest and pref dividends were insignificant, leaving attributable earnings up 50 percent at R26,21 million (1987: R17,66 million).

Earnings per share were 110c (1987; 100c) and the dividend went up from 30c to 44c.

Net trademarks of R44,68 million (for Sterling Drug) written off below the line turned profits to a loss of R18,7 million.

It is not apparent why the trademarks were not written off over 10 to 14 years, unless it was to justify price increases

Chairman RA Williams and CE DC Bodley are confident that Sterling Drug will have a positive impact, but say nothing about how the R46 million trademarks price was computed

Sterling produced sales of R30 million in 1986, less than R40 million in 1987 and about R46 million in 1988.

Profitability was not disclosed. Shareholders should query the price paid

Mr Williams says government commissions have found health prices are not unrealistic in world terms and pharmaceutical profits not excessive Who is he kidding?

Adcock's seven-year review since 1982 shows a 19,5 percent compound growth rate for turnover and a 21,5 percent bottom-line growth rate

The group is owned 76,2 percent by Tiger Oats Barlows is the holding company Liberty Life, including Prudential and Guardian, hold 12,7 percent

In 1988, capex, excluding investments, was R17,6 million, with R40 million planned for 1989. Over the next three years R74 million will be spent to maintain "a leading edge in manufacturing quality products at low cost", says Mr Bodley

The balance sheet has improved, with shareholders' equity at R112,53 million (1987 R87,18 million) and working capital at R28,69 million (1987 R22,11 million) at end-September 1988

Debt is negligible

Higher earnings and dividends are predicted for 1989: turnover R415 million, bottom line R33 million, earnings 124c and a 51c dividend.

In spite of a net worth of R4,22 at end-September 1988, the JSE price is bounding along at R25 per share — a P/E of 20 times and dividend yield of only two percent.

Taxed earnings at eight percent of sales proves my point SA is moving along the same lines as the US where health care costs are beyond the reach of many how many classroom places were short at (i) primary and (ii) secondary schools, if not, what was the average number of pupils per classroom at (aa) primary and (bb) secondary schools?

B817E

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(a) Yes

(b) Yes

The estimated shortage of classrooms (not shortage of classroom places) based on a basis of 40 primary and 35 secondary pupils per classroom are as follows

(i) 1 782 classrooms (March 1988)

(ii) 2 730 classrooms (March 1988)

(aa) Falls away

(bb) Falls away

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Hormonal herbicides

*21 Mr R M BURROWS asked the Minister of Agriculture

Whether he has at any time taken any decision regarding the prevention of sales and/or the use of hormonal herbicides in any part of South Africa, if not, why not, if so, (a) (i) in respect of which areas and (ii) when were these decisions taken, (b) what were the circumstances surrounding these decisions and (c) which herbicides were involved in each case?

B818E

The MINISTER OF AGRICULTURE

(a) (i) and (ii) and (c) The particulars were fully published in Government Notice 89 of 16 January 1987, as substituted by Government Notice R 949 of 30 April 1987, which in it's turn was substituted by Government Notice R 1992 of 30 September 1989

(b) Farmers reported damage to certain vegetable crops, allegedly caused by the herbicides indicated in the said Notices

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INTERPELLATIONS

The sign * indicates a translation The sign † used subsequently in the same interpellation, indicates the original language

Own Affairs

Social pensions

1 Mr M J ELLIS asked the Minister of Health Services and Welfare

Whether the Government intends increasing social pensions, if not, why not?

B828E INT

The MINISTER OF HEALTH SERVICES AND WELFARE Mr Speaker, the position of social pensioners receives constant consideration by the Government, and also by the Ministers' Council of the Administration House of Assembly I want to give hon members the assurance that if circumstances permit and funds can be made available for this purpose an increase in social pensions and allowances will always receive favourable consideration

*In 1962 the Government set itself the objective of adjusting social pensions and allowances annually if it was in any way possible and if funds for this purpose could be made available We were able to attain this objective, except in 1988 I realise that the Treasury could not make funds available during 1988 for an increase in pensions and allowances

Nevertheless, we received a stream of appeals We cannot simply say no to each plea and react negatively Therefore I was grateful that during January 1989 considerable increases were granted to people receiving pensions and allowances I want to point out that the basic pension for Whites increased by R154 per month or 158,76%, from October 1979 to January 1989 Given all criteria these concessions were as generous as the Treasury could manage This proves that the Government of the day is sympathetic towards our aged and under-privileged people

†I can assure hon members that the Government is fully aware of the hardships experienced by the aged and other social pensioners to make ends meet under present economic conditions Sight must, however, not be lost of the fact that the South African social pension schemes are non contributory by nature and that funds to finance these schemes are derived solely from taxation The main objective of the schemes is also not to make pensioners financially fully independent but merely financially to assist the family or the community to care for elderly, underprivileged persons It has always been the Government's point of view that it is the duty of every citizen during his economically active life to provide for his old age or for times of need, even to such an extent that it will not be necessary to ask for assistance from the State

One can realise that the country's relatively small number of taxpayers cannot be taxed indiscriminately [Time expired]

Mr M J ELLIS Mr Speaker, we hear again that the Government is always giving consideration to the question of social pensions The matter is under consideration again, we are told I want to say, however, that the issue of social pensions is one that has been hotly debated in this House for a number of years Opposition spokesmen for more than a decade have pointed out the gross injustices meted out by the Government to social pensioners, while hon Ministers from the governing party have in fact expressed their concern for the aged without really doing anything at all One only needs to read Hansard over the past ten years—read all the debates that have taken place on this subject—to realise how sadly misplaced the Government's reasoning is, or rather how little the Government seems to care, while it is indeed the Government that should care for the aged

Mr R J LORIMER They do not care at all!

Mr M J ELLIS Only last year we listened to the hon the Minister of Health Services and Welfare in this House trying desperately to convince us that the Government s decision not to grant an increase in social pensions during the 1988-89 financial year was justified, that in fact a R60 one-off bonus was all that was needed to ease the burden of the social pensioner

Mr R J LORIMER Scandalous!

Mr M J ELLIS He tried to show then that social pensions had in fact increased by more that 213% between 1976 and 1987, and today we hear again about percentage increases The statistics, however, are irrelevant They are absolutely irrelevant in terms of the real needs of the aged and also in terms of what has happened to the South African economy One hundred percent of nothing is nothing Two hundred and thirteen percent of very little remains very little This is exactly what the increase in social pensions in rand and cents has meant over the past decade—very little

With the increases in social pensions against the real inflation rate running at between 13% and more than 20% for the past 15 years, there is no doubt that social pensioners are much worse off now than they were ten years ago There have been constant calls on the Government to raise the means test for social pensioners Last year, in this House, the hon the Minister announced, and I quote—

> that consideration was being given to the means test for social pensions and allowances being built into a formula

May I ask the hon the Minister what the outcome of such considerations is? He said again today that consideration is always being given to this but we never hear the result Surely by now some decision must have been reached There have been requests for years for the means test to be revised but to no avail We have to face the fact that more and more desperate elderly people in South Africa are either not in a position to receive a social pension because of the inadequacy of the means test or, if they do receive a pension, it is grossly inadequate

Against this background we have the Government setting aside R1 billion for little more than election pay-off extravaganzas such as the writing off of R460 million in Maize Board deficits and reintroducing diesel subsidies to farmers These are obviously both aimed at securing the farmers' vote Then we also have the extraordinary introduction, at a time when our economy can least afford it, of long service awards [Time expired]

*Dr W J SNYMAN Mr Chairman, in December last year I made enquiries at a home for the aged in need of care and discovered that the average unit cost in respect of the organisation concerned amounted to R816 per month at that stage It has certainly increased considerably since then as a result of the series of price increases in the meantime My argument is that if this is the case, how can the hon the Minister expect an elderly person who is completely dependent on his own resources and receives no other assistance, to live on an amount of R251 per month? It is impossible!

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Oil company to maintain funding

B/Day 3/6/87

Mobil Foundation head pledges its work will continue

(183)

ADELE BALETA

WORK of the Mobil Foundation will continue in spite of the giant oil company's impending sale of southern African interests to Gencor

Mobil Oil stated it would extend funding to the foundation until the end of 1994

Foundation chairman Franklin Sonn said yesterday independence of the organisation from Mobil Oil Corporation, which donated R40m to fund it, was absolute

He added an executive meeting would be held soon with Mobil and Gencor to discuss independence of the organisation, future of Mobil staff seconded to it and funding

"We are confident of the future of our organisation It will always be crucial for business to participate in such projects," Sonn said

In its first report last year the foundation, formed in 1986, said it had spent R8,3m on more than 90 community projects designed to make an important contribution to a unitary non-racial system

Sonn said its mission was "to support and develop programmes and any other activities that will impact on the current structures of society and help SA develop into a non-racial, democratic society based on the principle of freedom of association"

The report stated more than half the of the R5,7m allocation was spent on education focusing on early childhood, currriculum and teacher development and alternate education

A total of R2,6m was spent on business and community projects

Education board chairman Ken Hartshorne believed a mistake was to use education to divide people rather than using it to give a common purpose

"I think there is a general feeling that money coming from the private sector should not be used to prop up the system We should be looking at a future kind of education in a different kind of SA in a different society That is the key criterion for the foundation," he said

The foundation's business and community action board supports two different types of programmes One is aimed at business development and the other at development in communities

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B/Day 3/6/87

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Unilever may buy Yardley, Lentheric

183

BDay 3/5/89

ROBERT GENTLE

LONDON — The Cape Town-based Yardley cosmetic business, up for sale as part of the £9bn transatlantic merger between Beecham and SmithKline Beckman, could end up in the Unilever stable

The Anglo-Dutch multinational is being tipped as the most likely buyer for Beecham's worldwide Yardley and Lentheric cosmetic businesses after it withdrew from its proposed £890m takeover of Faberge and Elizabeth Arden

The announcement was made at the weekend after Unilever decided the asking price was simply too high

Spokesman from both Unilever and Beecham said they were aware of market speculation on the issue, but declined to comment

NIES

TANIA LEVY (183)

BiDay 31/5/84

Noristan expands into biotechnology

NORISTAN, one of SA's major pharmaceutical players, has expanded into the biotechnology field with the acquisition of the unlisted Bionix research group

Bionix's research focuses on two fields immunotherapy treatment of cancer and the production of human monoclonal antibodies for diagnostic and therapeutic research applications

Noristan has acquired the name and operations of Bionix for an undisclosed sum based on net asset value Bionix will be absorbed into Noristan as a new division

The acquisition is not expected to materially influence Noristan's profits or assets in the near future However, it is seen as an important expansion into an increasingly vital area of research

Bionix is at the forefront of this rapidly expanding field, having established a substantial technology base in the field of human cell systems and in-vitro sensitisation techniques

It has made valuable overseas contacts with a view to co-operating on research and research contracts

(   )(   )(183)(   )

Pricing system 'unfair'

Star 3/5/89

Clash over 'subsidy' of State drugs

By Helen Grange

A dispute has arisen within the pharmaceutical industry over whether medicine costs should be reduced in the private sector.

The SA Association of Retail Pharmacists argued last week that patients could buy medicines at a much reduced cost if retail pharmacists were able to purchase their stocks at the same rates applicable to State purchases

The association's national president, Mr Gary Kohn, pointed out that the State purchased medicine at tender prices (20 percent of overall price) while pharmacy retailers paid much more in order to sustain losses incurred at tender level.

He appealed to the Government to balance these price differences so medicines could be more accessible to private patients.

However, a spokesman for one of South Africa's largest pharmaceutical companies (who cannot be named) said he saw Mr Kohn's argument as a "simplification of a very complex problem".

"If the private sector was able to purchase medicines for less, State medicine would have to be subsidised another way, probably through higher taxes.

No guarantee

"Also, if retail pharmacists could buy medicines for less, there is no guarantee these prices would be passed on to the patient," the spokesman said

He added that many pharmacists purchased medicines for discount prices, but rarely passed these on to the customer.

"Because pharmacists are not allowed to compete in the price market, hundreds of pharmacists would go out of business if they had to reduce their selling price by 20 percent," the spokesman said

Mr Kohn also argued that patients were often given brand name prescriptions when they could get a generic (patent expired) prescription at a reduced cost

"Generic prescriptions are not always as good as brand name prescriptions The best available treatment should be prescribed by a doctor," the pharmaceutical company spokesman said

Cape Times 3/5/89

Disinvestment: Union to fight Mobil in court

Staff Reporter

THE Industrial Court has been urgently called to compel Mobil SA to negotiate a disinvestment agreement with the Chemical Workers' Industrial Union (CWIU).

The move follows the company's "consistent refusal" since 1987 to negotiate on disinvestment procedures and the job security of 650 union members at Mobil plants in the country, CWIU general secretary Mr Rod Crompton said yesterday.

The giant United States multinational disclosed the planned sale last week of its local assets to the Gencor mining group — drawing angry union charges that the company had lied about its disinvestment plans.

Explaining the grounds for last Friday's court action, Mr Crompton said Mobil had reneged on a written undertaking to consult with the union once it considered disinvesting.

This followed press leaks in New York last year revealing Mobil's intention to withdraw its South African operation — despite regular assurances to the contrary, Mr Crompton said.

After union representations earlier this year, Mobil had indicated it did not intend disinvesting, thereby seeing no need to negotiate a disinvestment agreement, he said.

...reporting, comment and pictures in the Cape Times

SA Times 5/5/89

Union wants Mob[il] sale stopped

Own Correspondent

JOHANNESBURG — Representatives of Mobil Oil SA and the Chemical Workers' Industrial Union (CWIU) are due to meet on Monday for negotiations over Mobil's withdrawal from SA, a day ahead of the resumption of the union's urgent court application

The CWIU has asked the Industrial Court to halt Mobil's sale to Gencor pending negotiation of the union's disinvestment demands first submitted to the company in July, 1987

Mobil industrial rela[tions man]ager Mr Jacques Frank[en ...] day said the meeting [...] cuss "the possible cons[equences] of (Mobil's) decision to [...] its interests in Souther[n ...]

He agreed this mea[...] considered the sale a *fait accompli*, and certain union [...] such as for 12 months' [...] intention to disinves[t ...] therefore fall away

It appears Mobil will a[...]

giving any guarantees regarding employees' future job security under the new owners

Regarding union demands for severance payments, Mr Franken said the sale would not disturb the employer/employee relationship All that had occurred was a book entry transferring shares from one owner to another

Other CWIU demands include a guarantee that future employment conditions be no less favourable

Tonic for vitamin users

BDay 5/5/89 (183

DIANNA GAMES

EXPANSION of a Cape Town soft gelatin capsule production plant will bring down the price of soft capsules by at least 15%

Vitalfarm MD Ian Lindsay said the R500 000 expansion would allow the company to move from the manufacture of capsules for vitamins into the schedule drug market This would cut the need for imported capsules

It would now be able to pitch for the R20m imported soft capsule market and make healthy inroads into the hard capsule market These are all imported

Lindsay said tentative approaches had been made to major pharmaceutical companies and had received a good response

Vitalfarm spent spent eight years refining the highly technical process of soft gelatin manufacture and is the only manufacturer in Africa

Hairdressers threaten manufacturers

By SIZA KOOMA

THE Black Hairdressers Association of Southern Africa is set to take steps against hair product manufacturers whose products have proved damaging to black people's hair

This was said by Mr Alex Molokoane, vice-chairman of the association, at a cosmetic congress held in Sandton.

Mr Molokoane said a lot of casualties were being suffered as a result of dangerous hair products People were being treated daily at the Baragwanath Hospital for head burns

"My salon gets about two calls every day from hospital authorities enquiring about patients being treated for scalp burns as a result of chemical treatment," Mr Molokoane said

Research

"It is the responsibility of every manufacturer to research products At the moment some of them are still only interested in making money and do not care much about the agony people who use their products, go through

"Black hairdressers still lack education and good experience in the hairdressing business It is therefore up to manufacturers to educate them on their products to make sure that they use them correctly A few days lessons are not enough "

He also urged product manufacturers to keep checks on salons to see if their products worked well

Mr Neil Holdsworth, a hair product distributor, said that the black hair industry generated R150 million to R200 million, but there was still a tremendous amount of work to be done to raise it to a professional level

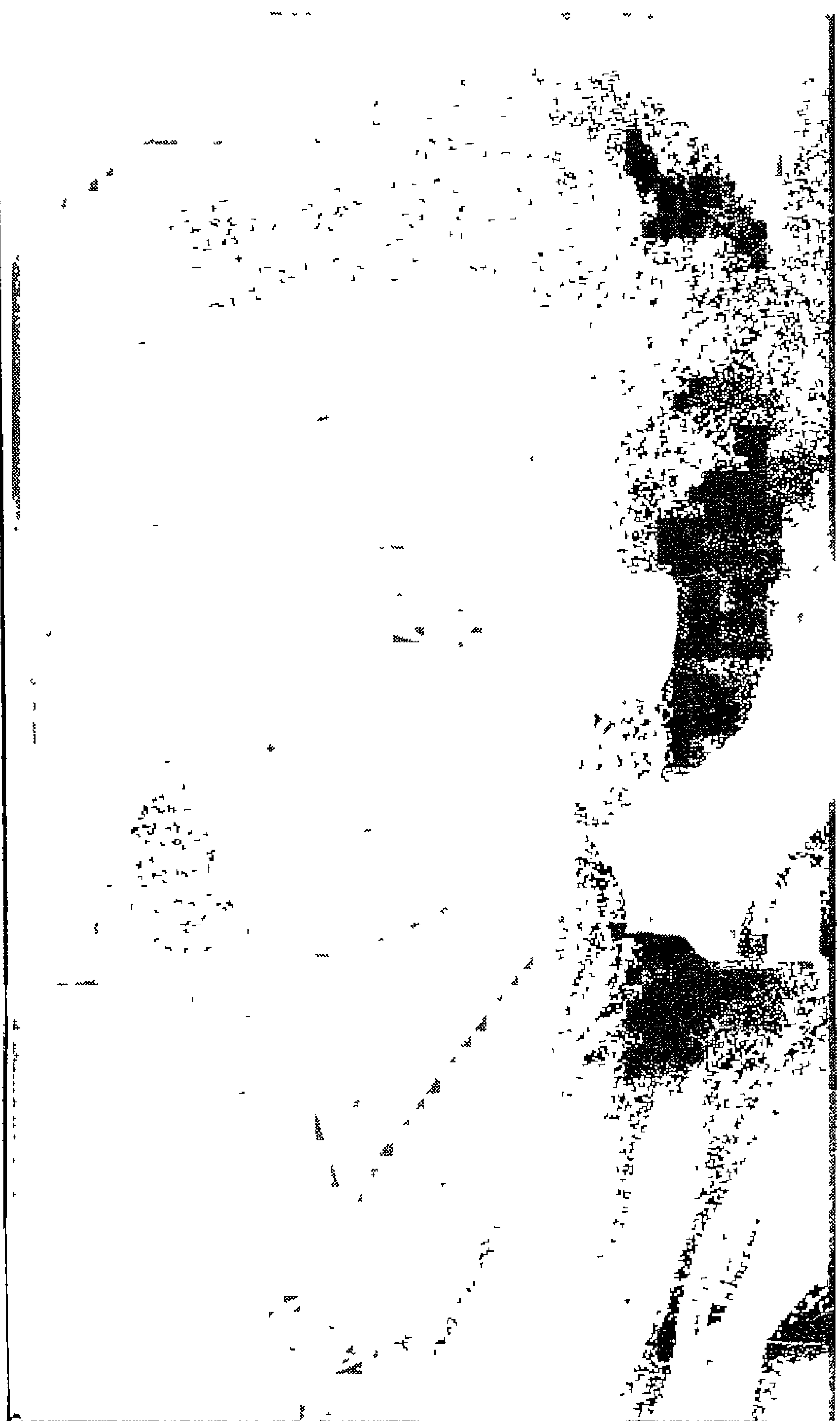
He said the informal sector, which accounted for unsophisticated backyard salons, was increasing.

The hairdressers go through three-week courses at academies that only offer practical training and no background theory. They therefore do not understand how the chemicals they use work on hair" Mr Holdsworth said

He said that black consumers had to be educated so that they could demand higher standards from hairdressers This, he said, could help raise professionalism

People present at the congress were also entertained to a hair show, which showed the fashion trends that black hair was taking

WOMAN



SLEEK, fashionable and sophisticated.

After Mobil withdraws from SA

W/C ARGUS 6/5/89

MOBIL'S sudden decision to withdraw from South Africa will have widespread repercussions.

It immediately increases the pressure against the continued presence of Caltex and Shell. Caltex is now the only U S-owned oil company remaining in South Africa, while Shell is under quite serious pressure in the Netherlands.

Will they be forced to the decision that returns from doing business in South Africa aren't worth the hassle?

LABOUR AFFAIRS

DICK USHER

Beyond this, with Gencor snapping up the assets, it's another step in the accumulation of the nation's wealth in fewer and fewer hands.

The Chemical Workers' Industrial Union (CWIU) is somewhat suspicious of the Mobil move and will be meeting management on Monday to discuss the withdrawal, followed by a court action on Tuesday which will seek to halt it.

The union has been pressing multinationals for national negotiations on disinvestment, with not much success.

Companies refused to consider one bargaining forum and when the CWIU sought to declare dispute the Minister of Manpower refused to appoint a conciliation board to hear them.

Since then they've had agreements with several companies to negotiate individually, but a union spokesman said progress had been slow.

Meanwhile, spokesmen for the union movement point out that the Mobil withdrawal, a result of international pressure against doing business with South Africa, must raise questions about how the South African economy will cope with any further withdrawals.

While the effects of disinvestment might not yet be severe, an already struggling economy needs all the help it can get — which doesn't include disinvestment and non-investment.

Leaving aside any questions of morality, one can't help suspecting that the Botha government learnt the same lesson in Namibia as the Johnson administration learnt in Vietnam — you can't run a foreign war and a reform at home simultaneously.

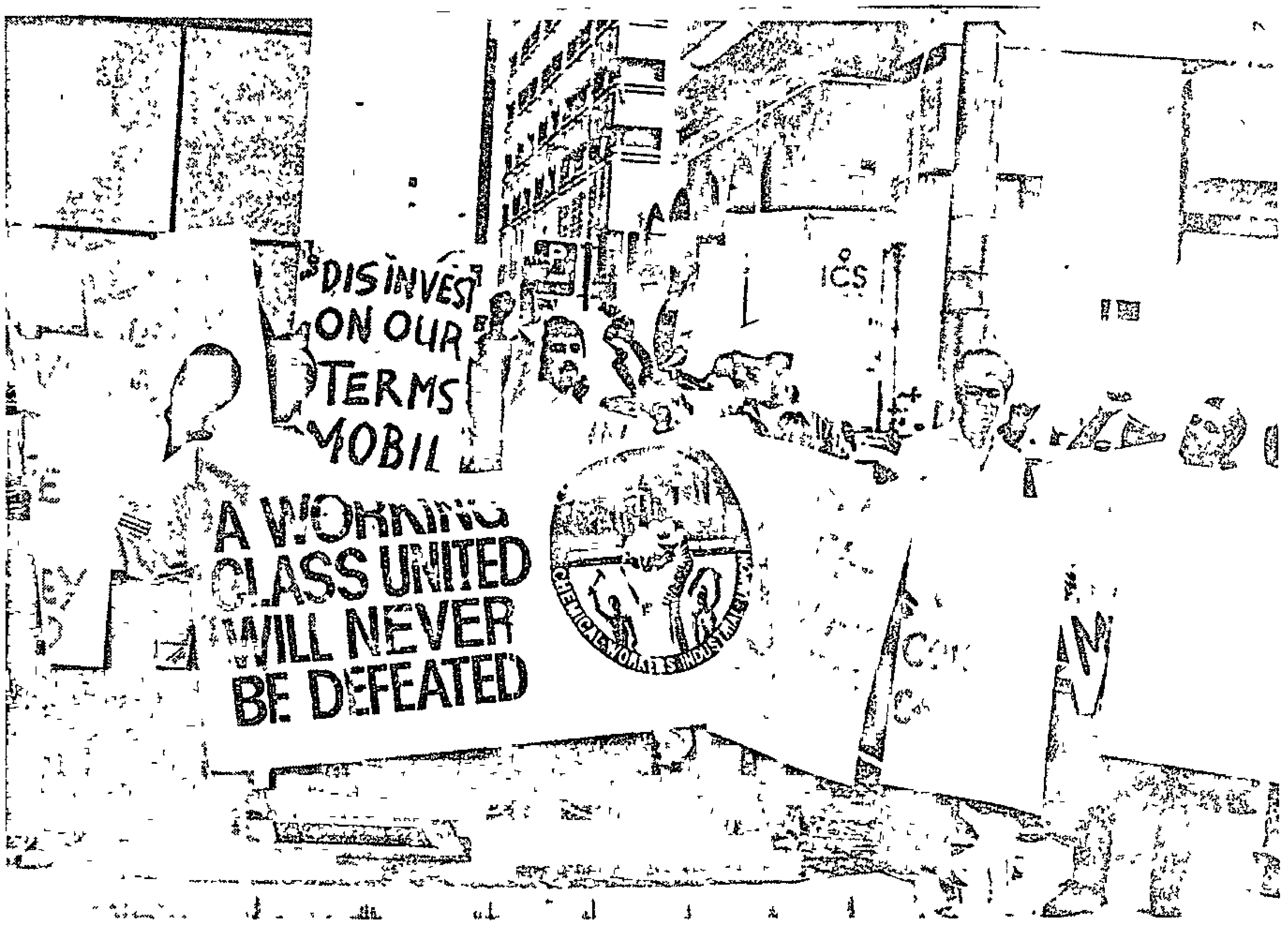
You simply don't have the money.

Union spokesmen argue that, as the economic crisis deepens, it is increasingly clear that the "reform" programme seeks merely to deracialise the economy and cannot resolve the crisis because it does not address the basic structural problems.

In the end reform addresses only the material needs of about 30 percent of the population in the industrialised sector, leaving the other 70 percent to struggle along as best they can.

In which case the state's repression, engendered by the fight against its policies, and the state's reform programme are not competing strategies but the same strategy, they argue

Leaving the question still hanging Is doing business with South Africa worth the hassle?



Picture DICK USHER, Weekend Argus

Members of the Chemical Workers' Industrial Union demonstrate outside Mobil House in central Cape Town at lunchtime yesterday in protest at the company's decision to withdraw from South Africa without first negotiating with the union.

W/ ARGUS 6/5/89

Mobil's not No 1 with union

83

By DICK USHER
Weekend Argus Labour Reporter

MOBIL employees have started a series of actions against the company in protest against its decision to withdraw from South Africa

Members of the Chemical Workers' Industrial Union in Cape Town, Durban and Johannesburg have taken part in the protests aimed at pressurising the company to negotiate conditions of withdrawal with employees.

In Cape Town yesterday, about 30 shop stewards from the union held a 30-minute placard demonstration outside Mobil's South African headquarters in the city In Johannesburg there was a similar demonstration

A union spokesman said that further actions were contemplated depending on the outcome of a meeting scheduled for Monday between the union and management.

The union said workers at the refinery in Durban had instituted an overtime ban

A Mobil spokesman there said no action had taken place, but a workers' meeting was to be held soon

On Monday, the union and Mobil are to discuss union demands on disinvestment, including guarantees of job security and severance pay

The union has also entered an urgent court application to halt Mobil's sale to Gencor, pending negotiation of disinvestment demands

BDay 8/5/89

183

Staalchem posts 49% taxed profit increase

EDWARD WEST

STAALCHEM has posted a sterling 49% increase in taxed profit for the year to end February, despite a 330% increase in interest payable

The manufacturer and exporter of steel roofing and agricultural chemical distributor's turnover increased 75%, from R42,71m to R74,9m, resulting in a 51% increase in operating profit of R4,24m (R2,8m)

The cost of finance, however, drained pre-tax profits to a 25% increase to R3,2m (R2,5m)

The 330% increase in interest paid, from R245 000 in 1988 to R1,04m, was due to increased borrowings and increased turnover, Staalchem director Martin Loubser said last week

Taxed income amounted to R1,96m (R1,32m) and distributable profit was R2,0m (R458 000), giving earnings of 12c a share (11,3c)

A dividend of 4c has been declared

The R10m aquisition of the chemical wholesaling division, Farm-Ag, by Staalchem in February 1989 is included in the balance sheet but is not reflected in the income statement

Loubser said executive members of the group's main board had been reduced to five, while the non-executive directors in the group had been reduced to four, as part of a streamlining strategy for the group Three of the non-excutive directors were from Farm-Ag The February edition of the JSE handbook quotes 11 directors in Staalchem

Staalchem, listed on the chemicals and oil board of the JSE, traded at 50c last week and Loubser said long- and short-term prospects looked bright

Workers take Mobil to court

Bus Times 9/5/87

DURBAN — The Chemical Workers' Industrial Union (CWIU) "will be exercising its rights" in the Industrial Courts today when its application for an interdict against Mobil SA is set down for a hearing, it said after a meeting here yesterday to discuss the oil company's disinvestment plans

A statement by CWIU said the only undertaking that Mobil would give was that the union could exercise its rights under the law if Mobil attempts to change workers' conditions of employment

The union claimed that Mobil negotiators denied they had any prior knowledge of the disinvestment plans

It said Mobil refused to disclose information about the disinvestment — Sapa

Shell stands firm but Caltex wilts

183

Star 10/5/89

By Michael Menon

The recent announcement that Mobil has quit SA due to one-sided tax legislation introduced in the US, should not lead South Africans to the conclusion that other foreign petroleum companies are about to do the same As a US controlled company, it was difficult for Mobil to operate in a country where there is no double tax relief

The Royal Dutch/Shell group of companies is different. Formed more than 80 years ago when Royal Dutch Petroleum Company and The "Shell" Transports and Trading Company PLC merged their interests on a 60-40 basis without losing their separate identities they have a different philosophy

For one thing they are not US companies In their latest annual report for the year ended December 1988 they have the courage to say exactly what they feel about their investment in SA

Their President, Mr L C Van Wachem says "The situation in South Africa is of great concern to everyone, and it presents unique problems for companies operating there, and for their overseas shareholders and affiliates

Shell SA has made clear its opposition to apartheid and its commitment to work towards a society which offers a just and democratic future for all citizens of that country Its policies and practices and its corporate social responsibility programmes reflect that commitment In this it has our support."

Hats off to Shell which has dug its heels in when pressurised to leave SA in the past and which is prepared to say so forcefully and in public.

While Mobil is leaving SA employees can count themselves lucky for not losing their jobs Caltex, which relocated its headquarters from New York to Dallas in 1982, intends drastically reducing its corporate staff from 600 to only 195 by mid June 1989

Hundreds of relocated Caltex employees, who settled in Dallas seven years ago, finding with their high New York salaries a quick and pleasant adjustment, now suddenly have to find new jobs

With Mobil pulling out, Caltex remains the only US-based oil company with major operations in SA It is estimated they have 20 percent of the SA market with more than 2 000 employees

If pressures that have forced other US companies to leave SA continue, the elimination of so large a size operation would make a significant dent in the company's income statement

In 1988 Caltex had sales of $10,3 billion with a bottom line of $471 million profit. This was about the same as sales and income for 1986 and 1987 but way below 1984s high

Their chief competition internationally is from Mobil, Shell and BP Unlike its competitors, Caltex is a very secretive company and considers itself a private company not bound to disclose its income statement

Caltex management blames the oil industry's continuing problems in recent years and greater worldwide competition for its massive headquarters staff cuts plan

Counter bid for Mobil

CM 11/4B 10/5/89 (6) (183)

Own Correspondent

DURBAN — A syndicate of black businessmen from Natal has made a counter bid to take over the giant Mobil Oil company in SA by offering 5% more than the Gencor offer

Hariram, of Libra Finance Trust Co, of Durban, said yesterday that he had been appointed to act as negotiator on behalf of a syndicate of black and Indian businessmen

"If American companies are sincere in their motive for pulling out of SA, they should also consider selling their interests to blacks who have the financial resources to enter into big business undertakings

"Disinvestment must not be a one-sided issue," he said

In a letter to the MD of the Mobil Oil Corporation in New York, Hariram said "We act for a syndicate of black businessmen who have instructed us to address you on the proposed sale of Mobil Oil (SA) to Gencor

Hariram said he would be flying to New York on May 19 to discuss the offer with Mobil.

By last night, there was still no response from Mobil's management in New York to a fax sent by the Mercury inquiring about the counter offer made by Hariram

Union prepares to strike against Mobil

183

ARGUS 11/5/89

The Argus Correspondent

JOHANNESBURG. — The Chemical Workers' Industrial Union is to hold a ballot to prepare for a national strike to force Mobil to negotiate its preconditions for disinvestment before the sale of South African assets to Gencor.

This follows a postponement of an urgent Industrial Court application on Tuesday

The union has asked the court to halt the sale until Mobil negotiates the union's terms for disinvestment

The hearing has been postponed, for the second time in two weeks, to May 24.

At Tuesday's hearing Mobil's attorneys undertook to see that Mobil provided the union with full information about the sale

The company maintained that its local management did not know about the proposed sale until it was announced publicly.

In a strongly worded statement the union said Mobil refused to negotiate and had reneged on previous commitments.

The company's agreement to meet the union on Monday had been "an attempt to stall and undermine the court proceedings already under way".

R170-m fraud alleged: SA man sought

The Argus Correspondent

JOHANNESBURG. — An arrest warrant has been issued for a former chemical and explosives magnate allegedly involved in a R170-million foreign exchange fraud.

He is Mr Oliver Hill, 50, who left South Africa for Britain two years ago after his chemical industries empire collapsed. He is believed to have applied for American citizenship

Mr Hill is wanted for allegedly transferring funds outside South Africa by using front companies. The charges on which he is wanted include forex violations involving explosives factories and Eskom shares.

Afrox comfortably on target

Star 12/5/89 (183)

By Ann Crotty

At the half-way stage Afrox is looking well on the way to sustaining its strong five-year profit record with earnings up 29 percent to 86,73c (67c) a share for the six months to end-March

The sterling performance from this gas, hospital and engineering group indicate significant resilience to any slow down there may be in the economy

In the absence of any sudden and major downturn the full year earnings target of 170c seems easily achieveable. MD Peter Joubert points out that Afrox's results are traditionally higher in the second half.

During the review period turnover rose 29 percent to R346 million (R268 million) and operating profit was up 34 percent to R72,8 million (R54,5 million)

Interest payments were up sharply from R1,5 million to R6 million This reflects the massive increase in net borrowings from R36,7 million to R180,8 million and the hike in gearing from 7,7 percent to 27 percent

Expansion

The higher level of borrowings in turn reflect the major expansion programme in which the group is currently involved

According to Mr Joubert. "The major part of the expansion has been earmarked for the capital intensive gases business where Afrox is expanding plant capacity, purchasing new gas cylinders and improving distribution and service facilities"

Taxed profit was up 28 percent to R35,3 million (R27,5 million) from which R9 million was deducted as additional depreciation "to reflect the current cost of assets" This left attributable profit showing a gain of 29 percent to R25,9 million

Mr Joubert stated that all of the group's businesses showed an improvement in profits and this trend is expected to be maintained "The gases and welding businesses account for the major part of total profits and the improved results in these business areas are mainly a result of growing existing markets, devloping new applications and paying detailed attention to the control of costs and efficiencies"

8 | Day 12/5/89

Healthy effort from all Afrox divisions

183

ZILLA EFRAT

AFRICAN Oxygen (Afrox) has produced a healthy 29% increase in inflation adjusted earnings for the six months to March with all divisions performing well

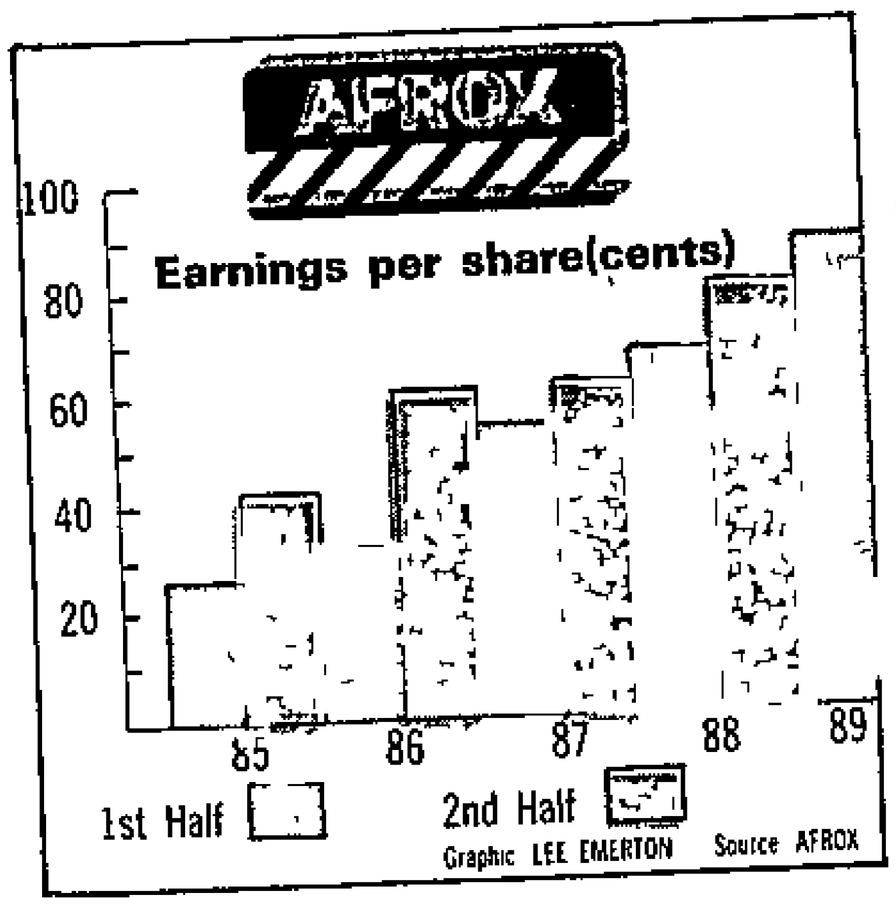
Afrox, involved in gases, welding, health care and high technology engineering, has declared a dividend of 40c (30c) a share, up 33% and covered 2,17 times

Attributable profits increased to R26m (R20m) Earnings rose to 86,73c (67c), or 116,9c (90,03c) a share on an historic accounting basis

Afrox has accounted for inflation by charging earnings with additional depreciation of R9m (R6,9m), up 31%

Chairman and MD Peter Joubert says this policy reduces earnings a share but is practical in a capital intensive industry because of the high inflation rate

The policy ensures that expenditure can be funded with less stress on borrowings when business is in an expansionary phase Earnings are stated in real terms, reflecting the true replacement costs of assets and the possibility of paying dividends out of capital is eliminated



Graphic LEE EMERTON Source AFROX

Turnover increased 29% to R346m (R268,5m) Operating profits rose 34% to R72,9m (R54,5m) as a result of improved performances in all divisions, cost containment and operating efficiencies

The interest bill soared 305% to R6m (R1,5m), with interest cover falling to 12 (37) and more increases expected in the second half The rise is due to the expansion of the gas business's infrastructure, funding a new hospital and the purchase of medical equipment for the health-care division

Net borrowings jumped to R180,9m (R36,7m) and net borrowings, as a percentage of capital, rose to 27% (7,7%)

Taxed profits rose 28% to R35m (R27,5m) on a slight decline in the tax rate

Joubert says Afrox is actively developing the health-care side and recently opened its tenth hospital

The results of the gases and welding businesses, the major contributor to total profits, improved because of increased market share, new applications development and controlled costs and efficiencies

Caltex will not leave SA — chief

Star 14/5/87

183

Caltex has no intention of disinvesting from South Africa, the chairman of Caltex Oil SA, Mr Jock McKenzie, announced yesterday.

Mr McKenzie said in a press statement that he was reacting to reports to the contrary — that Caltex Petroleum Corporation intended disinvesting from South Africa.

"CPC indicated in a recent statement that they would continue to support Caltex SA in its efforts to serve all sectors of South Africa's population," Mr McKenzie said.

DEFEATED

He added that at recent annual general meetings of CPC's parent companies, Texaco and Chevron, shareholders' motions calling for their withdrawal from South Africa were overwhelmingly defeated.

Press speculation on Caltex's withdrawal from South Africa follows Mobil's recent disinvestment announcement after denying for years that it intended doing so. — Sapa.

Mobil: 'No negotiation'

(62 — — 183).

Cape Times 13/5/87

WASHINGTON — Mobil Oil Corporation had no plans to negotiate with the Chemical Worker's Industrial Union about the sale of its Southern African assets to Gencor, chairman Mr Allen Murray told the company's annual shareholder meeting this week

Pressed by a representative of the pro-disinvestment Interfaitn Centre on Corporate Responsibility (ICCR), Mr Murray replied "you ask us whether we intend to negotiate the terms of this agreement (with the CWIU) Not that I know of"

ICCR's Ms Donna Katzin called this "an inadequate and paternalistic approach" and accused the company of "stonewalling with its own workers"

Ironically, shareholders overwhelmingly defeated two church-backed resolutions, one calling on the company to withdraw from South Africa, the other asking its to cease sales to the SAP and the SADF

● The CWIU yesterday briefed the representatives of the syndicate which has made a counter offer to buy Mobil SA, CWIU general secretary Mr Rod Crompton said

Mr Mangalpersaid Hariram, who represents the syndicate, is expected to leave for the US tomorrow to seek a meeting with the Mobil

Mr Compton informed Mr Hariram that the union was still trying to negotiate a fair disinvestment procedure with Mobil

Ex-judge sets the stage for R75m claims on explosives

(183)

14/5/89

By RICHARD ROLFE in London

FORMER Appeal Court judge Oscar Galgut has found that the giant US corporation Du Pont unlawfully cancelled a licence to produce its water-gel explosives in SA.

Claims for up to R75-million for alleged damage and several years of litigation in SA and the US may follow

Mr Galgut was appointed a special commissioner by the Master of the Supreme Court to investigate matters surrounding the purported licence cancellation in terms of s417 of the SA Companies Act.

Liquidators

The commission of inquiry was initiated by the liquidators of National Explosives (Pty), licensee and manufacturer of water-gel explosives in SA.

Natex, owned 50 50 by the family interests of entrepreneurs John Hahn and Oliver Hill, was placed in provisional liquidation in July 1986 In 1984, the listed Hahn and Hill company, Hanhill was liquidated

The two families have been involved in litigation since that time, among other things with a view to winning outright control of the valuable Natex business

Water-gel explosives, launched in SA in 1980, have gained an increasing share of the market at the expense of traditional dynamite, produced by AECI It has counter-attacked with a water-gel explosive

The commission found that at various times, the Hahn and Hill family trusts separately tried to ensure that the Du Pont licence was revoked, so as to end the 50 50 ownership and secure exclusive control of the right to manufacture water-gel explosives in SA

Ignored

The liquidators of Natex, headed by Syfrets, contended that the licence had not been validly cancelled, as did representatives of the Hill family

Mr Galgut's remit was to examine the evidence on this point He came to the same conclusion as the liquidators, finding that "the purported cancellation (by Du Pont) can be ignored"

Mr Galgut also found Dr Hahn to be unreliable His report adds "I regret to say that I found Hahn to be an unreliable witness He was throughout evasive"

Mr Galgut stresses that s417 proceedings "are not legal proceedings in a court of law They do not give final answers

"It may well happen that the inquiry reveals many disputed issues of fact (and possibly law) which can result in very protracted and costly litigation"

Frank

Dantex, a rival company headed by Jose Holgado, is manufacturing water-gel explosives in SA under a licence granted by Du Pont in the belief that the cancellation of its agreement with Natex was valid

Mr Galgut noted that "Hahn at the present time is allied to Holgado's Dantex group"

He also found Dr Hahn to have been "far from frank when testifying as to his association with Holgado and the Dantex companies"

Mr Holgado was formerly associated with former Economic Affairs Minister Jan Haak in the Trans Terra group of mining companies

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Strange goings on at Canvacor

S/Times 14/5/89

(183)

I HAVE made some inquiries about Canvacor on behalf of a Natal reader who bought 3 000 shares in the company at 38c in December 1986

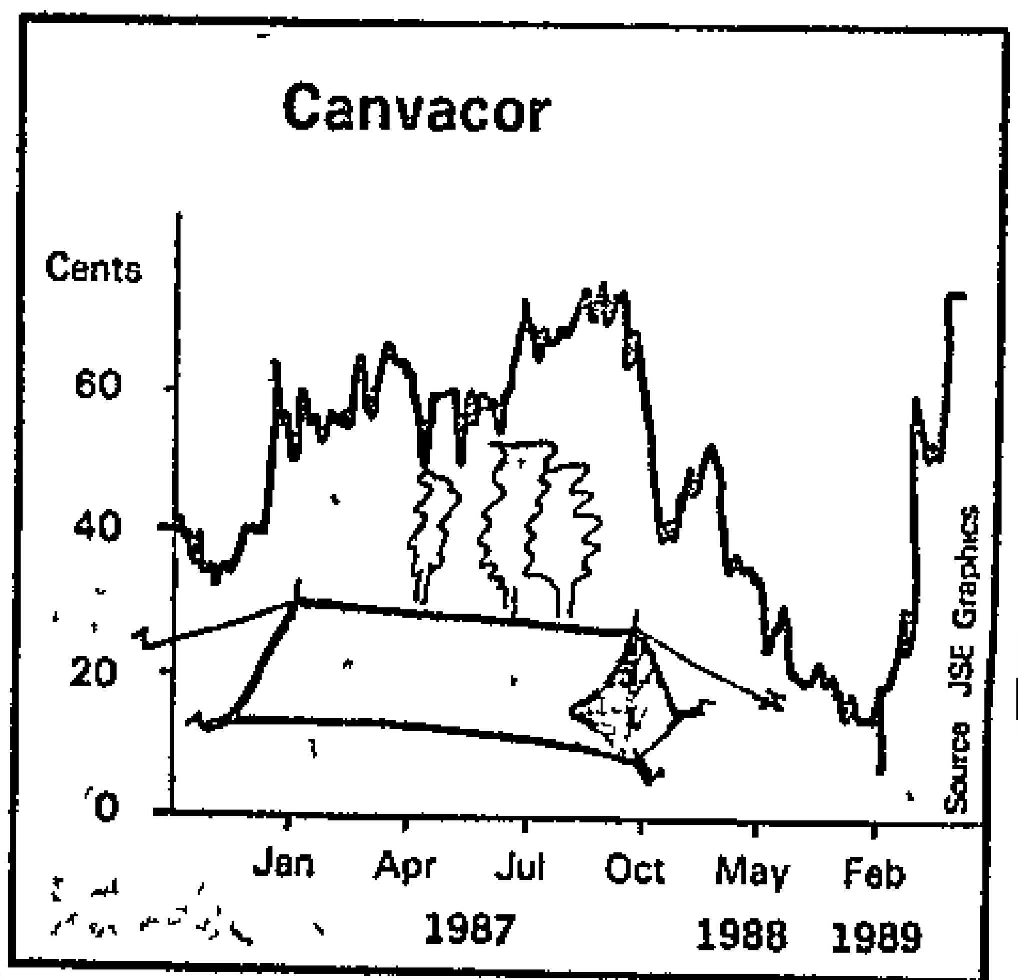
On March 3, 1989, Canvacor shares dropped from 20c to 7c The next week they rose from 7c to 20c — strange in itself

On March 15 this year the reader received a call from someone in Johannesburg, who asked if he had sold his Canvacor shares He replied that he had not, and was told that "we have taken that company over and want to be fair to shareholders and offer you 20c a share"

Two days later, the same Roy de Oliveira phoned again to ask if the reader would accept 20c Mr De Oliveira said that many shareholders had accepted, and that shares would be consolidated one for five and that a merchant bank was processing details which would be received shortly

On March 23, the reader received a third call from Mr De Oliveira asking if he would sell his 3 000 shares at 20c each. The reader replied that he would wait for the documents because he did not know what was going on.

The Canvacor share price had risen to 30c by then.



ODD

The reader writes "I do find it a mite odd that I should get all these phone calls and Canvacor letters without even a single word of information of any sort, all over a paltry 3 000 shares"

He received a letter dated March 15 on a Canvacor letterhead. It said:

"Control of Canvacor has been taken over by Interstate Breweries (Pty) Ltd. An offer of 20c per share was made to the majority shareholders We are now extendin (sic) this offer to all minority shareholders at 20c per share.

"Should you wish to dispose of shares please contact Roy De Oliveira immediately at

Phone number supplied, now terminated.

The letter from Canvacor says "We are now offering". The recipient notes: "If it, Canvacor is being taken over, how can Canvacor itself make any offer. Can it buy its own shares?. Should not the offer have been made by Interstate Breweries, whoever it may be?"

He thinks it is an odd way of conducting business.

DIFFICULTY

Meanwhile, the share price jumped to 60c, fell to 53c and soared to 75c two weeks ago.

I had great difficulty in reaching anyone at Canvacor for several weeks. According to the company, Mr De Oliveira is the only person to whom I could speak, even though he is not a director but an "assistant to a director".

An appointment was agreed on, but cancelled by Mr De Oliveira.

He told me on the phone that Canvacor company Solid Pine has been disposed of for R1,37-million to management, and negotiations to sell the manufacturing and trading arms of Canvacor's canvas business "for about R2-million" were under way.

He said Canvacor would change its name to Projec Investment Holdings, and would become a main-board listed mining and investment company.

If the current assets of Canvacor were disposed of, the net asset value would rise to 49c a share

Mr De Oliveira said Projec was negotiating to take over a diamond mine near Cullinan, If it went ahead, the net asset value would rise to between R6 and R7 a share

LOANS

I asked him where the money would come from to boost asset value. He replied that it would come from directors' loans.

The mine would be paid for by the issue of 60-million shares — he was not too sure at what price — after the existing Canvacor shares had been consolidated one for five.

The directors own 89,2% of Canvacor — 60% came from the previous controlling shareholder and the rest presumably from people — such as the Natal shareholder — who have been persuaded to part with their shares at 20c or who have sold them on the JSE.

Mr De Oliveira said the diamond mine was operating, and the seller was not one of the new directors. They are Andre du Plooy, Bernard Bester, Danie Viljoen and Peter Sutton Clifford.

Mr De Oliveira said Projec would look for other investments.

If I were a Canvacor shareholder I would sell the shares on the JSE now instead of taking my chances on the unknown I believe recent events have not been handled by the new management in a professional way, and this does not inspire confidence in the company's future.

There is lower risk elsewhere.

Strange goings on at Canvacor

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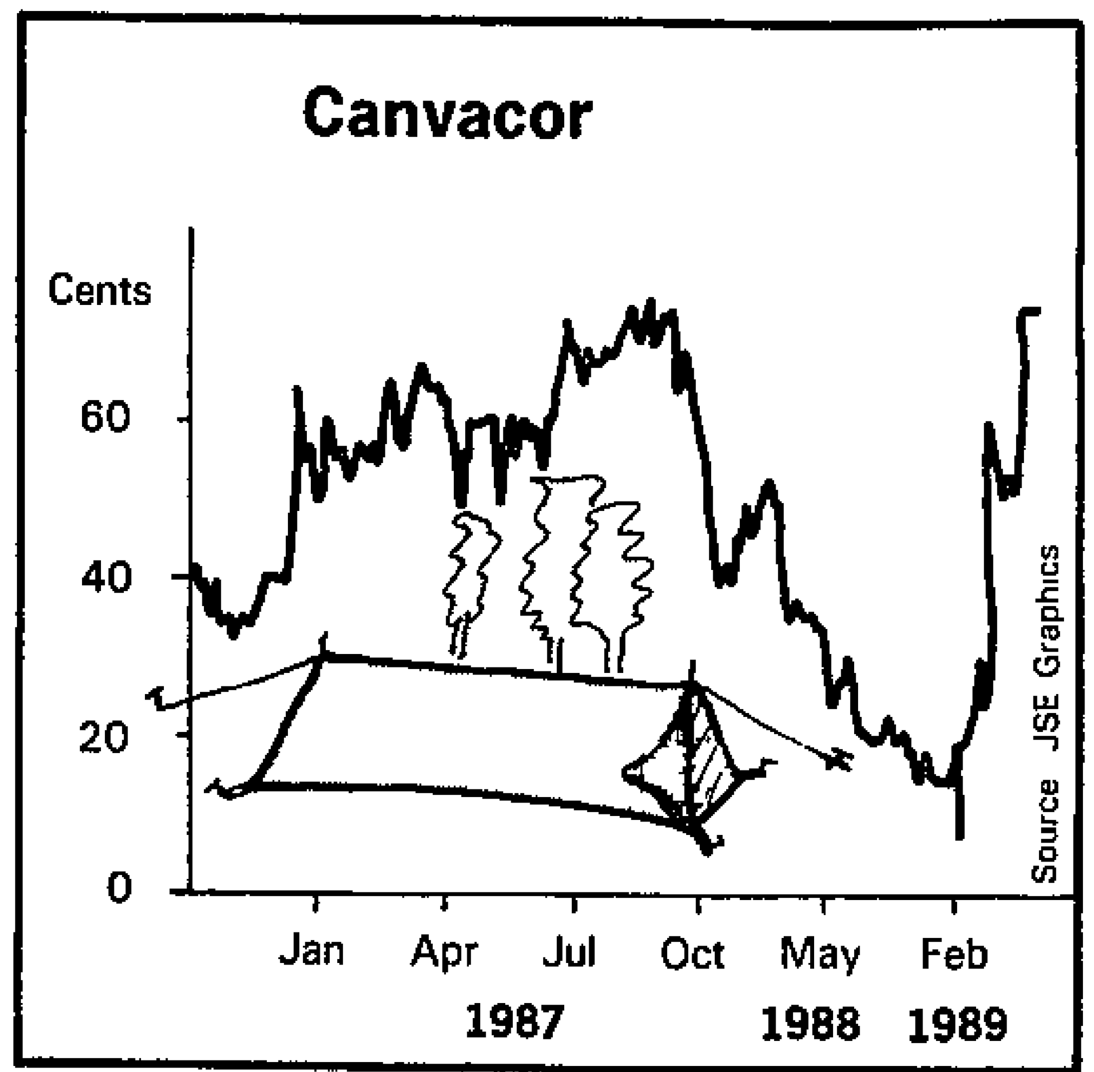

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COMPANIES

Darmag boosts earnings by 20%

183

MARC HASENFUSS

RUBBER and plastics convertor Darmag continued to grow by posting a 20% increase in earnings a share to 13,2c (11c) for the year to February

The group's growth rate was diluted slightly by the higher number of shares in issue after its JSE listing the previous financial year

Attributable income rose by 27% to R2,9m (R2,3m) and a final dividend of 2,5c (2c) was declared, making a 2,5 times covered payout for the year of 5,3c a share

Darmag CE Monty Dersley said the group's improvement was made more satisfactory by the absorption of one-off costs during the relocation of the plastics factory to Fort Jackson, Ciskei, last September.

He said the plastics operation was able to make major inroads into new markets after the move to new premises, particularly after securing supply agreements with major customers

A slight improvement in operating margins saw pre-tax profit increase 25% to R3,4m (R2,7m) after a 26% rise in turnover to R23,8m (R18,9m) for the period under review

The maintenance of a low tax rate, R258 000 (R259 000), due to benefits from the Ciskei relocation, meant most of this flowed through to the bottom line

Dersley said the introduction of new technology, both in terms of more sophisticated imported machinery and superior plastic moulds, positioned the group as the market leader in its sector of the industry

"Despite the higher volumes being achieved, significant additional capacity exists in both the rubber and plastics operations, leaving room for increasing production in the current financial year"

The increased dividend payout leaves the group's share on an historic dividend yield of 6,6% against a 3,1% average in the electronics sector, while the historic p e ratio is 6,1

The balance sheet remains strong, with gearing of 44% leaving the group well placed for further expansion

Darmag's balance sheet was strengthened by the release of deferred tax due to the new tax base after the relocation of certain subsidiaries to the Ciskei

"The main short-term objective is to strengthen management in the group, and steps are already being taken to ensure that the right depth of talent is available for the next phase of Darmag," Dersly said

BUSINESS DAY, Monday, May 15 1989 11

Natal syndicate's bid will test Mobil

ARGUS 15/5/89

The Argus Correspondent

DURBAN — The bona fides of Mobil Oil's disinvestment from South Africa are being tested with the annoucement that a Natal syndicate is to bid more than the reputed R600-million by Gencor.

Mr Mangalpersad Hariram, spokesman for the syndicate, has flown to New York to "beat on the company's door" for a meeting.

Mobil has indicated that it would not be appropriate to enter in negotiations with Mr Hariram because of the agreement with Gencor.

Mr Hariram claims that Mobil's deal with Gencor has a "warehousing" taint and that if the political situation in South Africa becomes more internationally accepable, Mobil will move back to South Africa

CLEARED WITH UNION

"Our bid will prove whether the Gencor deal is genuine or if it is one of convenience," he said before flying to the US

Last week Mr Hariram held discussions with representatives of the Chemical Workers' Industrial Union to clear the way for his bid.

Mr Hariram claims to have raised R250-million in cash from two local blacks and two Indians. This, he said, would be matched by R500-million from the Standard Bank.

The bid from the Natal syndicate has taken the established commercial world by surprise. Mr Hariram is managing director of Libra Finance Trust, a small estate agency and finance brokerage business with a turnover of about R3-million a year — not the usual kind of operation to negotiate deals worth hundreds of millions of rands.

WEATHER

*The CHAIRMAN OF THE HOUSE Order! The hon member for Greytown will withdraw from the Chamber [Interjections] The hon member deliberately said the hon the Minister was telling lies He may not say it, particularly not after I had observed that he should make fewer interjections The hon member will withdraw from the Chamber

Mr D J N MALCOMESS Mr Chairman, on a point of order It is customary in this House, as you are well aware, to call upon an hon member to withdraw what he has said before summarily dismissing him May I suggest or may I ask you kindly to ask the hon member whether he is prepared to withdraw or not before summarily dismissing him from this House?

The CHAIRMAN OF THE HOUSE Order! The hon member must realize that I am charged with the interpretation of the rules and regulations and decorum in this House The hon member for Greytown was continually making interjections and immediately after I had called upon him to stop doing so he interjected that the hon the Minister was telling lies I think that is going too far but in view of the fact that the hon member put the interpellation, I will ask him to withdraw that remark

Mr P C CRONJÉ Mr Chairman, I withdraw it

*The MINISTER Mr Chairman, I hope I can be given a little injury time, otherwise I am not going to complete the match [Interjections]

*The CHAIRMAN OF THE HOUSE The hon the Minister will receive injury time

*The MINISTER I just want to tell the hon member for Pinetown that he knows why we cannot succeed in arraigning these people before the courts It is because there is so much intimidation that people do not want to come forward as witnesses Now the hon member wants us to appoint a commission of inquiry to find witnesses They will not testify Intimidation plays a role before a commission and it plays a role before the courts

That is why we say let us stabilise the situation as we are now doing and then I ask UDF and Cosatu and the hon member for Greytown to stay out of it [Interjections] because the UDF is the public arm of the ANC [Interjections] The ANC stands for violence They are not prepared to renounce violence That is why violence is continuing, they do not want peace After all, we have a great deal of evidence of this

*The CHAIRMAN OF THE HOUSE Order! Even the injury time of the hon the Minister has now expired

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

Meyerton: SAP present at public meeting

*1 Mr J H VAN DER MERWE asked the Minister of Law and Order †

Whether any members of the South African Police were present at a public meeting held at Meyerton on or about 20 April 1989 and attended by a certain Minister, whose name has been furnished to the Police for the purpose of the Minister's reply, if so, (a) how many members were present there and (b) what is the name of the Minister concerned?

B932E

†The MINISTER OF LAW AND ORDER

Yes

(a) Sufficient police officials to deal with any given situation which could have arisen

(b) The name furnished by the hon member

Stella Hospital medicine disappearing

*2 Dr W J SNYMAN asked the Minister of National Health and Population Development †

(1) Whether a quantity of medicine disappeared at the Stella Hospital recently, if so (a) when and (b) what is the estimated cost of this medicine,

(2) whether a charge of theft was laid with the South African Police in this regard if not, why not

(3) whether he will make a statement on the matter?

B940E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) No,

(a) and (b) fall away,

(2) falls away,

(3) no

†Dr W J SNYMAN Mr Chairman, arising out of the reply of the hon the Minister, the fact that the price of the missing medicine was paid by the doctor concerned was probably the reason for no charge being laid with the Police Does the Minister agree, however, that the disappearance of the medicine, which has been admitted, is a serious ethical offence? Secondly, the hospital board concerned requested an investigation into the management of medicine in that particular hospital I am asking the Minister if he knows anything about that

†The MINISTER Mr Chairman, the facts at my disposal, furnished to me by the Cape Provincial Administration, are the following Firstly, the Stella hospital is privately subsidized Secondly, it does not have a hospital board, but is managed by an autonomous committee Thirdly, the standards and the tariffs fall under the Provincial Administration, but nothing else Fourthly, according to facts at my disposal, a doctor who worked sessions in the hospital bought medicine amounting to R470 from the hospital

SADF/SWA Territorial Force: full/partial pay

*3 Mr J VAN ECK asked the Minister of Defence

Whether any members of the South African Defence Force and the South West African Territorial Force who belong to units that (a) have been demobilised since 1 April 1989 and (b) are still to be demobilised are being retained in South West Africa/Namibia on full or partial pay, if so, (i) how many, (ii) for what purpose and (iii) for what period?

B941E

†The DEPUTY MINISTER OF DEFENCE

Although elements of the South West African Territorial Force were demobilised in accordance with the settlement plan, the infiltration by heavily armed Swapo forces necessitated certain re-mobilisation Negotiations are at present being conducted to re-instate the settlement plan as it was on 31 March 1989 It is for this reason that I can at present not reply to the hon member's questions (a) and (b) Fall away

Skin-lighteners: representations regarding potential danger

183

*4 Mr J VAN ECK asked the Minister of National Health and Population Development

(1) Whether he and/or his Department has received any representations with regard to the potential danger of the use of so-called skin-lighteners, if so, what is the nature of these representations,

(2) whether he is considering taking any steps with regard to the distribution of these products, if so, what steps, if not, why not?

B942E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) Yes, the banning of skin-lighteners was requested,

(2) yes, I have already banned the sale and distribution of skin-lighteners with effect from 1 January 1991

Civil case on hormonal herbicides

*5 Mr R M BURROWS asked the Minister of Agriculture

(1) Whether, with reference to the now withdrawn civil case on hormonal herbicides which was before the Natal Supreme Court, his Department supplied any aid and/or information to either of the parties then involved, if so, (a) to which party, (b) what information and (c) why,

(2) whether he and/or his Department has at any time considered or discussed with any parties the question of compensation for damage caused by the use of hormonal herbicides if so, what was considered or discussed?

B945E

†The DEPUTY MINISTER OF AGRICULTURE

(1) Yes (a), (b) and (c) The relevant scientific information as well as the results and findings of the advisory committee on the use of hormone herbicides were made available to both parties in order to

16/5/89

Mobil hearing postponed

JOHANNESBURG. — The urgent Industrial Court hearing in which the Chemical Workers' Industrial Union (CWIU) is asking the court to stop the sale of Mobil's South African assets was yesterday postponed to May 24.

A union spokesman said the case was postponed after Mobil lawyers undertook to secure the provision of full information to the union about the proposed pullout.

The union has asked the court to restrain Mobil from going ahead with the sale until Mobil agrees to negotiate the union's preconditions for disinvestment.

A meeting between the union and Mobil ended unsuccessfully on Monday. — Sapa

Travel agents, pharmacist launch health campaign

B/Day 16/5/89 183

THEO RAWANA

RENNIES Travel and pharmaceutical company Smith Kline and French have launched a joint immunisation awareness campaign to protect travellers' health

The main aim of the campaign is to emphasise those vaccinations necessary for travel to different parts of the world, an article in The Rennies Traveller says

Charts indicating which diseases occur in what areas and what precautions can be taken are displayed at Rennies Travel outlets and books on the subject are also available

Special emphasis is placed on the disease Hepatitis B, which is caused by a virus resulting in an unpleasant, sometimes fatal, illness, with fever, nausea, vomiting, jaundice and extreme lethargy

The report says the prevalence of Hepatitis B is very high in parts of Asia and Africa and also commonly occurs in Latin America, the Middle East and Southern and Eastern Europe

But it warns South Africans do not have to travel that far to be at risk, as carriers are also found in SA

SA Drug opening up more export markets

SKW 17/5/87 (183)

By Derek Tommey

SA Druggists is aiming for a major expansion in the overseas markets, the company's managing director, Mr Tony Karis, said today when announcing another major increase in the group's profits

In the year ended March SA Druggists increased its turnover by 21,5 percent to R790,6 million and its attributable profit by 28,2 percent to R41,0 million, he reports

This means that for the past seven years the group has achieved a compound annual growth of 28 percent a year in earnings a share, says Mr Karis

The final dividend has been increased to 6c for the year making a total of 10c (8c) for the year

Mr Karis adds that the group remains well placed to achieve real growth in earnings and view the year ahead with confidence

But as well as expecting continued strong local growth, the group has high hopes of capturing export important markets

'We feel extremely proud of what our chemicals and biochemical companies achieved in the Far East," said Mr Karis

Mr Karis

Customers there were "extremely fussy" about the quality of the products they want to buy

"Price is not a major issue But quality had to be tops and SA Druggists' products are being regarded as 'state of the art"

He was also pleased by a recent report by British health authorities on the state of the company's South African laboratories and manufacturing facilities, which said they were among the best in the world

Mr Karis said that SA Druggists conducted considerable research, but at the moment the results were available only to South Africa which amounted to only 1 percent of the world market

The company's strategic plan was to sell more of its locally-made products overseas

It took about three years for new products to receive state approval overseas, so no phenomenal growth in the company's exports was likely

But the company had sold R33 million worth of products overseas out of total sales of R790,6 million in the year just ended. These overseas sales had produced good profits, said Mr Karis

To facilitates sales in the Far East the company had opened an office in the area and this had enabled the company to achieve a number of important breakthroughs The company had also recently achieved an important success in the European market

Mr Karis said the local market had become increasingly competitive and in certain instances margins had been lowered to maintain market share

But in spite of this the group's profit margins had increased from 9,9 percent to 10,6 percent

The year saw the completion of major projects at Lennon and LPA, and th value of fixed assets (net of depreciation) increased by R13,4 million

Turnover in the year ended March rose from R650,7 million to R790,8 million, operating income rose 30,9 percent to R84,1 million and attributable income rose 28,2 percent from R32,0 million, equal to 22,7c a share, to R41,0 million equal to 29,1c a share

At March 31, SA Druggists had total assets of R321,1 million (R257,3 million) equal to 118,4c (98,7c) a share

10 The Argus, Wednesday May 17 1989

COMPANIES

Shell ahead of targets

By DICK USHER, Business Staff

SHELL South Africa's financial and operating results were well ahead of targets for 1988, according to the group's annual report.

Main contributors were the oil and chemical divisions where better than anticipated margins were achieved.

Turnover was about 16 percent up over 1987 at about R3,6-billion.

In the oil division, growth during 1988 was spread "across the barrel", reflecting the high level of domestic expenditure, the rising road transport needs of a rapidly urbanising population and improved conditions in sections of the wholesale market.

Shell featured well in this growth and improved on its market share and held position as overall market leader.

But financial performance continued to be dominated by the effects of inflation on the cost of goods and services.

"At the current level the erosion of income, even within the provisions of administered prices, seriously impairs the industry's ability to achieve a real term after-tax return that encourages investment for the future," said the report.

Chairman John Kilroe reiterated the company's belief that withdrawal from South Africa could serve no meaningful purpose.

"We have never pretended that our stance was based on pure altruism or emotion.

"On the contrary, it is a sound business decision. We are here to do business in the long-term, we want to remain a part of this country and its future," he said.

'another court would other decision.

Ninja. I think it was R2 000 per month. — Sapa.

Black business group 'has backing of R1bn'

81Day 17/5/87 (183)

ROBERT GENTLE

LONDON — The syndicate of black SA businessmen who wanted to buy Mobil's SA assets have financial backing of up to R1bn, with possible access to further funds from the Middle East.

This was revealed yesterday by syndicate spokesman Mangalpersaid Hariram, who departs for New York tomorrow on a lobbying mission.

During his 10-day stay there, Hariram will try to convince US companies expected to disinvest in the near future not to sell their SA assets at bargain basement prices to white-owned conglomerates like Gencor.

He said Mobil had already informed him that the deal with Gencor was contractually binding, but this would not deter him from putting across his message anyway.

Hariram suggested the Gencor purchase was not yet a foregone conclusion, and "certain factors" might put the deal into question, opening the way for his syndicate to make an offer.

The other companies he said he would be seeing during his US visit included oil giants Texaco and Chevron

He was particularly interested in the real price Gencor was paying for Mobil's SA assets as this would provide a valuable pointer for future disinvestments. "If recent experience is anything to go by, we will see a lot more pullouts before the end of the year."

He said Standard Merchant Bank would have come in on the Mobil deal had Gencor not beaten his syndicate to it, and that Standard was the most likely backer for future disinvestments.

Shell said it was a side issue as foreign companies should not be leaving in the first place.

SAD is glad after seven fat years

B \ Day 17/5/89

(183)

TANIA LEVY

SA DRUGGISTS (SAD) has continued its solid performance which has seen earnings grow by an annual compound growth rate of 28% over the past seven years

In the year to March, the Federale Volksbeleggings-controlled pharmaceutical group increased attributable profits 28,2% to R41,6m (R32,3m), equal to earnings of 29,1c (22,7c) a share

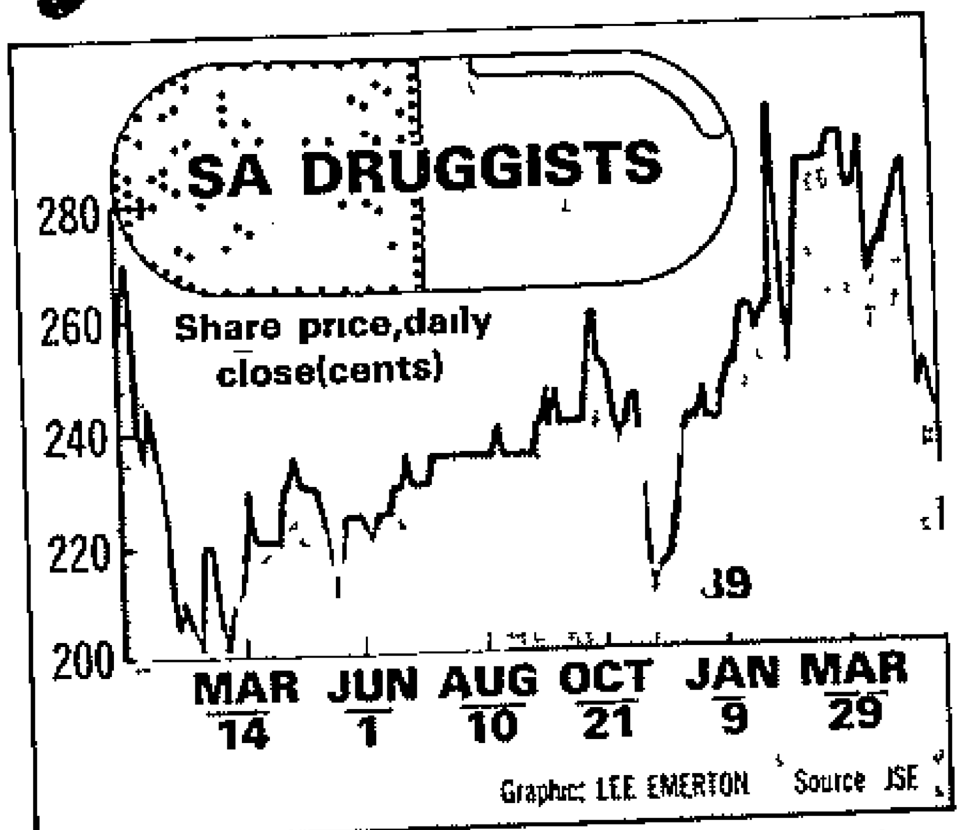
A final dividend of 6c a share has been declared, bringing the annual pay-out to 10c (8c) a share

Government's change from several provincial tenders to a single "comed" tender raised the stakes and heightened competition among manufacturers vying for the state order

SAD subsidiary Lennon successfully tendered to supply about 40% of state hospital tablet requirements Lennon's share of this market is worth double that of its nearest competitor

Lennon also enhanced its competitiveness in the private sector through reducing prices of certain generic products

MD Tony Karis says the lowering of margins needed to offer reduced prices has been offset by increased volumes



The group's overall operating margins improved to produce a 30,9% increase in operating income from a 21,5% rise in turnover to R790,6m (R650,7m) Bigger sales in the Far East by the chemical and biochemical divisions contributed to record export sales of R33m

Lennon plans to introduce 24 new generic products to the market in the coming year and Karis predicts an increased demand for lower-priced generic medicines

Darmag extending plastics operations

MARC HASENFUSS

FURTHER expansion of Darmag's plastic converting operations is under way after the announcement of a 30% increase in attributable income to R2,9m (R2,2m) for the year to February

CE Monty Dersley said additional capacity of the Ciskei factory and introduction of new products would be major factors behind this year's growth

Darmag, largest supplier of plastic and rubber castings to the automotive and industrial battery manufacturers, is extending penetration of many new markets

Dersley said "the combination of these developments is expected to result in earnings growth to end-February 1989, which is significantly above the rate of inflation"

B/Day 19/5/89

Fuel consumption is an important factor

FUEL is responsible for about 50% of fleet costs, says motor industry consultant Mike Crankshaw

Yet few transport managers pay fuel consumption the attention it deserves

Just one vehicle using an extra two litres of fuel every 100km on the Rand — and travelling 2 500km a month — will add roughly R670 to the transport department's bills annually, he warns

In a large fleet, the extra cost can be considerable

A factor that should be kept in mind is that a car with an automatic gearbox may use as much as a litre every 100km more than a manual model

"Yet a lot of people pick a manual for town and an automatic for country Sales reps tend to get automatics"

Another point, he says, is the power/weight ratio A smaller engine is not necessarily the answer, especially over long distances

"On a long trip a salesman is likely to put his foot down, if the car is underpowered he will drive harder to achieve the desired speed This eats fuel"

Control of private use of company cars is also wastefully casual in many cases he believes Where employees are allowed to use cars for personal travel, the approach has traditionally been You pay for holiday petrol and oil the rest is on the company But a simple calculation shows how expensive this attitude can be

Recoup

"Let us say a vehicle costs 55c/km to run and that petrol and oil account for 12c/km If the employee goes from Johannesburg to Cape Town on holiday (3 000km return) and does 1 500km of running about during his leave, the cost to the company will be 55c minus 12c, or 43c/km Grand total R1 935 to subsidise a single employee's holiday

In the US, where 82% of companies allow employees to use their fleet cars for personal travel, a far tighter grip is maintained Most American firms tend to recoup costs attributable to private use

Transport productivity specialist Charel Schickerling says a lot of companies are now restricting free private travel to 2 500km/month But control is a problem If an employee filling in a logbook decides to cheat, it is going to be difficult to spot

Fleet management systems can impose travelling limits on a vehicle, he says Reports can be run on average daily mileage, or they can be run towards the end of the month

"But it is all rather theoretical If a salesman is good the company will want to keep him"

The hassle involved in control of company cars is one of the reasons many companies are switching to car allowances

In commercial fleets, installation of monitoring devices such as tachographs, on-board computers and careful route planning make control much easier

Landed oil cost not taken into account for price

B Day 19/5/89

(183)

MIKE ROBERTSON

CAPE TOWN — The average landed cost a barrel of crude oil in SA last month was $16,29 or R38,75, Economic Affairs and Technology Minister Danie Steyn said yesterday

He said in reply to a question from Roger Hulley (DP Constantia) that this cost was not taken directly into account when determining the SA price for 93 octane fuel.

"The average landed cost for three refineries — three in Singapore and one in Bahrain — is being used as basis to determine the SA price."

The landed cost reflected in the price of 93 octane fuel was 40,142c/l The under-recovery being experienced was accommodated in the cumulative over and under-recovery fund

Marketing margins of 5,558c/l for oil companies and 8,6c/l for distributors were contained in the fuel price.

Steyn said in reply to another question from Hulley that the average landed cost a barrel of crude oil was R38,75 in 1987. The respective costs in the quarters of last year were R35,52, R36,68, R37,77 and R31,42

The balance of the Central Energy Fund at the end of last year was R3,27bn after R438,6m was collected in interest and dividends.

Mobil strike to spread

Cape Times 20/5/89

DURBAN — The workers' strike at Mobil Oil plants looks set to grow following the overwhelmingly vote in favour of strike action by two of the company's Durban divisions.

A spokesman for the Chemical Workers' Industrial Union said yesterday that 97% of the 300 workers at the refining and marketing divisions of Mobil's Island View plant voted to strike.

The results were announced yesterday after three days of balloting which began on Wednesday.

Workers at nine Mobil distribution depots in the Transvaal have been on strike for five days. This week they were joined by their fellow workers in the Eastern Cape.

Subsequent to the strike ballot, Durban could be the next to join the industrial action.

Meanwhile, the strike of about 1 000 workers at Mondi Paper Mill in Merebank ended yesterday, the sixth day.

And more than 350 workers who have been on strike for over a week at Blaikie-Johnstone in Mobeni also returned to work yesterday. — Sapa

Cape Town set to become oil centre of the country

183 W/E ARGUS 20/5/89

By TREVOR WALKER
Business Staff

CAPE Town is stamping its authority on the enormous Mossgas project and is set to become the centre of this country's off-shore oil production and exploration programme

The first production platform to drain the FA area of the explored field off Mossel Bay is currently being built in Cape Town, Saldanha Bay, Port Elizabeth, Durban and on the Reef.

Much of the heavy infrastructure is being manufactured in Cape Town and Saldanha Bay and International Combustion Africa Ltd (Ical) senior managers showed the press this week how far advanced the company was with its contruction of two of the modules for the platform

These comprise the mud treatment plant and the drilling module contracted at R35-million to Ical.

The total spent on this contract by Mossgas is R85-million and includes all the steel which is supplied by Iscor

The total cost of the platform, which is due for completion by November next year, is of the order of R2-billion

The platform is of monumental proportions and together the topsides, the module support frame and the subsea jacket will be equal to the height of Mobil House standing on top of the Cape Sun.

The field, which is 85km south of Mossel Bay, is 2 500 meters under the seabed in 105 meters of water

Mr Graham Watson, Ical's offshore project manager said the various wells would be about 3,5km deep and finish anything up to 5km from the platform itself

The eight legged, subsea, steel structure to be piled 122 meters into the seabed is being built in a specially constructed basin at Saldanha Bay while the support frame is being built in Durban

The pace at which the contracting companies are working is formidable Ical was awarded the contract 369 days ago and completion "hook-out" is scheduled for November next year

Mr Watson said the training centre started by the company was working very well and 320 welders were at present there

He said of the 76 artisans that had qualified thus far, only 43 were still employed by Ical.

He said quality standards for the project, as could be expected, were extremely high and trained welders were a very scarce resource in South Africa at the moment

The whole project was based on 70 percent local content and the level of expertise that was coming in from overseas would ensure the necessary technology transfer, "because at the end of the day it is the performance of the construction teams that will matter."

When Ical is up to full strength it will employ about 500 people and the gross wage bill will be about R400 000 a month.

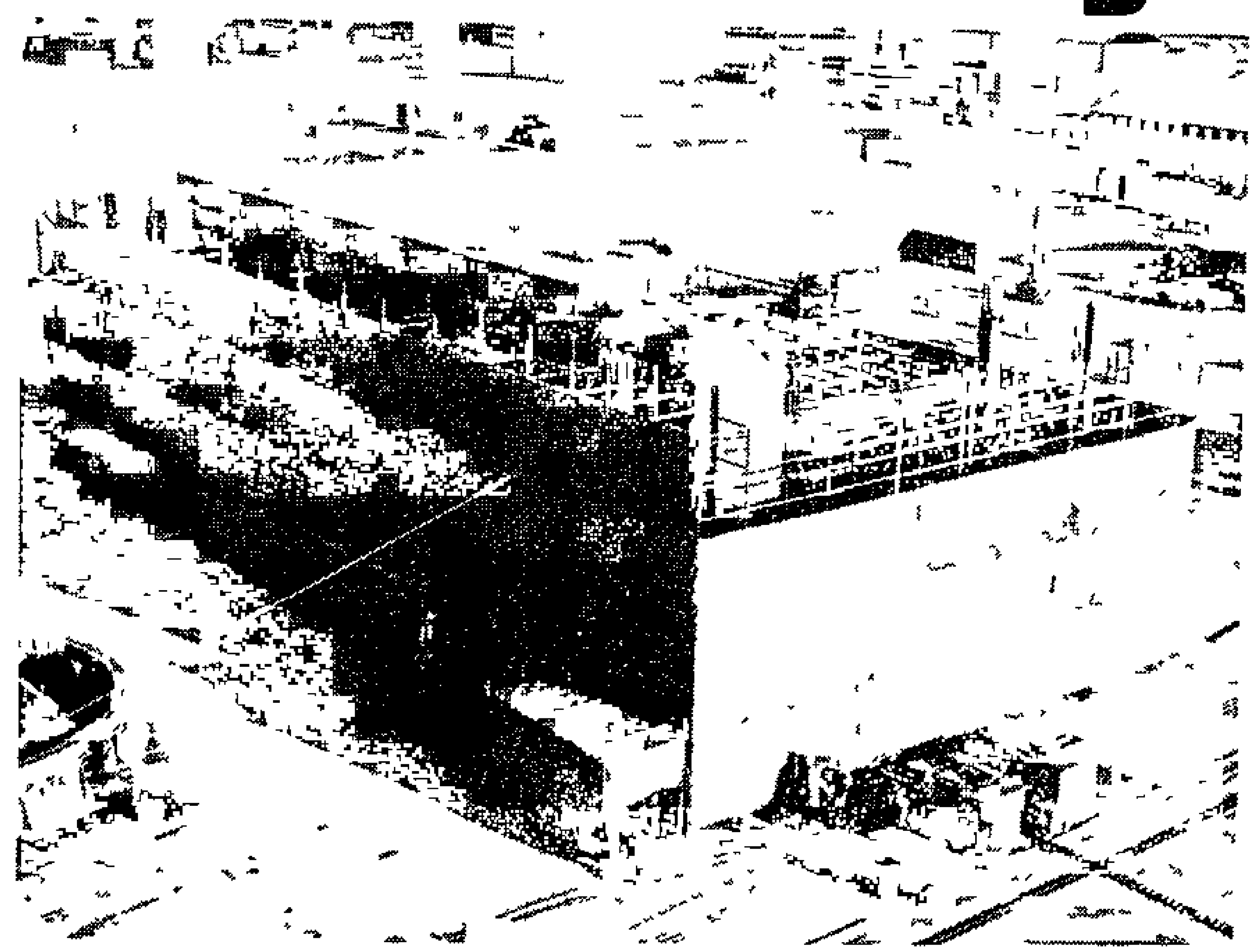
The total spent on the Mosgas project in Cape Town is beginning to build up and the company is hopeful of further contracts once the present project is completed.

Soekor expects to have 30 000 skilled workers trained by the year 2000.

Sales Director, Mr Fred Heginbotham said the company was hoping to obtain further contracts from Soekor

In the UK estimates of the size of the North Sea oil fields was initally skoffed at, but it just grew and grew.

He said if further discoveries of condensate were made and especially if viable quantities of oil were discovered "Cape Town would really become a boom town oil city"



The drilling module being constructed by Ical Offshore to take its place along side eight other modules on Soekor's first oil production platform off Mossel Bay.

Smart move did the job for one-man oil company

181) 9 1 2 3 / 5 7 8 9

LYNN CARLISLE

JOINING forces with the SA Army Foundation 10 years ago under the Action Products scheme has helped SA's only one-man jobber oil company survive against competition from the major oil companies

Action Oil Company proprietor Dennis van Genderingen ascribes a big part of his company's success to a unique marketing concept

This was acquired by teaming up with the Army Foundation, which raises funds for SA's soldiers and their families

"We started 10 years ago," says Van Genderingen, "and we have shown steady growth."

This strategy was not exploiting sentiment "We go in on a quality-for-quality and price benefit basis

Participants in the Action Products scheme donate a small percentage of the selling price of a product to the Foundation

In return, participants obtain exclusive rights to market their products under the army crest

There was a difficult road ahead for the oil industry, Van Genderingen said "But I am confident about the future We are lean enough to continue to compete in the market"

No fuel price rise expected

Sowetan 23/5/89

183

THE director of the National Energy Board, Mr Pieter Jacobs, said there would not be another increase in the petrol price in the foreseeable future.

Mr Jacobs said that although there had been pressure for an increase in the petrol price because of the higher landed cost of crude oil and the poor rand/dollar exchange, a decision on an increase would not be taken at this stage.

Mr Jacobs said that one of the main factors influencing the price of fuel was the continued weakening of the rand, which had fallen from an average R2,54 against the dollar in April to R2,75 yesterday morning.

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(183)

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(183)

Star 25/5/89

Attempt to save firm not wanted

By Jacqueline Myburgh

Teknique skin-care products, a company launched by Beauty Without Cruelty to fund the charity, is undergoing provisional liquidation

Miss Christine Berry, a managing trustee of the charity, stressed the liquidation would have no effect on Beauty Without Cruelty

She said six different parties were interested in salvaging Teknique

Mr Avroy Shlain has announced that his company, by the same name, is considering an attempt to save the company

Miss Berry expressed surprise at Mr Shlain's announcement since, she said "Far from being interested in helping Beauty Without Cruelty, he has done everything to obstruct and discredit it"

She said she would oppose Mr Shlain's plans to save Teknique The bottles containing the product bore the Beauty Without Cruelty logo and the charity had the final say as to who could use it

IN COMPETITION

Miss Berry said soon after Teknique was started, Avroy Shlain withdrew from Beauty Without Cruelty and she received a letter from Mr Shlain saying "While naturally my company continues to adhere to the concept of Beauty Without Cruelty, we can no longer support your organisation which is a platform for a commercial product in direct competition with us"

Mr Shlain said he objected to a charity forming a company, since the public saw a product being sold by Beauty Without Cruelty and therefore assumed the funds went to the charity

"They don't realise the funds go to private individuals," he said

Miss Berry said shareholders had not received any profits since the company was started last September, although the charity had received 2½ percent of sales

Mr Shlain said he wanted to try to save the commercial company as he believed in the charity's objectives

Strong market for Karbochem products

KARBOCHEM, a division of Sentrachem, is on the boil

The company reports a significant upsurge in local and export demand for its synthetic rubber products manufactured at Newcastle while orders have been increasing for chemicals used in mining, industry and agriculture — manufactured at Sasolburg

Its afprene polysoprene rubber plant at Newcastle is being operated at full capacity for the first time since start-up in 1983, while a new group has been formed to boost Karbochem's business

The upsurge in afprene polyisoprene production is largely due to the success of applications research programmes at Karbochem, says Karbochem chairman Roy Pithey

Success in the export of synthetic rubber and intermediaries has significantly added to the loading of the plant

The company also recently established a new business group to investigate the viability of new products and other projects to ensure future growth

More than 70% of SA's total rubber demand is in the tyre market, which has grown rapidly in line with motor vehicle sales and total kilometres travelled

Karbochem's share of this total rubber tonnage increased 4% during the past year

Market growth has been assisted by the many joint research programmes carried out by Karbochem and its customers

"Local rubber content in the industrial sector — for such items as conveyor belting, hoses and wear compounds — increased by 8% during the past year," says Pithey

Karbochem also recently established a New Business Group to investigate the viability of new products and other projects to ensure future growth

The Karbochem Sasolburg plant manufactures a wide range of mining, industrial and agricultural chemicals plus synthetic latex

Pithey notes that Sentrachem's Orchem subsidiary is a major producer and suplier of chemicals for the SA rubber industry as well as organi-sulphur biocides and polyurethane pre-polymers to general industry

Pithey says sales of rubber chemicals have been higher than budget due to the bouyant motor vehicle market This has enabled subsidiary Orchem to up its plant loadings Inroads have also been made in rubber chemicals export markets

Export market vital — Sasolchem MD

BIDay 28/8/89 (163)

BECAUSE SA's chemical industry is exposed to international competition, any new investment in chemical production facilities must be done on a world-scale basis, says Sasolchem MD Andre Bedeker.

However, a problem is that in many instances the local market is too small to absorb the production capacity of such a plant, even over a period.

"The local manufacturer would therefore have to ensure access to a viable and sustainable export market for a relatively large share of the plant's production capacity before such an investment can be made."

Bedeker says Sasolchem exports a diversified range of chemcial products to customers in more than 50 countries. These are spread geographically to eliminate dependence on a single market.

"Some products are unique because our production processes possess certain properties which appeal to overseas customers."

In recent years, Sasolchem has more than doubled phenol and cresylic acid production and expanded hard wax production by 50%. It is also currently upgrading its alcohols.

ANDRE BADEKER

All these expansion programmes are aimed at the export market, he adds.

Of the world's phenol production, 95% is manufactured synthetically from benzene and propylene — oil-based feedstocks which are increasing in price.

The balance is derived from coal tar and can be extracted either from a coal tar stream or, as is the case at Sasol, from an aqueous stream emanating from its gasification plant.

"That makes our phenol unique. A great deal of technology has gone into the purification and distillation of phenol to the extent that we have a quality product which can compete with synthetic phenol in most applications."

The company has benefited from significant increases in international markets during the past few years.

It scored handsomely with methyl ethyl ketone. But it is in ethylene — the feedstock for polyethylene — that Sasolchem, as SA's only producer, has seen its most exciting development.

"Our ethylene is, to my knowledge, the only coal-based ethylene in the world and this gives us a competitive edge compared with ethylene produced from naptha, a crude oil fraction," says Bedeker.

Sasol Two currently produces 215 000 tons of ethylene a year and, with de-bottlenecking under way, another 30 000 tons a year will be added by September this year.

After being mothballed in 1982, Sasol One's naptha cracker at Sasolburg was recommissioned a few months ago to meet growing local demand. It produces 100 000 tons a year.

Local polyethylene manufacturers are increasing their production capacities.

"Instead of being a nett importer of polythylene, over the next 12 months SA will become a net exporter," Bedeker says.

He estimates this will result in annual capex savings of around R250 000.

The world chemical industry is enjoying healthy profits due largely to growing international demand and the reduction of surplus capacity following rationalisation in major producing countries.

But he cautions that while the favourable conditions are likely to continue for a while, over-supply of certain chemicals and plastics may occur again in the 1990s as new capacities are installed.

BDay 25/5/94. (183)

Gearing up to meet increasing demand despite pessimism

LEADING major chemical production plants are gearing up to meet growing demand for many locally produced industrial chemicals, despite forecasts of an economic downturn

Most of the major basic and primary chemical plants have been operating at high production levels during the past year or two, and the pace should continue

Protea Chemicals group executive chairman Mike Struwig says the outlook augurs well for Protea's three operating divisions which concentrate on supplying mining, industry and the consumer market

He anticipates that this outlook will be similar for many other participants in the industry

Nothwithstanding the off-chance that government may go against its present policy and impose direct import controls on chemicals, Protea expects real organic growth to continue throughout the group

"This favourable scenario could be supplemented by suitable acquisitions at some time in the future," he adds.

Committed to becoming a major participant in SA's chemicals industry through its core business, Protea expects greater benefits from introducing new technologies and extending its product range

Struwig reports some exciting developments are already in the pipeline, which include possible breakthroughs

Having an annual turnover in excess of R350m, Protea is not only SA's largest commodity chemicals merchant trader, but an important manufacturer of speciality and formulated chemicals.

Ongoing progress in the manufacture of engineering plastic, corrosion-resistant pumps, valves and components, is also being made in the group

In line with increasing local demand, Chempro commissioned a new plant 18 months ago to produce the bread-improving chemical calcium acetate

Another plant, which manufactures the water purification chemical aluminium chloride, came on stream at Protea Water Management some 12 months ago.

The former plant was installed to replace imported calcium acetate, and the latter product — which is licenced from Japan — is a water-treatment chemical used for potable and industrial water.

"We are working with certain platinum mines on a process where we hope to manufacture a chemical in situ which could be used to improve the recovery of the metal from ore Pilot plant results were encouraging, and we have advanced into plant-scale application"

Protea is also working with a mining house to develop a system of "sequential blasting" Here, timing the run of explosions in a blasting operation plays a crucial role

This concept allows one to blast sequentially through the series of drilled holes in the ore body. By exploiting the force of each shock wave from each explosion, greater rock mass is removed from the body, making the operation much more economic

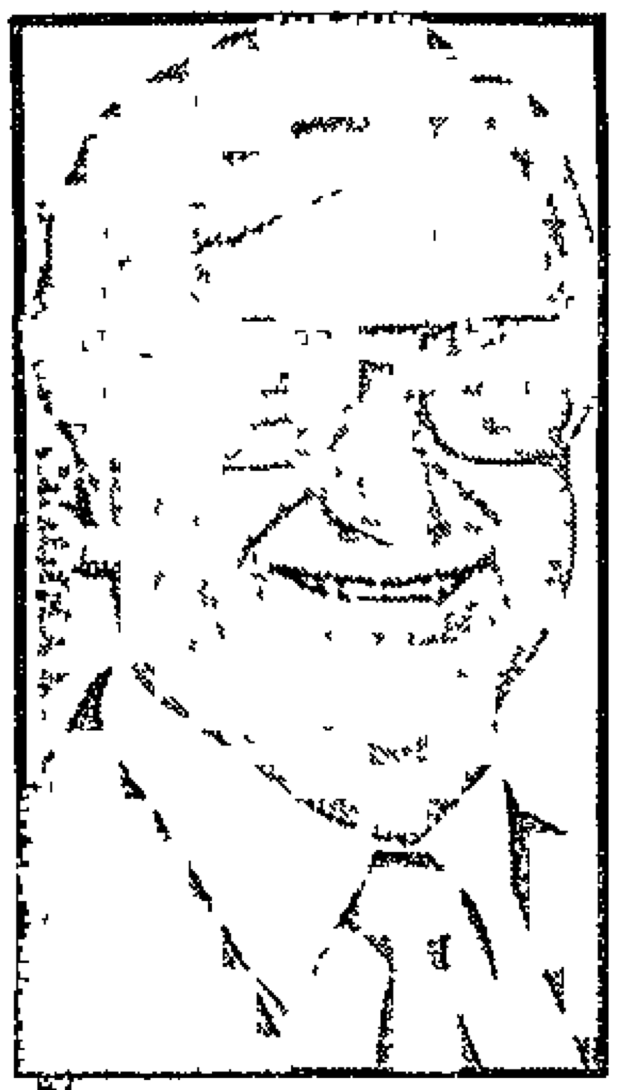
While successfully expanding and improving manufacture of speciality and formulated chemicals, Protea will benefit from a joint project with the CSIR to develop adhesives

Struwig says by developing or importing new and better technologies, the group stands to improve its chemical products range in the foreseeable future

In addition to local endeavour, the group is on the threshold of reaching agreement to import new technologies from licensors in Germany

Secunda plant is on schedule

B/Day 25/5/87 (183)



KOOS BRAND

ANNUAL forex savings estimated at R200m are forecast when the world's only large-scale polypropylene factory producing from a coal-based feedstock comes on stream at Secunda next year

Sasol Polymers MD Koos Brand says the erection of a giant, 104m-high propylene splitter tower four weeks ago, confirmed progress was right on schedule

Designed and built by Lurgi of Germany, the R490m project is Sasol's largest since Sasol Three

It will produce 120 000t of polypropylene a year, which is considerably more than the projected local market requirements The surplus will be exported

Sasol's decision to construct a world-size plant with annual capacity greater than local needs, was also motivated by the demands of the international polypropylene market — growing at 10% or more every year, says Brand

As import control was abolished in 1986, production from the new plant will be fully exposed to international competition

Feedstock will come from a Sasol Two stream, which is being converted to fuels

However, fuel output will not be affected as recovery is conducted in a section of the fuel synthesis plant presently operating above rated capacity

Any input tapped from the synthesis stream can be made up with feedstock from other areas

"We will be in control of our raw materials to a very large extent, and this has given us a lot of faith in the future of the project "

Polyproylene has a wide range of applications Once the Secunda plant is operational, local downstream manufacturers will have a choice of materials

The polypropylene range includes homopolymer, black — or "impact" — polyproylene and "random co-polymer"

The chemicals industry

Worldwide demand boosts SA industry

MAJOR advances have taken place in international organic chemical production, and SA's chemical industry is moving with the trend

In recent years, local and overseas demand for some chemicals has increased Today, production is stretched at some plants in SA and abroad, and high capacity utilisation is expected to continue for some time

Profit margins, particularly in the major producing countries, have been boosted by rationalisation in the industry

Protea Chemicals executive chairman Mike Struwig says this is providing a better product/supply/demand balance for price escalation It also has the ability to maintain or increase chemical feedstock prices as oil prices softened from the high levels of the early Eighties

At that time the chemical — and particularly the petro-chemical — industry suffered from low productivity caused by over-capacity, rising feedstock costs, a maturing range of products and reduced demand due to a global recession

"The international chemical industry in the past few years has undergone significant change through mergers, acquisitions, closure of unproductive facilities and a general improvement in productivity, coupled to strong demand for most commodities," he says

Already the world's majors are investing fairly heavily in capital plant in anticipation of good and ongoing demand in chemical utilisation, but considerable demand is also planned in the Pacific Basin, South America and China

Supply

The fall in feedstock costs for the petrochemical industry and the high capacity utilisation for many products has already led to a tightening of the supply position, shortages in some ethylene-derived products and further significant price increases for a number of commodities

As a result of these trends, the world's organic chemical industry has never been as well off as since 1979 — with 1987-88 having been the most profitable year for a decade

MIKE STRUWIG

"This situation has been reflected to some extent in SA, and we are short of production capacity in certain chemicals," he adds

In the event of the national economy growing at 2%-3% per annum over the next two or three years, Struwig anticipates this should be reflected in a real growth of 4%-5% in the chemical industry

However, despite capacity creep and de-bottlenecking the local industry is not expected to keep pace with demand and there may be pressure on chemical prices by about 1991

In fact, certain sectors of the local chemical and plastics industry have already taken advantage of international trends to raise prices to import parity

"Increased demand from both local and export markets also led to a tight supply position for certain key commodity chemicals last year"

Struwig also points out that even though SA exports chemicals, import levels of chemicals are much higher leading to a considerable negative balance of trade

Consequently, the Department of Trade and Industry is encouraging the chemical industry to redress this imbalance in the future

"SA has the potential, the capital, the stocks and technology in many areas to do this There is no reason to believe we cannot get access to overseas technology, for we still have very good licences," says Struwig

NCP invests in expanding production and exports

183

DIVERSE chemical manufacturer NCP, a division of Sentrachem, is making investments aimed at expanding production and exports. Developments stemming from capex will also aid NCP's customers in their own exports.

The extensive range of NCP chemicals, mainly acids, solvents, alcohols, chlor-alkali, salt, plasticisers, water treatment and mining chemicals, are manufactured at four chemical factories in Germiston and Chloorkop on the Reef, and Isipingo and Umgeni in Natal.

The NCP trading arm and specialist importer Interchem extends the range of products.

"NCP continues to seek ways to assist customers and the economy by increasing export facilities and value added products," says MD Vince Lovell.

The division's extensive development and investment programme has included a completely new chlor-alkali complex at Chloorkop and a maleic anhydride plant at Germiston.

Lovell says NCP, in partnership with its customers and other institutions, is developing technology for other projects.

"In addition to providing for the local market, NCP is investing in facilities to increase its export capability, not only for its own chemical exports but also to assist its customers to export their products."

MIKE SPAGNOLETTI

TCMA calls for council's deregulation

B Day 25/5/87 (685) (163)/(189)

THE Transvaal Chemical Manufacturers' Association (TCMA) has applied for the deregulation of the Industrial Council for the chemical industry

Does this reflect a disillusionment with industrial relations?

"Not at all," says TCMA chairman Mike Spagnoletti

"The industrial council did not work because it is too far removed from the work," he says

Spagnoletti, an Adcock-Ingram executive director, says employers withdrew from the council two years ago and it consequently became defunct Since then the focus has been on company bargaining

Is this then the beginning of a trend that will see the collapse of other industrial councils?

"Not necessarily There are two opposing forces at work Unions are generally seeking greater unity and centralisation of power They might therefore favour industrial councils even though they have regarded them as a dirty word in the past

"Employers, on the other hand, are under increasing competitive pressure They are therefore likely to reject the inefficiency of two tier bargaining arrangements that industrial councils inevitably create"

Thus more flexible and innovative industrial relations structures could start to emerge For instance, voluntary groupings of companies and unions could reach agreement on specific issues.

Sentrachem (183) justifies faith of investors

Star 26/5/89

By Ann Crotty

Sentrachem's results for financial 1989 justify the strong investor support that lifted the share price from 380c last June to a high of 850c earlier this year

Its subsequent fall to a level of 650c seems to indicate some investor concern about its ability to sustain the remarkable performance which has seen earnings per share recover from a loss of 27,3c in financial 1985 to a profit of 81,1c for the 12 months to March, from which a dividend of 25c will be paid.

As the group appears to have cleaned up most of its problem areas it can no longer be termed a recovery stock.

This means the pace of profit growth will be slower in the years ahead.

But indications from management are that shareholders can look forward to another strong performance in financial 1990

MD Johan van der Walt doesn't believe last year's 35 percent hike in earnings will be repeated in the current year, but he is looking forward to significant real growth.

Mr Van der Walt's voices his optimism, despite his belief that the economy is showing signs of cooling off.

'Sentrachem's activities are spread throughout the economy and if there is a severe downturn, we will be affected. However we have undertaken substantial investment in recent years and we will see the benefits of this as new plant comes on-stream during the current year"

In addition, management is looking closely at ways of containing costs, especially fixed costs.

Financial 1989's earnings put the share on an historic P/E rating of eight times (an earnings yield of 12,5 percent) and a dividend yield of 3,8 percent.

The sector average is 9,7 times and 4,1 percent respectively, which suggests that in the absence of any downrating of the sector and/or the market, there could be some scope for a limited advance in the share price.

Longer-term performance will hang on the health of the economy, but management has learned from the difficulties of the early eighties.

Increasingly, its strategy appears to be to target niche markets in the lighter end of the chemical industry, markets which have high barriers to entry in the form of capital intensity or technological know-how

A major element in the strategy will be to add significant value to locally sourced raw materials and pay greater attention to export opportunities.

Looking back to the 1989 figures. turnover was up 18 percent to R1,8 billion (R1,5 billion), but management says that on a comparable basis (which chiefly involves stripping out the impact of the sale of Fedmis effective from September), turnover was up by about 39 percent.

Operating income increased 19 percent to R147,7 million (R123,9 million) There was net interest income of R1,1 million, with interest income of R75,5 million more than countering interest costs.

Of the total interest income, some R46,2 million related to the R180 million advance made to the Afprene Lessor Trust.

Pre-tax income was up 42 percent to R148,8 million (R104,6 million)

Mr Van der Walt says a change in depreciation policy resulted in a R6,9 million deduction at this level. If there had been no change, the increase would have been 49 percent.

Tax took R57 million (R37,7 million) The taxed return on capital employed surged from nine percent to 15 percent.

Attributable income was up 35 percent to R93,7 million (R69,1 million) Overall performance was lifted by a general hike in capacity utilisation.

The rubber division now appears to be the only area of weakness. It has still not reached break-even, but management is budgeting for this in the current year

The impact of the Fedmis sale can be seen on the balance sheet. Fixed assets and working capital would have been higher The R230 million proceeds were used to redeem R100 million of pref shares and reduce interest-bearing debt which, in turn, contributed to the reduction in gearing from 64 percent to 47 percent.

There was capex of R200 million in and there are plans to spend a similar amount in 1990

AECI deserves its high market rating

(183)

Star 26/4/89

AECI, founded in 1924, has become one of South Africa's major industrial groups It is the leading supplier of chemicals and related products to key sectors of the economy. Major shareholders include Amic which has 40 percent of the equity and Imperial Chemical Industries Group which holds 38 percent

This sizable group, with its enormous market capitalisation of nearly R3 billion, is highly rated by the market and is included in many institutional portfolios.

In spite of its recent price correction to R19, it remains on a relatively high price-earnings ratio of 11,4, compared to the sector average of 10,3. AECI has earned its status through strong performance — over the last three years group earnings have grown at a compound rate in excess of 30 percent a year

Although AECI's business has changed considerably over the years, it has retained its predominance in the commercial explosives and accessories market. It is the main supplier of polyvinyl chloride, low density polyethylene, synthetic fibres, industrial chemicals, speciality chemicals and fertilizers The group also has a major position in the plastics conversion industries and in paints

There are seven main operating companies which are AECI—Alkali and Plastics, AECI Converters, AECI Explosives and Chemicals, AECI Paints, Chemical Services, Kynoch Fertiliser, and South African Nylon Spinners

A spokesman comments that the group does not anticipate any significant change in respective profit contributions, with AECI Chlor-Alkali and Plastics and AECI Explosives and Chemicals remaining the two biggest contributors to results in financial 1989.

Through a number of smaller subsidiaries and associates, AECI is actively exploiting marketing opportunities for specialised technology and expertise developed within the group. Although

Sharespot

LYNNE PEACH

these operations have the potential to make a substantial contribution to group earnings in the future, the spokesman does not anticipate this to be the case in the current year.

In the past financial year to December 1988, AECI's turnover grew 25 percent to exceed R4 billion. Domestic sales volumes increased by 11 percent as demand remained firm in many sectors including plastics, speciality chemicals, fibres, explosives and paints There was also a significant increase in export sales to R332 million (R251 million)

Earnings growth, after a rise in the effective tax rate, was limited to 20 percent, climbing from 138c to 165c. Due to an increase in cover, the dividend rose a lower 16 percent, from 66c to 75c.

Management has voiced its intention to gradually raise dividend cover over time in view of the continued high level of inflation and the difficulties foreseen in raising finance abroad.

The spokesman confirms that international prices of chemicals and plastics have risen and it is hoped that the firmer trend will be sustained during the current year. In addition, the spokesman envisages that export sales will continue to expand

In the longer term, AECI shareholders could benefit significantly from a major synfuel project. The group has developed a catalytic process for producing transport fuels from coal-derived methanol This advanced technology has been demonstrated on a pilot plant and is ready for commercial use

A concept for a large synthetic fuels plant based on this technology has been developed further and a Government decision on the timing of this project is expected during 1989

Van Niekerk mum on claims

(153).

DIANNA GAMES

BDay 26/5/94.

HEALTH Minister Willie Van Niekerk has not responded to expressions of lack of faith in him by the Pharmaceutical Society of SA (PSSA) or the SA Association of Retail Pharmacists (SAARP)

The PSSA last week passed a resolution expressing displeasure at the "insensitive treatment and unco-operative attitude" of Van Niekerk towards the pharmaceutical profession because of his failure to act on the question of provinces taking business from trading doctors in outlying areas

SAARP passed a motion of no confidence in him at their annual meeting earlier this year

They said he had not addressed problems created by discriminatory pricing policies of medicine manufacturers, unnecessary delays on taking action on skin lightening creams and failure to take action to curtail dispensing activities of trading doctors

A spokesman for Van Niekerk said the minister considered SAARP's call premature as he had already dealt with the matter of their complaints

He said Van Niekerk would not comment on the PSSA resolution until it had been formally communicated to him

The PSSA national executive is to discuss the resolution at its meeting next month before it can be sent to the minister

SAARP president Gary Kohn said yesterday they had heard nothing from Van Niekerk since their conference

He said it seemed government was waiting for the results of yet another commission before taking action — the Wim de Villiers Commission into the Deregulation and Privatisation of Health Services

However, a pharmaceutical delegation is to meet the Health Department's director-general next month and it was hoped it would yield some information from government's side, Kohn said

Sentrachem still on steady turn-around

(183) BDay 26/5/89

ZILLA EFRAT

CHEMICAL company Sentrachem has continued its steady turn-around from losses made in 1985 with a 35% increase in earnings for the year to March

This growth is in line with expectations, although it is still measured from a relatively low base

Attributable earnings rose to R93,7m (R69,1m) and earnings a share were up to 81,1c (59,9c) a share A dividend of 25c (20c) a share was declared, covered 3,2 times

All divisions performed well, except for Specialities, which suffered an increase in the price of one of its main raw materials

Karbochem was still performing below profitability It had been affected by natural rubber prices Sentrachem MD Johan van der Walt was confident, however, of it breaking even this year

Exports showed significant improvements in several divisions

The Fedmis sale realised R230m, well above the R175m initially expected This helped the group redeem R100m preference shares, financing R200m capital expenditure and reducing gearing to 0,47 (0,64)

Van der Walt said Sentrachem had set a target for gearing of 0,40 for the current year and a dividend cover of at least three to assist with future capital expenditure plans

About R200m would be spent on capital expenditure this year

The group would consolidate Safripol — in which it had management control — into its results in the future

The group's turnover, including shares in associates, increased 18% to R1,8bn (R1,5bn) Van der Walt said figures were not comparable with the previous year, which included the disposed of Fedmis If Fedmis was excluded, turnover rose 39%

Turnover was stronger in the second half, benefiting from NCP, Agrihold and the salt operations' strong performances as well as additional acquisitions

The group targeted to increase pretax profits — up 42% to R148,8m (R104,6m) — 50% Van der Walt said the change in

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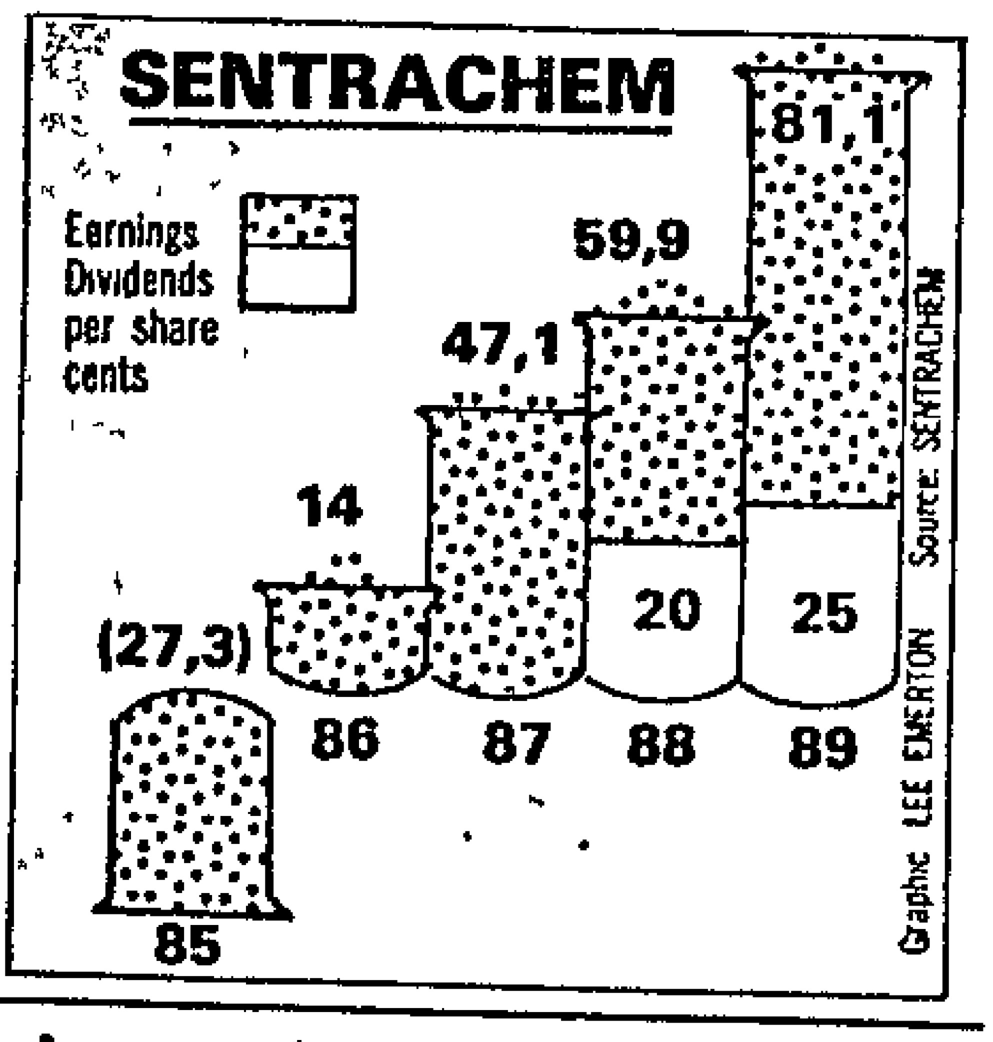

Cabinet mum on mine closures plea

CHRIS CAIRNCROSS

CAPE TOWN — The Cabinet is not yet prepared to officially indicate how it intends responding to urgent requests for more government assistance to prevent the summary closure of Rand Mines' two ailing gold producers, East Rand Proprietary Mines (ERPM) and Durban Roodepoort Deep (DRD)

It is understood the request was discussed at Wednesday morning's Cabinet meeting and at meetings between Finance Department officials and mining industry representatives at meetings in Cape Town yesterday BDay 26/5/89

No official announcement was forthcoming as Business Day went to press, and no official was prepared to make himself available to indicate what transpired at yesterday's "last ditch" meeting

However, reliable sources in Cape Town indicated there was little merit in further subsidising two mines which were patently uneconomic

It was further stressed that neither ERPM or DRD were major mines in terms of the quantities of gold produced, and in considering any application for assistance, priority should be given to distinguishing between their short-term problems and their medium- to long-term potential confirmed Strydom would be appealing against the sentence

week and postpone its Industrial Court application for the deal to be halted

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(183) BDay 26/5/89

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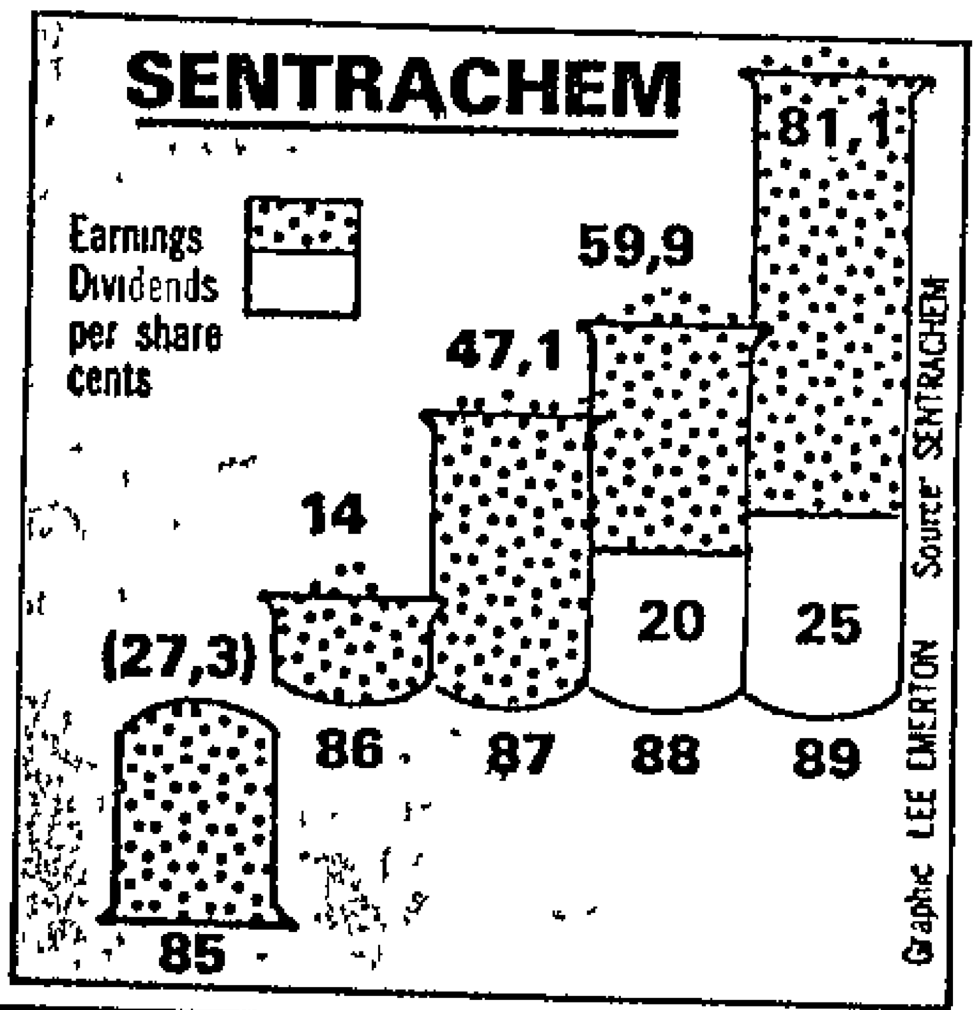


Sentrachem

(183) BDay 26/5/89

☐ From Page 1

depreciation policy resulted in a R6,9m deduction Without it, the improvement would have been around 49%

Finance charges received on other advances increased substantially because of an advance of about R180m made to the Afprene Lessor Trust in the last quarter This advance increased further in 1989 Income from this source amounted to R6,5m in 1988 and R46,2m in 1989

Van der Walt said the rapid downturn in the economy could affect Sentrachem, but the group had invested in sufficient new developments to allow it to show real growth in the year ahead

The group's thrust would be in specialised and niche areas, with higher added value and technological advancement

He cautioned that this growth might not be as high as that of the year under review

Exports would play a major role in the group's growth It had set a target to achieve exports of 15% of turnover by 1991.

Lovasz Chemicals finds right formula for profits

BDay 26/5/89 (183)

ZILLA EFRAT

LOVASZ Chemicals has achieved a 39% increase in attributable earnings for the year to February with directors confident about the year ahead

In February the Imerman family, which controls the Lovasz group, acquired Royal Beech-Nut (RBN) for R48,5m from the US-based R J R Nabisco group which disinvested from SA

The Midrand-based group distributes chemicals and related products It also manufactures and distributes pre-packed foodstuffs, speciality food additives and enzymes

Attributable profits increased to R4m (R2,9m) Earnings rose 28% to 15,1c (11,8c) a share

Expansion

A dividend of 5c (3c) a share has been declared, up 66% on the previous year and covered three times

During the year significant investments were made in the expansion of the group's manufacturing and warehousing facilities

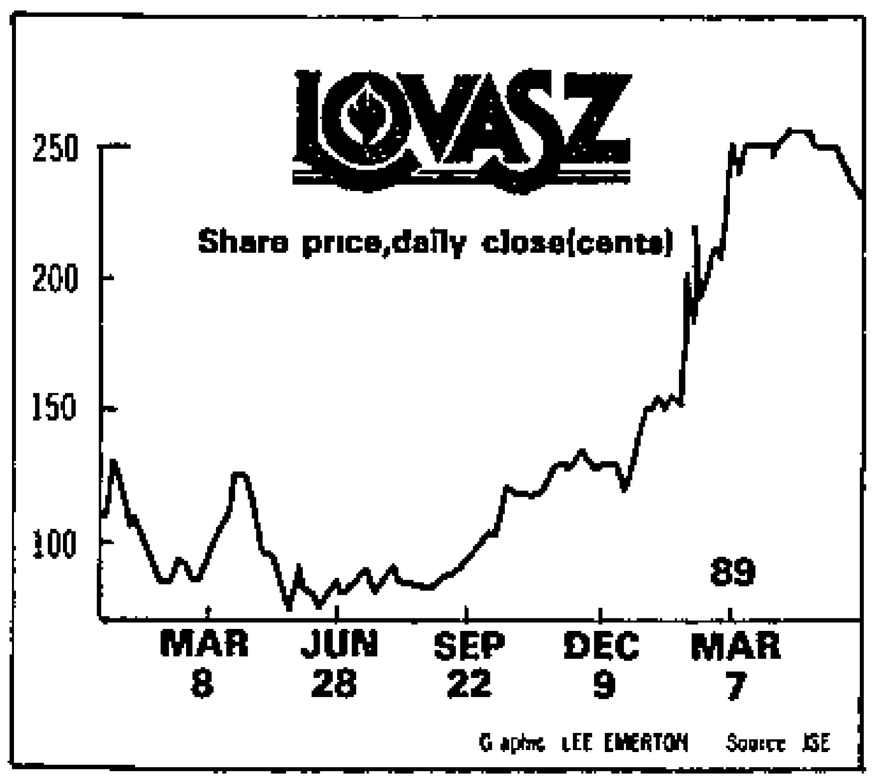
The full benefits of these investments will be felt in the current year

Lovasz has doubled the size of its main warehouse at Midrand

It also added more capacity when a new plant was commissioned by its joint venture partner Acetico Chemicals

The increased capacity will be used to exploit export opportunities

Turnover increased 42% to R63,4m (R44,6m) while volumes jumped 52% in a market that chairman Vivian Imerman



described as buoyant but intensely competitive

Operating profits rose 44% to R5,6m (R3,9m)

The interest bill — up 62% to R1,3m (R804 000) — cut into pretax profits, which increased 39% to R4,3m (R3m)

With the tax rate at 3% (5%), taxed profits were up 42,5% to R4,1m (R2,9m)

Shareholders interest in net tangible assets increased 50% to R20,1m (from 50c to 75c a share) during the year

The group is to be involved in three new JSE lisings Lovasz will be transferred to the industrial holding board under the name of Royal Beech-Nut Corporation

It will fall below a newly created pyramid company called Royal Group

The Royal Beech-Nut Corporation will control RBN, which Lovazs will acquire from the Imerman family

It will also hold Lovazs Chemicals which will take over the group's chemical manufacturing and trading interests

Acquisition

In terms of the restructuring, Lovasz has sold its subsidiary Trimpak for R5m to the new RBN It has also acquired certain product ranges from the Kellogg Group for R1m in cash

Directors say further details on the acquisition of Royal Beech-Nut will be given to shareholders soon

It is persuing opportunities to strengthen both the food and chemical interests through acquisition of companies whose parents have divested, say directors

Consumer will save if chemists 'buy better'

B/Day 29/5/94 183

System change mooted

DIANNA GAMES

PHARMACIES could not afford to discount medicine prices to medical aids unless the system was changed to allow pharmacists to "buy better" and pass the final saving to the consumer

That was the view of SA Association of Retail Pharmacists (SAARP) president Gary Kohn, who said the average net profit for a pharmacist was only 5%, and to increase discounts in this situation would be unrealistic

Kohn was responding to the possibility of increasing numbers of medical aids contracting exclusively to pharmacies in return for major discounts in the wake of MDS Mediscor's innovative discounting scheme of at least 22% of prescribed medicines

He said last year pharmacies had paid out R53m in discounts It was estimated 29% of their expenses were dispensing costs

Kohn said a pharmacist would have to be guaranteed volume if he contracted directly to a medical aid

A resolution on the discounting issue was taken at a closed session of the Pharmaceutical Society of SA (PSSA) conference this month, to be discussed at a pharmacists' meeting next week

He said medical aids working on squeezed margins obviously wanted to lower their medicine costs, which comprised 26% of the total medical aid bill Subscriptions would be unaffordable by the year 2 000 at their present rate unless the structures were changed

Mediscor GM Kosie Van Zyl said he was negotiating contracts — expected to be in operation from September — with a large number of medical aids Mediscor, established earlier this year, acts as an intermediary between medical aids and retail pharmacies to which it sub-contracts and negotiates discounts on medicines to medical aid members, starting at 22%

This is considerably higher than the average PSSA discounts of between 7% and 15% to member pharmacies Mediscor is not a member

Van Zyl said while large discounts could affect profit margins initially, this would be compensated for by the volume of business such discounts would draw "I believe in free enterprise, private initiative and competition," he said

He said a future possibility was that Mediscor would further bring down the cost of medicines by tendering its medicines directly

Van Zyl said a prescription could amount to several hundred rand, with the average price of one prescription medicine being around R70

More pressure on petrol slate

ZILLA EFRAT

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THE falling rand, coupled with escalating international fuel prices, is certain to put pressure on the petrol slate — the under- and over-recovery account used to smooth out fluctuations in the petrol price

B/Day 24/5/89

The landed cost of petrol in the second half of April increased 1,174c to 44,858c a litre against 43,684c a litre on April 15

This affected the slate From April 15 to April 30 this year, motorists in the PWV area underpaid 4,716c a litre for 93 octane petrol, a 1,174c increase from the under-recovery of 3,542c a litre on April 15

This under-recovery, with that in the prices of other octanes and controlled fuels, was debited against the slate

Fuel users have been under-paying since the start of the year, in spite of petrol price increases in January and April

In six months, the situation has moved from the over-recovery of 3,257c a litre in November to the present under-recovery of 4,716c a litre

In December, the over-recovery was 1,435c a litre, but the situation turned in January to an under-recovery position of 1,017c By March, the under-recovery was at 6,025c a litre, but this eased to 3,542c a litre by April 15

Taxed profit declines at Vadek Paints

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Vadek Paints has reported a decline in taxed profits to R1,61 million for the year to February, compared with R1,64 million for the previous financial year

However, a spokesman for the group says the principal reason for the fall in profits was the fact that certain operations were closed during the course of the year

Those operations that remained recorded an increase of 45,2 percent in turnover during the course of the year

An unchanged dividend of four cents a share has been declared

Earnings were eight cents a share

The directors are confident of a return to better profitability during the current year — Sapa er-cooled o

Gencor's energ empire takes sl

(183) Star 27/5/87

AS A visionary, every new undertaking for Mr Bernard Smith, senior general manager, special projects, Gencor, is an adventure into uncharted waters, as a realist, a challenge to create and build a bustling growth centre

With his gargantuan appetite for work, his determination and energy, one could be mistaken for thinking he has a blood relationship with the Trojans

His total devotion to every project in which he is involved, his technical brilliance and strong flair for leading from the front and his knowledge of the oil industry make him the ideal person to manage the production of oil from Mossgas and the refining and retailing of fuel through Mobil and Trek.

Before Mossgas came along, Gencor had discussions with Soekor and the Central Energy Fund about oil exploration on the South African coastline This gave rise to an agreement and it seemed logical that when the opportunity arose to participate in Mossgas that Gencor would be a partner

The company's mission is to grow its companies and find major new business opportunities. Clearly, the energy area is of these

North Sea

For some years it has been involved in a low-key way with oil exploration, mainly in the North Sea where it has an eight percent interest in the Alba field, along with most of the major oil companies.

On Mobil, there has been a lot of speculation on what Gencor paid for the company but he would "rather not comment at this stage" but only to say that when the deal is finalised he will probably be chairman

He does not consider the Mobil pull-out as disinvestment. The company had been placed in a difficult situation over the Rangle Amendment which gave rise to the fact that its assets in South Africa were not being fully utilised. The amendment had resulted in Mobil

STAN KENNEDY

having to pay tax both here and in the US

Gencor, he says, sees the synergy of acquiring Mobil It has an exploration venture with Soekor, it has a 30 percent stake in Mossgas and manages the project, and it is currently completing a feasibility study on the torbanite synthetic fuel project

"Gencor also has the major share in Trek and if you add Mobil to the refining and retailing, you start to have a useful vertically integrated energy company So acquiring Mobil makes a lot of sense"

Consolidation

"What we hope to do is to consolidate all our energy interests into one really effective company that will probably, in due course, be quoted on the stock exchange"

Mr Smith has been on a winning streak all his working life and has risen to top positions in his field at regular intervals He tends to take the long view of things and believes that hard work is the essential ingredient to anyone's success He puts determination to succeed as another

At Wits he gained a mining degree and immediately joined Randfontein Estates as a surveyor before going into mining proper and becoming a shift boss

He spent a year in Swaziland developing a coal mine from grass roots — bringing a mine to life this way is a forte of his and he has done it many times — then going down all the roads one can travel on a mine before becoming consulting engineer.

His departure from JCI in 1980 was probably the saddest day of his career He had set his sights on becoming JCI chairman when Sir Albert Robinson retired The job, however, was given to Mr Gordon Waddell and, being the same age, he quickly saw there that further promotion was out of the question

He had been executive director JCI and chairman of all its goldmining companies, as well as chairman of Rustenburg Platinum Mines

After physically looking around the world for a challenging post, he plumped for a job with BP in London as general manager, BP Coal International Ambitious, though one would hardly notice it in his phlegmatic and relaxed manner, he saw that the incumbent chairman would not stay too long after BP acquired Selection Trust In 1982, he took over as managing director and chief executive of BP Minerals International

Excitement, almost euphoria, grips him when he sets about a new mining venture from scratch

"It is just incredible to see what a major mine can do in an isolated area There are new work opportunities, people become trained in skills they would otherwise not have learned and buildings and shops go up all over the place It becomes a hive of activity where once it was desolate and the people's quality of life is enhanced"

Strategic thinking

His experience with BP and his exposure to the type of strategic thinking that goes into such a company and the way it handles and develops situations was a great learning experience for him

While he has been the architect of many mines and projects in South Africa, he never dwells on his achievements What does absorb his time and thoughts are the things in front of him, the things still to be done

He is an optimist and believes that coupled with drive it can carry one through difficult times or generate opportunities that might not be identified by a realist

No sooner does one take the eggs away from the hen than it starts laying again In a similar way, the completion of one project means the start of another for Mr Smith


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