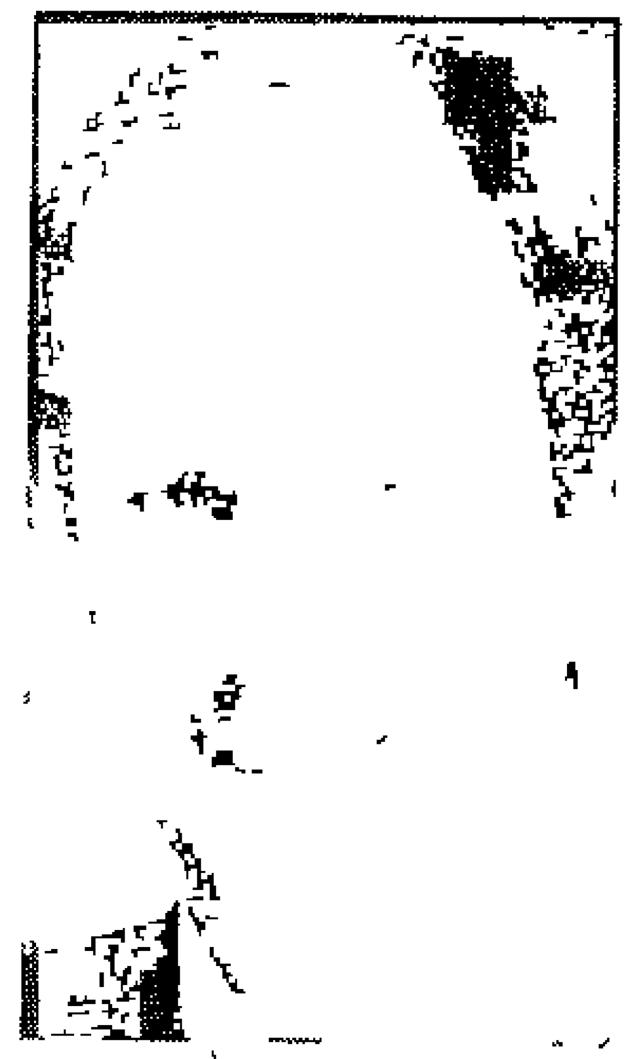
MANUFACTURING – CHEMICAL PRODUCTS

1993



# BP Africa moves head office to city

(183) CT 7/7/93

**Own Correspondent**

ONE of the world's largest oil companies has moved its Africa head office from London to Cape Town to provide a more efficient service to countries in southern and central Africa

John Greensmith, MD of BP Africa, said his company was moving its service functions in preparation for South Africa's re-integration into Africa

The move underlined the increasing ties between the eight African countries that it serviced

BP Africa's registered headquarters will remain in London, but support services will now be based in Cape Town.

BP Africa administers 397 service stations and 50 depots in Kenya, Tanzania, Rwanda, Burundi, Malawi, Mozambique, Zambia and Zimbabwe

Greensmith said the move would "provide marketing and involve co-operation on schemes such as BP Southern Africa's fuel-card system, which has been introduced in Zimbabwe, Malawi and Zambia. — Reuter

# Mossgas cracker project is no longer viable, partners say

BiDay 8/7/93

EDWARD WEST

TWO of the three partners who originally mooted the R6bn development of a gas cracker at Mossgas now believe the project to be unworkable due to a global glut, industry sources said at the weekend.

The three original proponents of the project to produce ethylene and propylene from a gas cracker utilising gas from the Mossgas project were AECI, Engen and Sentrachem.

An AECI spokesman said the group now believed the project was not viable due to the cost, uncertainty regarding additional gas reserves at Mossgas and depressed chemical prices worldwide

(183)

Industry sources said at the weekend that another factor which cast doubt over the project was the new joint venture between AECI and Sasol The groups recently announced they were to merge their plastics interests into a R2,5bn joint venture company which would consume about 40 000 tons of Sasol's annual ethylene production of 400 000 tons

AECI said because it believed the gas cracker to be unworkable, it had subsequently sought new ethylene sources which were readily available from Sasol

Engen MD Rob Angel said the group took a longer term view than other partners on the gas cracker project. Demand for downstream chemical derivatives did not justify the cost of the project until at least the late '90's when the project's viability could be reassessed, he said.

Sentrachem directors refused to comment. However, reports in April said the group still saw merit in the project provided gas reserves proved adequate.

Industry sources said the proposed Mossgas gas cracker could be more cost efficient than the naptha crackers used traditionally by other world producers.

Recent reports suggested that Sentrachem believed that although forecast world capacity of 82,5-million tons could outstrip demand by 25-million tons by 1996, the closure of less efficient naptha crackers would reduce this imbalance.

Sasol spokesmen said Sentrachem had made representations to the group about the possibility of investing in the project. However, not only did Sasol have surplus ethylene capacity, but it did not believe the timing right to make the project viable.

# Del Monte Royal Corporation Limited

FM 9\7\93

("Delcorp")
(Formerly Royal Corporation Limited)
(Reg No 84/09968/06)
(Incorporated in the Republic of South Africa)

(183)

GROUP INTERIM REPORT TO SHAREHOLDERS SIX MONTHS ENDED 28 MAY 1993

## Abridged Consolidated Income Statements

| | Unaudited 6 months to 28 May 1993 R000's | Audited 15 months to 30 November 1992 R000's |
|---|---|---|
| Turnover | 748 816 | 608 735 |
| Operating income before interest and taxation | 130 310 | 76 412 |
| Interest paid | 21 955 | 15 033 |
| Net income before taxation | 108 355 | 61 739 |
| Taxation | 21 342 | 6 272 |
| Net income after taxation | 87 013 | 55 107 |
| Outside shareholders' share of net income | 47 419 | 19 019 |
| Preference dividend paid by subsidiaries | 743 | 3 814 |
| Earnings attributable to ordinary shareholders | 38 851 | 32 274 |
| Extraordinary items | | (833) |
| Net income after extraordinary items attributable to ordinary shareholders | 38 851 | 31 441 |
| Dividend | 12 872 | 12 187 |
| Retained income | 25 979 | 19 254 |
| Earnings per ordinary share (cents) | 24,5 | 47,4 |
| Dividend per ordinary share (cents) | 8,1 | 17,8 |
| Shares in issue (000's) | 158 913 | 68,540 |

## Abridged Consolidated Balance Sheets

| | Unaudited 28 May 1993 R000's | Audited 30 November 1992 R000's |
|---|---|---|
| **Capital employed** | | |
| Shareholders' interest | 2 477 104 | 309 206 |
| Ordinary shareholders | 1 111 255 | 194 729 |
| Outside shareholders | 1 365 849 | 114 477 |
| Deferred taxation | 12 298 | 12 460 |
| Net debt funding | 456 125 | 129 933 |
| Non interest bearing liabilities | 540 371 | 158 625 |
| Total funds employed | 3 485 898 | 610 224 |
| **Employed as follows** | | |
| Fixed assets, Trade Marks and Brand Names | 2 495 579 | 325 089 |
| Investments and other assets | 87 212 | 743 |
| Current assets | 903 107 | 284 392 |
| Total assets | 3 485 898 | 610 224 |
| Debt to equity % | 18,4 | 42 |

**GROUP RESULTS**
Earnings of 24 5 cents per share for the period under review were achieved
Given the fundamental changes which have occurred within the Group since the publication of the last interim report the Group's six months results to the end of May 1992 are not comparable and have not been presented
The Company's investments comprise a 44,4% shareholding in Del Monte Royal Foods Limited ("Delfood") and a 57 8% shareholding in Roychem Limited ("Roychem") the results of which are commented upon below

**FINANCIAL POSITION**
As a result of the share placing undertaken to finance the purchase of Del Monte Foods International Limited ("DMFI") the Group balance sheet has changed significantly Fixed assets include the value attributed to brand names and trade marks inclusive of the financial rand premium relating to the purchase of DMFI
Ordinary shareholders funds have increased from R194 7m at 30 November 1992 to R1111 3m at 28 May 1993
The Group's net interest bearing debt has increased from R129,9m at 30 November 1992 to R456 1m at 28 May 1993 primarily as a result of DMFI's working capital requirements This represents a debt equity ratio of 18 4% (42% at 30 November 1992) and reflects peak seasonal working capital requirements at this time of the year
The net asset value per ordinary share has risen from 284 cents at 30 November 1992 to 699 cents at 28 May 1993

**TAXATION**
The introduction of STC will not have a material effect on the overall taxation charge as the Group pays the majority of its dividends from foreign earnings It is anticipated that the Group's effective tax rate (inclusive of STC) will not exceed 20% for the year

**DIVIDEND**
A dividend of 8,1 cents per share in respect of the six months ended 28 May 1993 has been declared to shareholders registered at the close of business on 30 July 1993 and will be paid on or about 3 September 1993 Non resident shareholders tax at the applicable rate will be deducted from dividends payable to shareholders whose addresses in the register of members are outside the Republic of South Africa

**PROSPECTS**
Although the UK economy is showing signs of recovery, it is likely that trading will remain difficult in all DMFI's markets for the remainder of the year In South Africa prospects depend on political progress, improving business confidence and consumer demand
Despite these difficulties and given no further deterioration in our markets management remain confident that the contribution from Delfood to the Group's earnings will remain at the level previously forecast As referred to below the final effect of the disposals of Roychem's businesses can only be quantified at the conclusion of the Ferro Industrial Products sale Nevertheless the directors do not expect that the disposal of Roychem's businesses will have a material effect on previously forecast Group earnings of 62 5 cents per share for this financial year

**DEL MONTE ROYAL FOODS LIMITED ("DELFOOD")**
The six months to 28 May 1993 incorporate for the first time the results of Del Monte Foods International Limited ("DMFI") which was acquired with effect from 1 December 1992 DMFI is Delfood's principal operating subsidiary
Delfood's turnover is behind budget but the maintenance of margins and tight control of working capital and expenses coupled with lower finance charges have resulted in earnings of R82 2m (24 1 cents per share) which are in line with the budget for the six month period Owing to the seasonality of the European markets Delfood as presently constituted achieves between thirty and forty percent of its earnings in the first six months of the financial year
Markets for Delfood's products have generally softened during the period under review both in Europe and South Africa DMFI's turnover was affected by recessionary conditions in Europe where increased unemployment adversely impacted on consumer demand DMFI's overall share of the market has however held steady and has improved in those sectors of the market where it holds leadership positions
In South Africa trading conditions remained difficult with softening consumer demand in several product categories coupled with disruptions to distribution and manufacturing as a result of stay-aways A positive aspect was the strong showing of some of our traditional brands and the successful launch of Mars products

**ROYCHEM LIMITED ("ROYCHEM")**
**EARNINGS**
Earnings of 8,3 cents per share were achieved for the period under review

**DISPOSAL OF THE ROYCHEM BUSINESSES**
Shareholders' attention is drawn to the joint announcement dated 11 June 1993 in which it was announced that the Group had decided to focus on its food related interests and had therefore resolved to dispose of the chemical and pharmaceutical interests represented in Roychem
Furthermore it was announced that agreement had been reached to dispose of the chemical distribution, agency and analytics business of Holpro Lovasz and M&T Chemicals to Chemical Services Limited with effect from 1 June 1993 for approximately R27m cash, based on the net asset value of the business at 31 May 1993
A further announcement was made on 25 June 1993 that the business of Laser Pharmaceuticals was sold to the Premier Pharmaceutical Company Limited with effect from 28 June 1993 for approximately R35m cash
Negotiations are in progress to dispose of the Ferro Industrial Products business

By order of the board
G S Katzeff – Group secretary
5 July 1993

**Registered Office** 161 Rivonia Road Morningside, Sandton 2146
**Transfer Secretaries** Central Registrars Limited 3rd Floor, 154 Market Street, Johannesburg 2001

FM 9/7/93.

ROYCHEM

183

## Royals on auction

**With only** Ferro Industrial Products remaining, the break-up and disposal of Roychem, 58%-subsidiary of recently formed Del Monte Royal (Delcorp), is just about done Delcorp indicated late last year that it would concentrate on food-related interests, that meant getting rid of chemical and pharmaceutical investments held by Roychem

It hasn't wasted much time This month Laser Pharmaceuticals was sold to Prempharm for about R35m cash Two weeks before, the Holpro-Lovasz and M&T Chemicals businesses were sold to AECI's Chemical Services for R27m

Ferro, which operates in speciality plastics, coatings, colours and ceramics, will probably go soon BOE Merchant Bank GM Bobby Favish says discussions are under way with certain parties on its sale

It's perhaps indicative of the indifference of Delcorp and the Imerman family, now living abroad, towards Roychem that they seem content to let a merchant bank negotiate the disposal of the business

cont



FOX FM 9/7/93

183

For Prempharm, Laser will form the nucleus of a fourth pharmaceutical division Chief financial officer Hymie Shapiro says Laser will be combined with its recent acquisition of Leppin interests, as well as complementary products from Prempharm, in effect forming an over-the-counter division

"Laser's impact on earnings won't be significant, but it will increase our presence in the pharmaceutical market," says Shapiro

Prempharm is still sitting on a considerable cash pile of about R115m after recent acquisitions, and will keep looking for further investments in pharmaceutical or consumer products

Favish says it's not been decided how the proceeds will be distributed to shareholders when the Ferro sale is concluded That should be the largest part of the disposal — acquired early in 1991 for R38m, it has been Roychem's biggest profit generator

*Shaun Harris*

**BUSINESS** You can't keep a good man down • Opportunity to choose various accounts

# Our latest entrepreneur

Sowetan 9/7/93

Sanlam 75

**Mr Manase Shole is the *Sowetan*-Sanlam Entrepreneur of the Month for June.**

## TOUGH JOB Hopes he'll win final of this prestigious competition:

**By Joshua Raboroko**

INNOVATIVE managing director of Soweto-based Medicos Black Hair Manufacturing Products Mr Manase Shole is the winner of the *Sowetan*-Sanlam Entrepreneur Competition for the month of June

By winning the competition, Shole qualifies for the final contest at the end of the year.

He was judged against Mr Stan Mkhabela of Essence Laboratories, Mr Dane Lekalakala of Calichem Toilet Products and Mr Bongani Mguni of Black Image. (183)

Their success stories were published in *Sowetan* during June

The contest, which started three years ago, is part of the *Sowetan* Nation Building campaign aimed at developing the spirit of entrepreneurship among the township folks Excited Shole said he was happy to be the winner, the first in any competition in his life

"I am also happy to the associated with the Nation Building project "

Sanlam's public affairs manager, Mr Fanie Terblanche, said it was difficult to choose the winner

One of the pioneers of the black hair industry, Shole has been in the business for more than a decade. He was involved in the launch of South Africa's first black hair salon His salon, Lumoman, catered for people nationally as there was no other at the time

Later he moved into the distribution of American hair care products He was let down by manufacturers This led him to start his own manufacturing plant near Orlando West industrial park

# Another fuel price increase expected

CT 10/7/93 (183)

By ANTHONY JOHNSON
Political Correspondent

SOUTH AFRICA's battered consumers can brace themselves for yet another general fuel hike – the third in nine months

The Automobile Association believes the price could go up 25c/ℓ this year

Mineral and Energy Affairs Minister Mr George Bartlett warned yesterday that another fuel price rise would be unavoidable "in the near future" if there was not a big increase in the value of the rand or a fall in the cost of fuel imports

He said the fuel price hikes in October last year and April this year had not taken account of "full unit under-recoveries" and that less than the actual required fuel price increases were passed on to consumers

The remaining under-recoveries had been financed from the Equalisation Fund, which had now reached the point where it was "being drained at a considerable rate" and would "not be able to sustain this withdrawal rate for much longer"

He said lower international market prices of refined petrol products since October 1992 were offset by a steady worsening of the rand/dollar exchange rate

The AA said that because of "dis-economies" in the oil industry (including R70 million in tariff protection and R10m in compensation paid to oil companies per year), increases of about 25c a litre could be expected this year

"The AA maintains that the only way to ensure the lowest possible pump price is to allow market forces to operate."

Star 10/7/93

# Fuel price increase 'unavoidable' – Bartlett

(183)

DURBAN — A petrol and diesel price increase will be "unavoidable" soon unless the value of the rand improves, Mineral and Energy Affairs Minister George Bartlett warned yesterday

He did not say how severe the increase might be, but indications are that petrol will rise by at least 5 cents a litre, while the Automobile Association (AA) has warned of a 25 cents a litre increase during 1993

Bartlett said the Equalisation Fund had been drained by R1,3 million since July last year in a bid to stave off pump price increases The fund is intended to stablise the effects of fluctuating dollar/rand rates and international fuel prices

The AA has expressed "disappointment" with the announcement, and called for the oil industry to be regulated so that market forces dictate the price of fuel — Own Correspondent

# AA not happy with price-hike

THE Automobile Association on Friday expressed disappointment with the government's suggestion that another fuel price hike was likely in the near future CIPress 11/9/93

"We are concerned that motoring has been pushed beyond the reach of the majority of people in a country where public transport is hopelessly inadequate," they said (183)

# Motor industry dismayed by warning of higher fuel price

BDay 12/7/93

Own Correspondent

PORT ELIZABETH — Energy Affairs Minister George Bartlett's warning that a fuel price rise could be unavoidable has been greeted with dismay by the country's leading motor manufacturers

Volkswagen's marketing planning manager Neil Bruton said: "This is the worst time for something like this in the SA economy It will affect the cost of motoring and will affect the demand for cars."

A Delta spokesman said: "Delta would be disappointed with any increase in the price of fuel at a time when we have just begun to see the first signs of a 'bottoming out' of the economy and some indication of a revival in the new vehicle market

"An increase in the price of diesel fuel would be particularly disconcerting as it would impact negatively on commercial vehicle sales which are already substantially reduced"

In his statement on Friday, Bartlett said the equalisation fund, which is used to stabilise the fuel price, was being drained at a rate it could not sustain for much longer (183)

He said the fund's monthly R90m income was being dwarfed by outflows of R80m to finance fuel under-recoveries, R70m for tariff protection and R10m for the synthetic fuel levy

"With a projected balance in the equalisation fund of R375m at the end of June — excluding R100m contingency reserves — the fund will not be able to sustain this withdrawal rate for much longer," he said

Decreases in the international prices of refined petroleum products since October were offset by a steady worsening of the rand/dollar exchange rate

EDWARD WEST reports that an National Energy Council spokesman said the unit underrecovery on fuel (the cost of fuel funded by the equalisation fund) was 6,5c/l on Friday, slightly lower than 7,2c/l on June 30 due to Mobil Oil and Shell Oil lowering their international refinery prices in Singapore

The spokesman said if BP and Caltex lowered their prices in Bahrain, the under recovery could fall below 5c/l

Econometrix economist Tony Twine said the bright spot on the horizon for fuel prices was Iraq's likely re-admittance to the global oil market

Oil prices last week breached $17 a barrel from $18,50-$19 dollars a barrel two weeks ago Oil industry pundits forecast the fall to continue to up to $13 a barrel, said Twine

B1Day 14/7/93

# Fuel price plea

ADRIAN HADLAND

A FUEL price increase should be delayed as long as possible, Consumer Council executive director Jan Cronjé said yesterday

Millions of people, many joblesss, would find it even more difficult to make ends meet with the ripple effect of a fuel price increase

"Considering that relatively low cost fuel is now freely available on the open market, and that the local fuel price contains a tax component of almost 50%, consumers will not readily accept another price hike"

# Petronet depot opened

MARIANNE MERTEN

TRANSNET MD Anton Moolman officially opened Petronet's first distribution depot at Tarlton, near Krugersdorp, yesterday. BDay

The facility is part of a R123m project to extend Petronet's petroleum product pipeline from Langlaagte to Rustenburg.

"If distribution depots of this nature are of value to the SA industry, then Petronet will consider constructing similar facilities elsewhere," Moolman said.

Moolman denied Petronet was a monopoly which charged "astronomically high tariffs". 15/7/93

He also said moves towards deregulation were inevitable, but this should happen gradually. (183)

Star 15/7/93

# No decision on petrol price

No decision on an increase in the petrol price has been taken yet, but Energy Affairs Minister George Bartlett will apply his mind to the matter when he returns next week from a holiday in the US, his department said yesterday. The price is expected to rise by at least 5c a litre At present the price is 164c a litre for premium and 168c for hi-octane — Own Correspondent.

183

# BP pivots service on the Cape

SI Times (Buss) 18/7/93 (183)

By DON ROBERTSON

THE decision to move BP Africa's support services division from London to Cape Town could lead to SA becoming a major supplier of products to Africa

The Cape Town division is now responsible for trading and supply, human resources, training, marketing, control and distribution in Keyna, Tanzania, Rwanda, Burundi, Malawi, Mozambique, Zambia and Zimbabwe with functions such as

John Withey, manager of marketing and control of BP Africa, says "We would like to supply these associates with products from the most economical source"

Some products, such as lubricants, have been supplied from SA in the past With the easing of the political situation, more products could be supplied from SA

Managing director John Greensmith says "This is a pratical move, underlining the increasing ties between the countries of BP Africa and BP Southern Africa"

The decision to move operations followed the sale of BP's interests in West Africa and the rationalisation of the Africa office in London. The support group has been trimed from a staff of 40 to eight in Cape Town

It will improve on its response time and efficiency in dealing with its associates The associates operate independently and meet each quarter.

The closer ties that are likely to be forged between the various countries could result in an extension of the use of the BP Fuelcard It allows truck operators to charge BP for fuel, lubricants, meals and minor repairs, and eliminates the need for drivers to carry cash Central bank aproval for the card has been granted in Zimbabwe, Malawi and Zambia

There will be other opportunities for BP Africa, including the purchasing power for goods and services

S Times (Buss) 18/7/93

# SA joins world drive for new medicines

By CHERILYN IRETON

INTERNATIONAL pharmaceutical groups are breathing fresh purpose into the South African medical research fraternity (183)

In the past few months millions of rands have been pledged for basic research projects, giving scientists the chance to take part in ground-breaking investigations in the search for new drugs

Large committments have been secured from two international groups, Glaxo and Burli-Med Glaxo is looking for ways to combat tuberculosis (TB) and Burli-Med is using SA scientists to try to develop a male contraceptive pill

The untapped academic expertise available, the relatively sophisticated research facilities and the extremes in society make SA an ideal place for primary research, says Glaxo medical director Peter Moore

"It is also a good place to get your money's worth," says a researcher from the Medical Research Council

Glaxo will spend R30-million in the next five years as part of an effort between SA and UK scientists and researchers to combat the growing global problem of TB

Burli Med has given R1,2-million to the Tygerberg hospital Chief executive Gert Hoogland says the money is for research on a male contraceptive

"Tygerberg has a good reputation and in-house experience in this field It is not a subject that is extensively researched around the world"

Some of the highest rates of TB in the world have been recorded in the Western Cape But TB is no longer confined to Third World environments A doctor in Johannesburg's northern suburbs was shocked recently when one of his wealthy white patients contracted the disease

The World Health Organisation estimates that one in three people is infected with the mycobacterium tuberculosis Most remain carriers, but an increasing number of people whose immune systems are damaged are contracting the disease

Dr Moore says "There is definitely an increasing incidence of TB due to AIDS TB is the biggest single cause of death among people infected with HIV

"There is also growing evidence that the disease is spreading among the homeless, elderly and children Evidence shows an increase in the incidence of TB in the coloured population, where there are rising malnuturition and alcoholism"

One of the factors leading to the resurgence of TB has been the emergence of multi-drug-resistant strains Doctors believe this is largely due to patients failing to complete courses of treatment

Glaxo has traditionally been responsible for developing sophisticated, expensive products, such as its its ulcer cure Ranitidine, a top seller in First World countries, and its recently released Sumatriptan migraine treatment

Dr Moore says the company was concerned about not doing anything for Third World countries He put the idea of collaborative research into TB to the group's London headquarters a year ago

Glaxo's budget is £10-million and a third of the research will take place in the UK

In SA the funds will go to the cost of equipment and the salaries of between 30 and 40 scientists

The research involves three separate studies The first group will look at the the molecular biology of the bacillus and the second team will concentrate on immunology and why some people are carriers and not sufferes

Group three will set up a culture bank in Pretoria at which all known strains of the TB bacillus will be grown The strains will be used by the UK researchers as well

Glaxo has invited academic institutions to apply for funding if peripheral research projects dovetail with the main investigation

The findings will be pooled

TB can attack many parts of the body, including the brain, bone and joints Most often it affects the lungs

It is transmitted by inhaling droplets containing bacteria, so infection tends to spread among people living or working together

Symptoms of the disease include tiredeness, fever, weight loss and an insidious cough, in which blood is often brought up Left untreated, the bacteria gradually eat away surrounding tissue does not react with its con- its fifth glass factory at Consol glass factories. SA to do so

# Taking advantage of opportunities keeps firms ahead

BDay 19/7/93 (183)

THE plastic packaging industry had an unmemorable year as low consumer demand resulted in pressure on volumes

But there are many opportunities for plastics, even in relatively quiet times, and plastic packaging manufacturers are focusing on improving market share and on taking advantage of opportunities like substitution, which has opened up new markets for their products

One of the major players in this market is Consol Plastics, which was formed in 1962 when Consol bought Pretoria Industrial Plastics and relocated it to Wadeville

Divisions include the blown containers division, which specialises in packaging for laundry additives and detergents, motor oils and additives, food packaging, pharmaceuticals and cosmetics, and a variety of closures

The beverage packaging division produces packaging for carbonated soft drinks and mineral waters, long life fruit juices and related closures

MD Tony Jansen says packaging has, for the first year in a long time, suffered equally with other industries

Although the past year has been difficult in terms of demand for its products, Jansen says Consol Plastics had seen the downturn coming and had taken steps to curtail costs and increase productivity, and it had not relied on organic growth

Despite the current conditions, there are still many opportunities within the industry, and Jansen says he is positive about substitution opportunities

The bottles and closures industry has grown by substitution, and is taking over from glass and tin in some areas, especially with lower price inputs

## Expanding

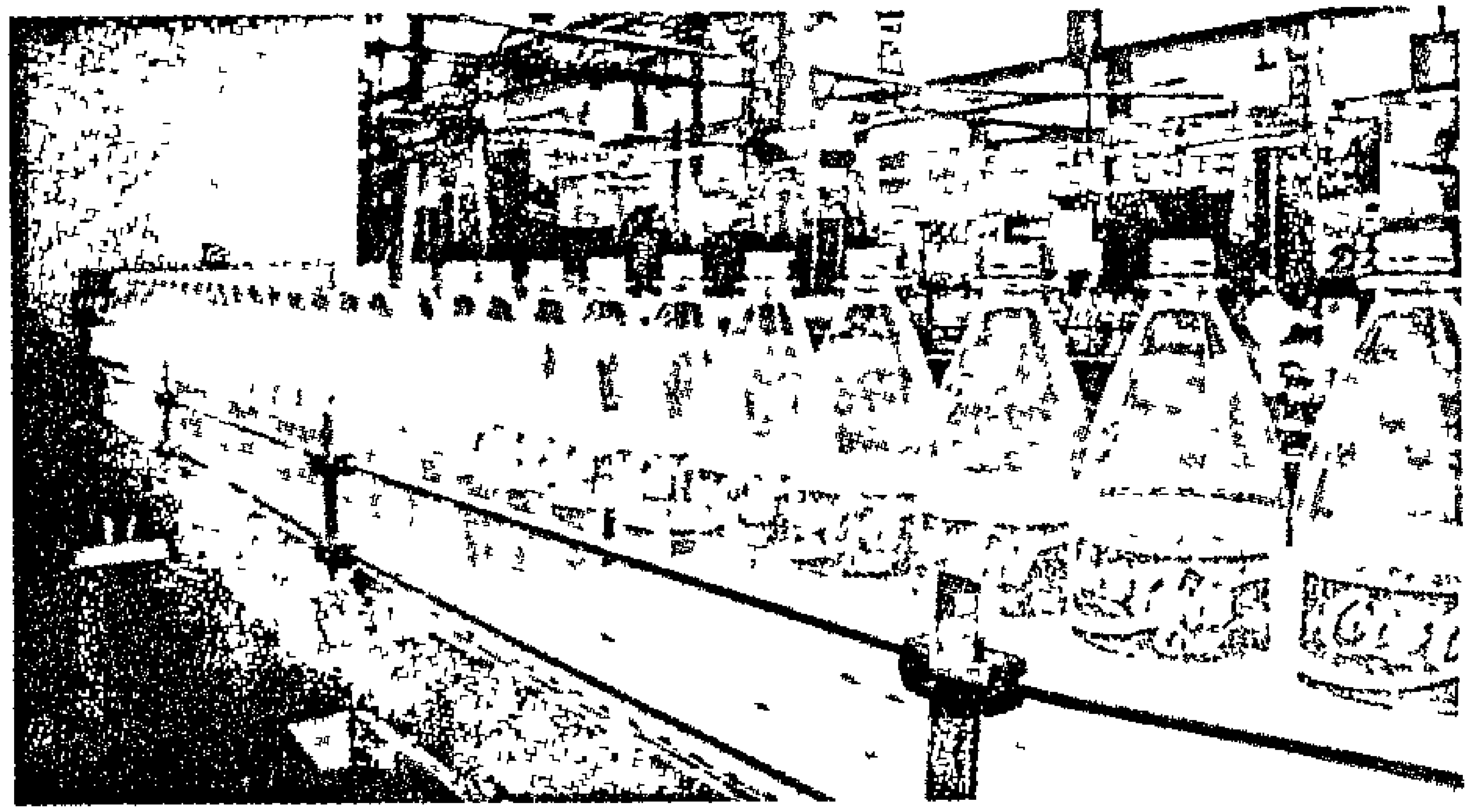
Consol is committed to expanding the operation of the high value-added flexible packaging market, largely for snack foods and counter lines

Currently, its major area of penetration is in beverages, healthcare, household goods and some foods

Jansen says an area of concern is strong price pressure from the buyers of packaging manufacturers' products, and this price consciousness has put pressure on quality in the industry But most of the major players have quality of world standards

Over the years, the industry is becoming more capital intensive, and the barriers to entry are real

Opportunities for exports are few, but there are opportunities in the flexible area and in healthcare and closures He says SA is protected against imports, and this has provided a boost for local industry



Consol Plastics' 1,5l container production line.

# Bottle banks help to clean up the country

BDay 19/7/93

SA's major glass manufacturers, Consol and MB Glass, together collect about 20% of annual glass production through bottle banks

The Glass Recycling Association, set up by the two companies, has more than 1 000 bottle banks in 70 towns and cities in SA and Namibia

Association spokesman Ken Ensor-Smith says glass recycling is one of the industry's major contributions to a cleaner and safer environment "Recycling glass conserves non-renewable resources and saves energy in glass production, as its use enables furnaces to operate at lower temperatures"

But Ensor-Smith says a relatively small proportion of all glass recovered is done so through bottle banks, so they have enormous potential

In the year to October, the association collected about 7 000 tons of cullet, which is broken glass, bottles and jars This tonnage did not have to be handled by municipal authorities, and meant a real saving of R1,1m for ratepayers.

By diverting glass back to the industry for re-use, ratepayers save more than R150 a ton in disposal costs, refuse sites save space, recycled glass saves energy in the melting process, raw materials are conserved and jobs are created in collection and handling, Ensor-Smith says

Companies using glass packaging have been asked to sponsor bottle banks in public places, and they receive payment for tons of glass generated

With glass recovery now at more than 20%, 91 000 tons are being redirected from landfill sites at a saving of R14,6m Ratepayers save money in disposal costs, refuse sites save space, use of recycled glass saves energy and manufacturers save raw materials

# SA firms active in environmental schemes

BDay 19/7/93

MANUFACTURERS in the paper, packaging, plastics and printing industries are making a concerted effort to tackle environmental issues because of the long-term problems that could evolve if nothing is done about collecting waste and re-using it

Paper and pulp producers Sappi and Mondi have made significant inroads into paper collection and paper recycling in SA

Sappi has been involved in the waste paper industry for about 20 years Sappi Waste Paper, as it has been known for the past 13 years, has collected 600 000 tons of waste paper so far this year

Sappi says a 33% collection level of all paper consumed is recovered Its projected recovery rate by the year 2020 is 45%, but it believes this will be achieved sooner

Sappi is also the first company to produce 100% recycled printing and writing paper at its Adamis mill The first grade paper, called Reviva, is made from recycled paper collected by Sappi Waste Paper

Sappi says more than 600 000 children are involved in collecting waste from homes and schools

Mondi recently extended its Paper Pick-up free paper collection service to Johannesburg Unlike bottle and can collection, where the public is paid to hand in items for collection, householders who leave their used newspapers and magazines receive no payment. But money is given to city councils to donate funds to charity.

# Major players weather recessionary conditions

B/Day 19/7/93

(183)

(1911)

SA's multibillion-rand paper, plastics and packaging industries have not been immune to the recession, but most companies in these industries, which operate in markets that are linked to consumer spending, have managed to increase their profits and export volumes

Local demand remains subdued, yet the industries have continued to prosper by improving quality, tightening costs and increasing export drives

The paper, glass, metal and plastics packaging market has experienced significant pressure on volumes and margins over the past year But the major players, which include Nampak, Holdains and Consol, have improved by turning their focus towards asset management and tight cost controls Significant investment in expansion and upgrading plant has also placed them in a position to weather the weak trading conditions

Packaging, which has traditionally grown at a rate faster than the growth in GDP, has not been able to sustain its growth in the past year This was largely because of the decline in consumption of beer, soft drinks and other consumer products

Packaging groups are, to a large extent, reliant on sales of consumer products, as a significant proportion of packaging sales relates to food and beverages Beer and soft drink volumes, which showed buoyant increases in the past decade, are currently showing no growth Retail sales have declined in real terms for most of the past year.

## Declining

Many companies operating in the packaging sector were also affected by price cutting as firms tried to increase share in a declining market

Most have forecast that trading will remain difficult for the remainder of the year as consumer spending and consumption remains at a low ebb But various measures taken in anticipation of the downturn should enable them to maintain earnings off little or no volume growth

Share prices have also held up well, and many of the major packaging groups sit with significant cash piles The problem is how to spend the money

Major paper manufacturers Sappi and Mondi have made significant acquisitions overseas, but it is not that easy for the packaging firms Exports of unfilled products are difficult, although filled containers are obviously exported by their clients Some have previously hinted at offshore acquisitions, but recent Reserve Bank actions with regard to finrand deals could put a damper on these plans (183)

Despite these factors, Barlow Rand's packaging group Nampak overcame lower volumes and recessionary conditions to post a 23% rise in attributable earnings in the six months to end-March Nampak said this was achieved largely through aggressive attention to production and financial efficiencies, and help from the new company tax rate Bevcan, Foodcan, the carton and sack divisions, liquid packaging and flexible packaging improved profits

Reduced demand in the soft drink industry saw the plastics division report a lower profit The paper and printing divisions also dropped operating profit

In the half year to end-February, Malbak subsidiary Holdains lifted its earnings 6% despite tough competitive conditions and reduced consumer spending Beverage can operation Crown Cork, in which Holdains recently acquired a significant stake, improved profitability, as did Holdains Plastics The Kohler paper division marginally increased its contribution, while Graphtec paper merchanting maintained earnings

## Increased

Anglovaal subsidiary Consol increased earnings 7% in the six months to end-December, largely because of good results from its rubber interests

Industry sources said the coming year would be characterised by pressure on volumes and increased competition between the major players for market share It is believed that Nampak, Holdains and Consol have about 60% of the market between them

# Worst decline in decade for Sondor

B Day 28/7/93

MZIWAKHE HLANGANI

RUBBER and plastics manufacturer and converter Sondor Industries is budgeting for a moderate increase in pre-tax income in the coming year, with additional benefit from the lower tax rate, chairman Sonny Goldman said in the annual report covering the year to March 1993. (182)

He said the group had experienced the worst decline in the past decade, and with political uncertainty and mass unemployment, it was difficult to attain targets

A 17% increase in sales was mainly attributable to the incorporation of a full year's trading in the tapes division

Sondor's in-house capability to expand polyethylenes and vinyl acetates manufacture were now well established and were pursuing new outlets, where its range of products was readily accepted

Goldman said the tapes division had been integrated with the group's major centres since last April In addition to recent acquisition of the Nashua tape franchise, the group acquired the franchise for the wellknown Anchor tapes.

The company planned to register its own brand name for a range of specialised tapes and an increased contribution from the tape division was expected in the current year

The company showed a 12% rise in earnings a share to 11,94c (10,69c).

A final distribution of 12,5c a debenture was declared

# Chemserve reports an earnings rise of 31%

DUMA GQUBULE

SPECIALTY chemicals group Chemical Services (Chemserve) posted a 31% increase in attributable earnings to R10,8m for the half-year to end-June from R8,2m in the same period last year

This translated into earnings of 169c (132c) a share, from which a 60c (53c) dividend a share was declared

The results represent a quick turnaround for the AECI subsidiary, which last year suffered its first earnings decline in a decade because of a slump in demand and increased pressure on margins

Chairman Mike Sander said most group operations had performed satisfactorily, although the trading environment remained uncertain and depressed

Benefits of structural changes introduced towards the end of last year had become evident, contributing towards a modest improvement in operating margins

B I Day 20/7/93

Chemserve directors were confident the company would meet its forecasts and increase full year earnings by 19% to 380c (319c) a share

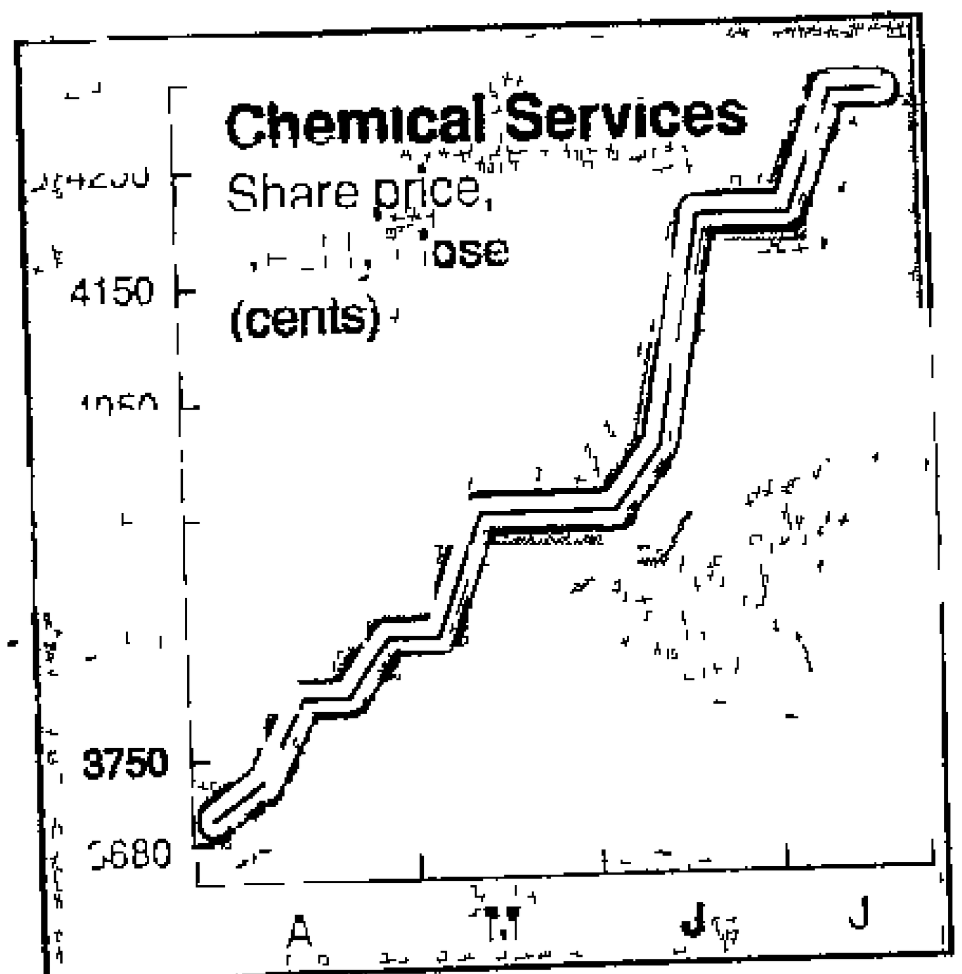
Turnover was up a fifth to R245,2m (R204,8m) and trading profit rose 22% to R23,8m (R19,4m)

Finance costs were slashed by nearly a half to R1,6m (R3m) and profit before tax jumped 35% to R22,1m (R16,4m)

Tax absorbed R9,4m (R7,6m), leaving an after-tax profit of R12,7m (R8,9m) The outflow to outside shareholders rose sharply to R2,1m (R531 000) and profit attributable to ordinary shareholders amounted to R10,8m (R8,2m)

Sander said volumes of manufactured and traded goods, excluding recent acquisitions, increased by 4% and 6% respectively

(183)




Graphic RUBY-GAY MARTIN Source I NET

During the six-month period, Chemserve made three acquisitions that would strengthen its position in the specialty plastics and chemical distribution sectors

It had taken a 100% interest in Plastamid from AECI and Protea Chemicals for R10,7m, bought the chemical distribution, agency and analytic businesses of Roychem for R27m, and acquired AECI's 50% shareholding in Crest Chemicals for R4m

Sander said the acquisitions, financed by the issue of 236 800 shares to AECI and R32m in cash, had little effect on the half-year results, except to increase gearing to 42% at end-June from 10% at the December year-end

The acquisitions, although not expected to affect earnings or net asset value in the short term, would contribute significantly to group profitability in future years

Star 20/7/93

# Chemserve overcomes the recession

By Stephen Cranston

Improved sales volumes and the benefits of structural changes have enabled AECI subsidiary Chemical Services (Chemserve) to report a 28 percent increase in earnings per share to 169c. The dividend was increased by 13 percent to 60c

Chemserve downsized its operations for the first time and vertically integrated a number of its manufacturing and distribution operations

The volume of manufactured goods sold increased by four percent and of traded goods by six percent, bringing a 20 percent increase in turnover for the period to R245,2 million

MD Lex van Vught says that the inventory pipeline had been excessively depleted and there was some replenishment Some market share was also regained as the level of dumped imports was reduced

183

Turnover was supplemented by acquisitions in the period for which 237 000 shares and R32 million in cash was paid

These have included R10,7 million for engineering thermoplastics producer Plastamid from AECI and Protea Chemicals, R27 million for Holpro Analytics and M&T Chemicals from Roychem and half of Crest Chemicals from AECI

Chemserve has acquired critical mass in distribution as well as some tankage facilities

Gearing increased to 42 percent at the end of June from 10 percent in December as a result of these investments but finance costs were brought down by almost half to R1,64 million

Finance charges will be substantially higher in the second half but van Vught says this should be exceeded by the income from the new investments

Van Vught says that trading conditions for the remainder of the year depend to a large extent on political developments Should political and economic conditions not deteriorate further, the company expects to achieve forecasted earnings of 380c a share for the full year

# Chemserve boosts earnings by 31%

(183) CT 20/7/93

Own Correspondent

JOHANNESBURG — Chemicals group Chemical Services (Chemserve) posted a 31% increase in attributable earnings to R10,8m for the half-year to end-June from R8,2m in the same period last year

This translated into earnings of 169c (132c) a share, from which a 60c (53c) dividend a share was declared

The results represent a quick turnaround for the AECI subsidiary, which last year suffered its first earnings decline in a decade because of poor demand and pressure on margins

Chairman Mike Sander said most group operations had performed satisfactorily

Chemserve directors were confident the company would meet its forecasts and increase full year earnings by 19% to 380c (319c) a share

Turnover was up a fifth to R245,2m (R204,8m) and trading profit rose 22% to R23,8m (R19,4m)

Finance costs were slashed by nearly a half to R1,6m (R3m) and profit before tax jumped 35% to R22,1m (R16,4m)

Tax absorbed R9,4m (R7,6m), leaving an after-tax profit of R12,7m (R8,9m) The outflow to outside shareholders rose sharply to R2,1m (R531 000) and profit attributable to ordinary shareholders amounted to R10,8m (R8,2m)

# Petrol price rise can be avoided, says Transnet

BDay 23/7/93

EDWARD WEST

TRANSNET yesterday disputed a National Energy Council statement that falling oil prices were still not enough to offset rising rand/dollar exchange rates and that a fuel price rise was imminent.

Transnet economist Mike Schussler said the rand value of international oil prices, based on spot Brent and Dubai crude oil prices, had dropped 10,3% from the last local fuel price increase.

This decline took into account the rand/-dollar exchange rate

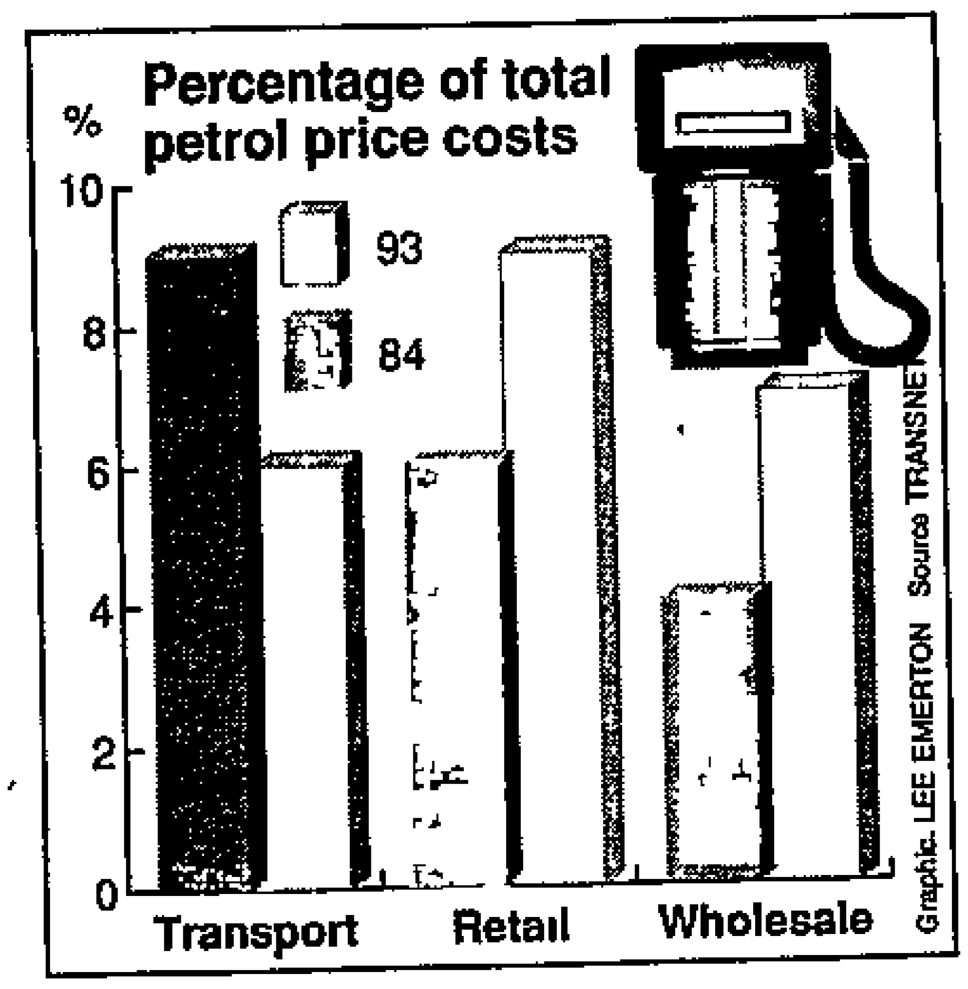
Schussler said the effect of lower oil prices — which had already resulted in lower fuel prices in many countries — on local fuel prices instead was being offset by higher tariff protection payments to the synfuels industry.

He questioned why the public had to pay for the profitability of Sasol when it recently was rated by the Fortune 500 publication as one of the most profitable companies in the world. (183)

The equalisation fund could continue paying underrecoveries, were it not for the tariff payments, thus eliminating the need for a further fuel price increase, he said.

Tariff protection was paid to Sasol based on a floor crude oil price of $23 a barrel If oil prices exceeded $28 a barrel Sasol had to begin repaying protection it received to government.

A National Energy Council spokesman said the equalisation fund's monthly R90m income was being eaten up by R80m to fund underrecoveries, R70m for tariff protection for Sasol and R10m for the levy paid to oil refiners.




Tariff protection paid to Sasol was not high compared with industrial protection afforded to other industries such as the motor, textile and electronics industries The difference was that Sasol's protection was being paid by the motorist while other industrial protection was being paid by taxpayers.

He pointed out that Sasol also attained its profitability as a chemical producer.

The in-bonded-landed-cost of fuel, which was based on refined fuel price postings from Singapore and Bahrain refineries, had not fallen to the same extent as the drop in international oil prices, the spokesman said

The assumption that SA's fuel prices automatically moved with international oil prices was not correct, he said.

CHEMICAL SERVICES FM 23/7/93 (183)

# Better all round

**Chemical Services** (Chemserve)'s 28% increase in EPS in the six months to June is a far cry from its brush with recession during financial 1992 when EPS declined 38%, the first drop in a decade FM 23/7/93

Management of the speciality and raw chemical maker and supplier has done much to avoid a repetition of that setback by instigating structural changes The restructuring, says MD Lex van Vught, involved integrating some production units into manufacturing operations and shrinking the group by a tenth He adds that it was achieved without losing market share This translates into big savings, as is evident in the improvement in operating margin (183)

And, while investors may see this as a largely one-off event, it's notable that trading profit was boosted partly by the turnaround in underperforming assets The volume of manufactured and traded goods sold, excluding those of recent acquisitions, increased by 4% and 6% respectively

But the recovery at trading level is not as striking as it may at first appear Excluding the positive effects of lower finance costs, which halved to R1,6m because of lower interest rates and substantially reduced capex, and the lower company tax rate, the EPS increase was a more modest 10%

With turnover up 20%, the creditable 31% increase in attributable earnings to R10,8m was partly aided by better contributions from associates

The four-fold increase in borrowing to R55,8m follows a number of acquisitions made during the six months Gearing increased sharply to 42% from 10% at December year-end

But Van Vught is not concerned about the increase, the target range being between 40%-80% "Though there are definite advantages to low gearing, the group doesn't want to be undergeared and missing opportunities to diversify and increase the product range " Borrowings are short term, as he believes cash flow from acquisitions and existing businesses will enable repayment within two years

**Chemserve's Van Vught** *no loss of market share*

cont'd

FOX FM 23/7/93 (183)

## INTERNAL COMBUSTION

| Six months to | Jun 30 '92 | Dec 31 '92 | Jun 30 '93 |
|---|---|---|---|
| Turnover (Rm) | 205 | 233 | 245 |
| Operating income (Rm) | 19,4 | 26,0 | 23,8 |
| Attributable (Rm) | 8,2 | 11,6 | 10,8 |
| Earnings (c) | 132 | 187 | 169 |
| Dividends (c) | 53 | 87 | 60 |

Latest purchases include a 100% interest in Plastamid from AECI and Protea Chemicals for R10,7m, the chemical interests in the Roychem stable, Holpro Analytics and M&T Chemicals, for R27m and AECI's 50% stake in chemical distributor Crest Chemicals (now wholly owned) for R4m Financed by issuing 236 813 shares to AECI and R32m cash, the acquisitions strengthen Chemserve in chemical distribution, placing it second only to Protea Chemicals

Though the deals are not expected to affect earnings and NAV materially in the short term, Van Vught says they will contribute significantly to group profitability in future years Management is confident that forecasts of an annual increase in EPS of 19% to 380c for this fiscal year can be met

The share has shown indifference to the latest figures But this is not surprising given the counter's ascent since October 1992 At R43, it trades at double NAV and cannot be considered cheap A fall in price would offer a buying opportunity *Marylou Greig*

About 300 new students were fund- its population, Lyman said.

The trial was adjourned until today

# Train commuter killed in fighting

B/Day

LLOYD COUTTS 23/7/93

A TRAIN commuter was killed and two others injured in fighting, allegedly between ANC and Inkatha supporters in Johannesburg yesterday

Police said the fighting broke out when a train stopped at Croesus station in Industria

Meanwhile, the ANC and Inkatha yesterday gave wildly differing accounts of the cause of conflict in the East Rand township of Daveyton, where at least nine people have been killed in the past two days

The ANC blamed the violence on alleged incitement of Daveyton hostel dwellers by a senior police officer and officials of a "certain political organisation".

"According to information at our disposal there has been a build-up of forces in the Daveyton area for the past three weeks On July 4 busloads of people were dropped off at the local hostel The (policeman) is alleged to have incited the hostel dwellers to attack residents whom he referred to as 'dogs'"

But the Inkatha-supporting induna of Mangosuthu squatter camp on the edge of the township, Nathaniel Hlantswayo, said an attack had been launched on the camp on Tuesday night by a Mozambican who claimed to be an ANC member

The man known as Arthur, Hlantswayo said, was attempting to wrest control of the camp from Inkatha and was demanding money

A youth was killed near the railway station in Daveyton yesterday and police reported two deaths in Katlehong

Sapa reports three people were killed in Sundimbili township in northern Natal and a man was shot dead in KwaMakutha

# Medicine prices 'likely to stabilise'

MEDICINE prices for private sector consumers were likely to be stabilised by the introduction of a "one-exit price" system, National Association of Pharmaceutical Wholesalers president Lex Tannenbaum said yesterday B/Day

One-exit pricing, which becomes law on August 10, will oblige manufacturers to publish a single price structure for the private sector based on a volume-driven sliding scale. Community pharmacies could in many instances be better placed to offer lower medicine prices to patients

Until now, some pharmaceutical manufacturers have courted private clinics through extra discounts not offered to pharmaceutical wholesalers. 23/7/93

This has led to a two-tier pricing system in the private sector, to the disadvantage of the patient, because the wholesaler has been charged artificially high prices by manufacturers to "balance the books".

The system echoed the difference between medicine prices charged the state (Comed) and the private sector

Tannenbaum said 80% of all medicines were bought by the state on tender Because volumes were so large, manufacturers were obliged to take part.

Once again, manufacturers had to balance their books, with the private sector subsidising the public sector

Commenting on reports that mark-ups from manufacturer through wholesaler to pharmacy were well above 100%, Tannenbaum said a system of reference pricing meant the mark-up between manufacturer and consumer could be about 81%, but in fact the price difference was about 45% because of discounts given by wholesalers and retailers. (183)

"Prices in the private sector can begin to come down, or at least cease spiralling upward, only when the one-exit price system is introduced, and the system of subsidisation within the private sector is eliminated," Tannenbaum said. — Sapa

# Apla membership denied

MARIANNE MERTEN

FOUR alleged Apla members applied for bail yesterday in the Johannesburg Magistrate's Court

Themba Sishange, 32, Wandile Genu, 23, Futhi Zulu, 26, and Emmanuel Tsotetsi, 20, are charged with attempted murder and robbery relating to an incident at the Irvin & Johnson factory in Kaserne, Johannesburg, on March 26.

...der Section 29 of the Internal Security Act, police promised him he would be granted bail if he co-operated and acted as an informer, Sishange said

While in custody at John Vorster Square, police made him write a letter implicating him in the robbery at Kaserne, he said

# Police seek 'Col Putter'

PRETORIA — A man who impersonated a police officer and dumped a small weapons cache at a Pretoria police station on Wednesday night is sought by northern Transvaal police

SAP spokesman Evan Johnson said yesterday the man entered the Elardus Park police station on Wednesday night introduced

# Zimbabwe deports four

# Users foot the bill for R1,2bn oil 'windfall'

S/Times (Buss) 25/7/93

By KEVIN DAVIE

FUEL users are paying R1,2-billion a year for the 143% wholesale margin increase the Government granted the oil industry in 14 months during 1991-92

The extent of the increase was secret in terms of the Petroleum Products Act, but has now been disclosed because of the Government's more relaxed policy on fuel information

Mineral and Energy Affairs says every cent in the petrol price translates into about R150-million in annual revenue

This means that the wholesale margin increase from 5,5c a litre in April 1991 (R825-million a year) to 13,5c in June 1992 (R2,025-billion) brings in an additional R1,2-billion revenue in 12 months for the oil industry

## Furore

The Government's disclosure of the extent of the wholesale margin increase comes amid a furore over plans to lift fuel prices even more

The Automobile Association's Robin Scholtz says "The extent of the financial windfall as a result of the wholesale margin increase does not support the proposed fuel price increase

"Deregulation would ensure the lowest possible pump prices, rescuing the poor economy"

But an oil industry source disputes claims that it makes windfall profits He says independent analysis of results shows an average taxed return of 6% between 1988 and 1992 — "well below the JSE average"

The Government says fuel fetched R23-billion at the wholesale level in 1992 A further R2,25-billion was added by retailers

The oil industry, says a Gatt study, is SA's largest manufacturing industry with sales (including petrochemicals) of R34-billion in 1991 (11% of gross domestic product)

The 143% increase in wholesale margin was granted amid continuing recession in SA and many parts of the world Industry margins worldwide have been hit by low demand

The disclosure that every cent in the petrol price makes up R150-million also allows quantification of the claimed benefit the industry derives from the in-bond landed cost (IBLC), the controversial pricing system the Government uses to determine basic fuel prices

As noted in a World Bank paper, critics say the IBLC, which uses Singapore as the main source for SA prices, increases the actual landed cost by about 10%, providing windfall profits for Sasol and oil refineries

The IBLC, including under-recoveries, averaged 60c/l in the first six months of 1993 The 10% increase — 6c/l — will boost industry revenue by R900-million this year, according to this analysis

Before April 1991, the industry operated on a formula designed to provide an average 15% pre-tax return on assets used in refining and marketing fuel

But in the face of huge expenditure to de-mothball and expand refinery capacity, it was agreed that only marketing would be subject to the average formula

SA refining margins remain linked to Singapore's Although economic conditions in SA have been depressed, Singapore, centrally situated in the world's fastest-growing economic region, has recorded the highest global margins for many years, ~~says a~~ London analyst

## True

183

A BP South Africa spokesman says the wholesale margin on controlled products was unaltered between 1959 and 1984

"Deregulation of the refining industry (in June 1991) encouraged market-related investment in this sector — as indicated by the R2-billion invested in phase one refining expansion"

BP says margins are in a catch-up phase required to ensure adequate investment in marketing assets

"The R1,2-billion is before tax and relates to 1993 over 1990 income and should therefore be seen in the context of the 1990, 1991 and 1992 pre-tax returns of -1,6%, 3,4% and about 10% respectively

"This yields an average return before tax of approximately 1c/l to 2c/l, which reflects the high-volume low-margin nature of this business

"The 1991 margin increases in April and October resulted in an increase in 1991 income over 1990 of about R300-million for the entire SA oil industry This additional income is included in the 1991 return on marketing assets of 3,4% before tax and interest on an asset base of about R5-billion, well below the 15% marker rate

"Oil industry costs of R1,7-billion in the same year were 10,4% above 1990, well below the prevailing inflation rate"

BP says the return on marketing assets before tax and interest for 1992 should be about 10%, below the average JSE return on assets before tax and interest for 1992 of 14%

BP denies the claim that the IBLC mechanism hikes the true landed cost by about 10% "Such a hike would result in SA prices, before tax, being significantly above those of the international community when in fact they are fully competitive"

The AA says "the present calculation of the IBLC remains a matter of concern and requires urgent attention, despite the Minister's statement that it would not be changed"

● **Business Times estimated in July last year that the 143% margin increase would cost motorists an additional R1,4-billion over 12 months.**

**Mineral and Energy Affairs declined to disclose the figure, but said the amount was "well below" the number quoted by Business Times**

# AECI earnings up 22%

CT 28/7/93

From EDWARD WEST

## Share boost vindicated

JOHANNESBURG — AECI's 22% increase in earnings in the six months to end-June has vindicated the near doubling of its share price over the past seven months.

Interim earnings a share of 39c (32c) before abnormal items is the group's first earnings increase since 1989. In anticipation of improved prospects the share climbed from a year low of 560c in January to an untraded 1 115c yesterday. The mid-year dividend was unchanged at 18c.

The AECI board said the results were encouraging considering the political uncertainty and weak markets.

Earnings growth rate was expected to be maintained in the second half if these conditions did not deteriorate further, and given reasonable for- [illegible]

[illegible]

Restructuring [illegible] allowed margins [illegible] most areas and [illegible] profit improved [illegible] to R16[illegible] R148m. Financing cost fell [illegible] from lower average [illegible] and lower interest rates.

Net interest [illegible] higher at R[illegible] from R7[illegible] at December 199[illegible] R42m from [illegible] period [illegible] at year end [illegible] the interim [illegible] in 1992.

The R[illegible] more than 10 [illegible] for the period [illegible] A R14m abnormal [illegible] the change in the [illegible] further amount [illegible] the second half.

The R1m investment income included a R13m loss incurred by Soda Ash Botswana, equivalent to 9c an AECI share. A small [illegible] loss was expected in the second half.

The local [illegible] soda ash [illegible] [illegible] 335 000 ton [illegible] 1991 [illegible]

[illegible] proposed merger [illegible] AECI [illegible] [illegible] possible merger [illegible] expected [illegible]

Discussions [illegible] with UK-based Imperial Chemical Industries (ICI) to strengthen [illegible] sectors where ICI held a [illegible] market position. The outcome [illegible] expected to be announced in the third quarter. ICI holds 38% of AECI.

# He never said die after firm folded

Sowetan 30/7/93

■ **BURNING DESIRE** Even before he was retrenched he had decided to create a job for himself:

By Mzimkulu Malunga

76

183

When Elijah Mjwana was thrown into the streets in 1991 after the company he was working for went bust, he never said die "It was tough But because I had this burning desire to start my own business even before I was retrenched, I decided not to go and look for a job but create one myself," says Mjwana

The Tembisa based manufacturer then started a company called Home Care Products that produces carpet shampoo, bath foam and hair care chemicals

He sources his raw materials from chemical companies on the East Rand and making the products is very basic The manufacturing process is manual from start to finish

Home Care Products employs three people

The Eastern Transvaal town of Witbank provides the bulk of the clients in addition to an East Rand based wholesaler who specialises in chemicals

## School clients

Schools in the semi-rural areas of the Eastern Transvaal are also Mjwana's clients though they do not buy regularly

"At some stage I wanted to start marketing myself in areas around Tembisa and the East Rand but after placing an advert in the local paper and receiving very little response, I decide to change my strategy and target outside areas," he says

However, packaging remains his main problem As of now Mjwana is battling with labels and what brand name to call his products

"I never knew that just placing a label on a two litre container of bath foam was so expensive I was sure that people tend to attracted by the packaging rather than what is in the container itself" said Mjwana

Elijah Mjwana qualifies for the *Sowetan*-Sanlam Entrepreneur of the Month competition

Monthly victors will compete with each other until the end of the year when an overall winner will be chosen

> **"I decided not to go and look for a job but create one myself"**

Elijah Mjwana

## Entrepreneur of the month

EACH week the *Sowetan* features an entrepreneur who automatically qualifies for the *Sowetan*-Sanlam Entrepreneur of the Month competition

Monthly winners go through to the final contest of the competition and the overall winner receives R15 000 while the runner-up gets R5 000

This year more emphasis will be placed on entrepreneurs in the manufacturing industry but other business categories — except retail enterprises — are also eligible

If you want to enter for the competition or nominate someone else, contact Mzimkulu Malunga at (011) 474-0128.

Fm 30/7/93

# AECI LIMITED

(Registration No 04/02590/06)

## INTERIM REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 1993

(183)

Turnover up 6% to R2 685 million
Net trading profit up 9% to R162 million

Earnings per ordinary share before abnormal item up 22% to 39 cents
Interim ordinary dividend unchanged at 18 cents

### Trading results

The directors announce the unaudited trading results of the Group for the six months ended 30 June 1993 as follows

| 1992 Year | 1992 First half | | 1993 First half |
|---|---|---|---|
| R millions | R millions | | R millions |
| 5 359 | 2 524 | Turnover (1) | 2 685 |
| 403 | 148 | Net trading profit | 162 |
| 162 | 80 | Financing costs | 62 |
| 241 | 68 | | 100 |
| 80 | 25 | Taxation | 33 |
| 161 | 43 | | 67 |
| 16 | 12 | Investment income | 1 |
| 37 | 9 | Dividends received from associates and foreign subsidiaries | 13 |
| -21 | 3 | Share of retained earnings of associates | -12 |
| 177 | 55 | | 68 |
| 13 | 5 | Preference and outside shareholders' interest | 7 |
| 164 | 50 | Net profit before abnormal item | 61 |
| - | - | Abnormal item (2) | 14 |
| 164 | 50 | Net profit attributable to ordinary shareholders | 75 |
| 106c | 32c | Earnings per ordinary share before abnormal item | 39c |
| 106c | 32c | Earnings per ordinary share | 48c |
| 155 | 155 | Number of ordinary shares in issue (millions) | 155 |

(1) Includes exports of R 254 million (1992 - R296 million)

### Balance Sheets

| 1992 31 Dec | 1992 30 June | | 1993 30 June |
|---|---|---|---|
| R millions | R millions | **Capital Employed** | R millions |
| 2 004 | 1 961 | Ordinary shareholders' interest | 2 049 |
| 6 | 6 | Preference Capital | 6 |
| 45 | 43 | Outside shareholders' interest in subsidiaries | 52 |
| 2 055 | 2 010 | Total shareholders' interest | 2 107 |
| 184 | 228 | Deferred taxation | 154 |
| 744 | 1 008 | Net interest bearing debt | 1 014 |
| 341 | 500 | Long term | 672 |
| 403 | 508 | Short term | 342 |
| 2 983 | 3 246 | | 3 275 |
| | | **Employment of Capital** | |
| 1 764 | 1 733 | Fixed assets | 1 727 |
| 303 | 357 | Investments | 325 |
| 916 | 1 156 | Net current assets | 1 223 |
| 1 990 | 1 893 | Current assets | 2 168 |
| 1 074 | 737 | Interest free liabilities | 945 |
| 2 983 | 3 246 | | 3 275 |
| | | **Other Information** | |
| 36 | 50 | Gearing % | 48 |
| 1,3 | 1,5 | Current assets to current liabilities | 1,6 |
| 1 296 | 1 268 | Net asset value per ordinary share (cents) | 1 325 |
| 276 | 166 | Capital Expenditure | 139 |

(2) Release from deferred tax due to the change in the company tax rate

### Comments

Domestic sales revenues increased by 9% over the first six months of last year with pleasing improvement in the speciality chemicals, synthetic fibres and fertilizer areas

Weak prices in international markets required the Group to withdraw from certain marginal export business and export revenues declined by 14% in comparison with the same period last year

The rigorous restructuring and realigning of operations carried out in previous years enabled margins to be maintained in most areas despite severe pressure on selling prices Trading profit accordingly improved by 9% in line with the increase in domestic revenue

Financing costs reflected the lower average level of borrowings over the period and a somewhat lower level of interest rates on local and foreign loans

The new Secondary Tax on Companies amounting to R3,5 million in respect of the preference dividend and the interim ordinary dividend declared represented more than 10% of the taxation charge for the period and raised the effective rate of taxation to 33%

Investment income included a deficit of R13 million, equivalent to 9 cents per AECI ordinary share, relating to the Group's equity accounted share of the loss incurred by Soda Ash Botswana (Pty) Limited No comparable deficit was reflected in the same period last year as the venture did not commence normal commercial operation until 1 July 1992 A somewhat smaller deficit is expected to be recorded in the second half of the year

Notwithstanding the loss incurred by Soda Ash Botswana, earnings before abnormal items were 22% higher than in the first half of 1992 This result is encouraging in view of the weak conditions which continued to prevail in international markets and the negative impact on the domestic economy of politically related violence and uncertainty which persisted in varying degrees of intensity during the period under review Provided that such conditions do not deteriorate further, and given reasonable fortunes for the agricultural sector in the summer rainfall region, the rate of growth in earnings before abnormal items should be maintained in the second half of the year

A due diligence exercise relating to the recently announced proposed merger of the Group's Chlor-Alkali and Plastics and certain plastics conversion businesses with the ethylene, propylene and polypropylene operations of Sasol Limited is in progress and is expected to be completed by the end of August The proposed merger is not expected to have a material effect on the Group's results for the year

Discussions are continuing with Imperial Chemical Industries PLC with a view to strengthening the linkage between AECI and ICI, to the benefit of both parties, in businesses where ICI has a global market position It is expected that the outcome of these discussions will be announced by the end of the third quarter

G W Relly
M A Sander | Directors

**Declaration of ordinary dividend No 118**

NOTICE IS HEREBY GIVEN that an interim dividend of 18 cents per share, in respect of the year ending 31 December 1993, has been declared to holders of ordinary shares registered in the books of the Company at the close of business on 27 August 1993

Cheques in payment will be posted from the offices of the transfer secretaries in Johannesburg on or about 17 September 1993 Changes of address or dividend instructions to apply to this dividend must be received not later than 27 August 1993 In terms of the Income Tax Act, dividends payable to persons not ordinarily resident nor carrying on business and to companies not registered nor carrying on business in the Republic of South Africa are subject to deduction of non-resident tax at the rate of 13,7025% The transfer books and register of members will be closed from 28 August to 10 September 1993, both days inclusive

By order of the Board

M J F Potgieter
Secretary 27 July 1993

**Transfer Secretaries**
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU
England

**Registered Office**
16th Floor, Office Tower
Carlton Centre
Johannesburg

FUEL PRICES

fm 30/7/93

# Boon but not a bonanza

**The benefits** to SA of falling international oil prices have been diluted by a weaker rand (see graph) But at least a large prospective rise in the pump prices of petrol and diesel has been converted into a modest one

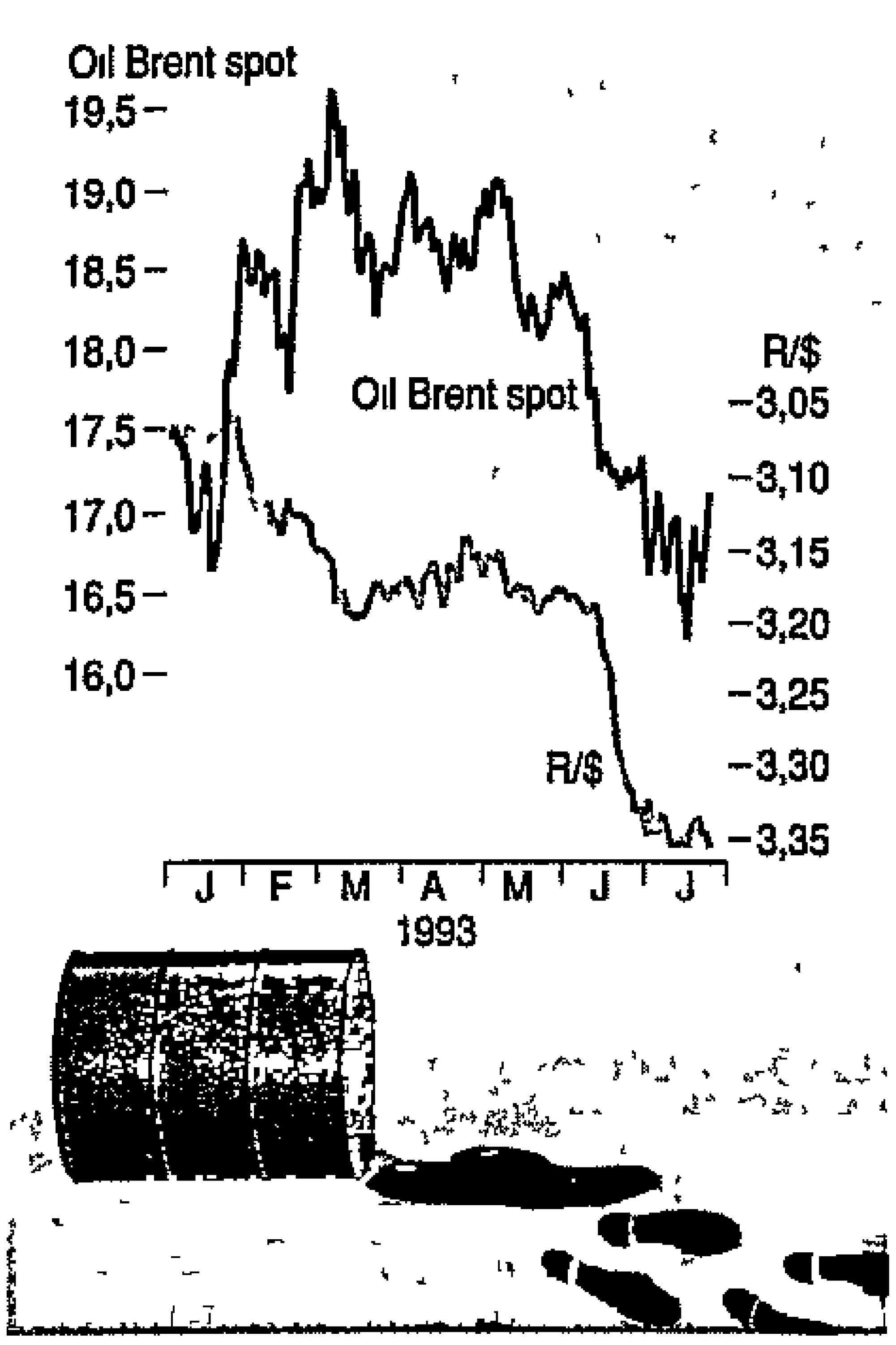
SA spends about R5,5bn a year on imported crude oil — about 10% of the import bill and around 60% of the required 400 000 barrels per day of refined liquid fuel The rest is met by the synthetic contribution of Sasol's Secunda plant (31%) and Mossgas (around 9%) (183)

There has long been a glut of crude oil on international markets — an enduring response to Opec's past pricing excesses This is despite declines in the output of two of the biggest producers — the US and Russia — and UN sanctions against Iraqi oil after the invasion of Kuwait

The recent dip in prices was triggered by expectations that Iraq might once again be allowed into world markets — on a limited, compassionate basis to enable it to finance imports of food and medical supplies This caused a sharp disagreement between leading Opec members Saudi Arabia and Iran over the painful question of which should make the major sacrifice to accommodate Iraqi oil in the cartel's shaky quota structure

Early in the week, a slight shift in expectations about Iraq's re-entry to the market caused a spurt in prices. Brent light crude for

## In oil's footsteps
### Oil price and exchange rate




September delivery rose about US$1 a barrel to $17 But the threat of an Iraqi re-entry and fears that some Opec members — like Kuwait, which is disregarding its 1,7m/bpd limit in its push to a target of 2m barrels — will increase output are almost certain to cap any meaningful rise in price

But an industry source argues the price of the benchmark Brent crude is unlikely to fall below $15 He says that in the past, when the price fell to this level, Opec's leading members have stopped jostling for relative output and cut production to defend the price

As crude oil is invoiced internationally in dollars, the other important influence on the gold price is the value of the rand UAL economist Dennis Dykes forecasts an exchange rate at $/R3,39 by the end of the year and $/R3,56 in 12 months' time This assumes

- □ The gold price at that point will stand at $406/oz, and
- □ Net capital outflow could be about R5,2bn in 1993 (of which R3,7bn had already taken place in the first quarter) and R3bn in 1994 — as IMF and World Bank money offset gross outflows

The effect of the rand can be seen in petrol prices in the first half of the year

Mineral & Energy Affairs Department CE Lourens van den Berg says that due to the weaker rand, the landed cost of the reference grade 93 octane petrol rose from 50,481c/l for December 1992 to 56,616c/l for June 1993

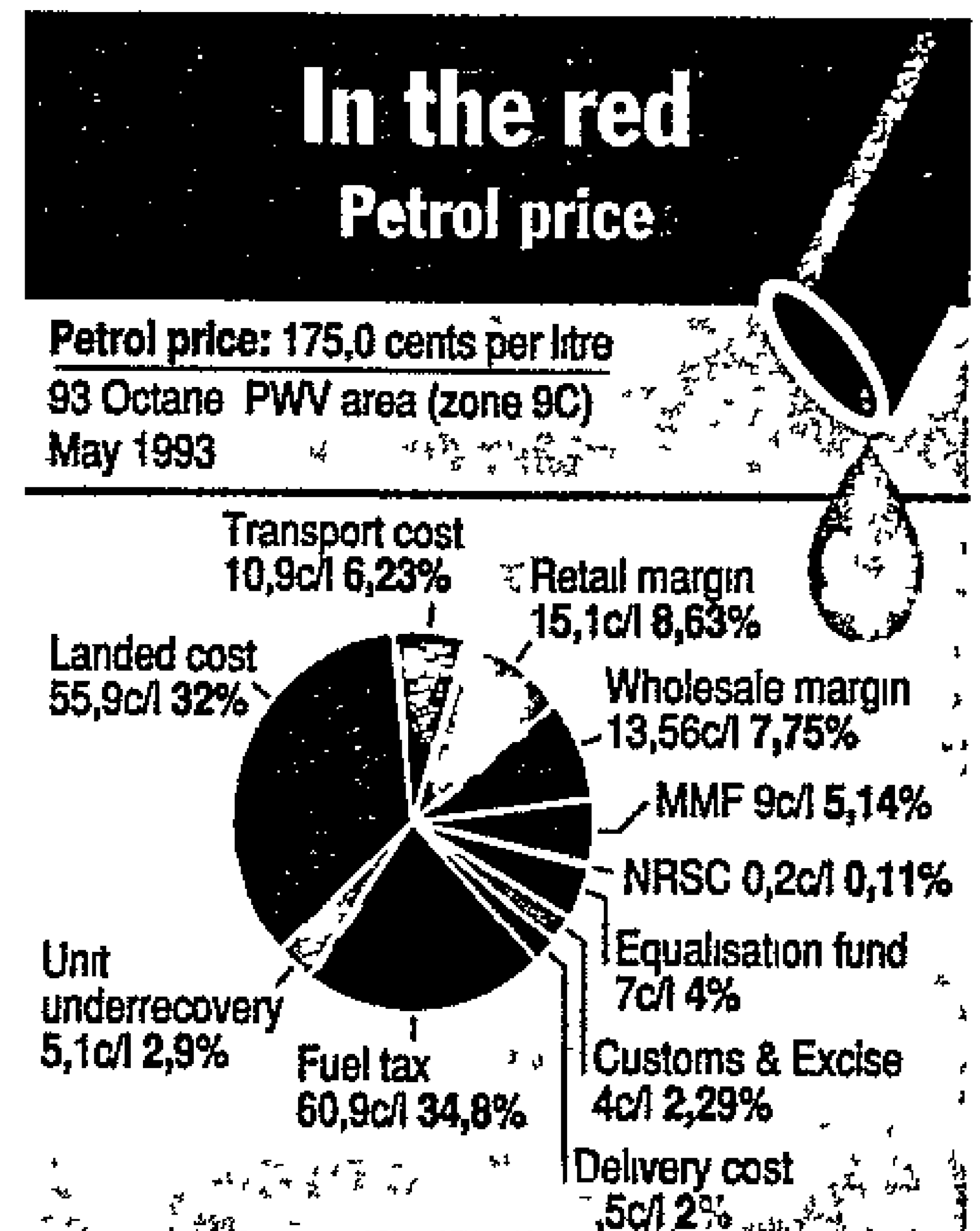
At the beginning of April, the retail price was increased from 159c/l to 175c/l Of the 16c/l, 6,3c/l was reserved for a reduction in the under-recovery on the slate Despite this, the under-recovery on the slate (used to regularise and adjust retail prices) rose slightly, from 5,739c/l for December to 6,074c/l for June 1993

On July 23, the unit under-recovery was still 3,158c/l, despite the increase This implies the need for a further increase in the pump price unless the rand improves against the dollar or oil falls substantially The current shortfall on the slate is based on an exchange rate of $/R3,3515 and current posted prices of refined products — as computed under the in-bond landed cost mechanism

Government has at last recognised the need to debate oil policy afresh It is convening a forum to discuss government involvement in the oil industry, to which all interested parties are invited to send representatives

Another issue being addressed with government is Sasol's proposal to change the mechanism — which it seems will soon be extended to Mossgas — for tariff protection The protection required by Sasol's synfuel is

## In the red
### Petrol price




| | |
|---|---|
| Current landed cost | 55,941 |
| Landed cost element in price structure | 50,842 |
| Remaining unit underrecovery | 5,099 |

provided through a partial rebate of the equalisation fund levy But, as protection for local synfuels production is a matter of general economic policy, it will not form part of the agenda of the new forum

Sasol has already proposed that the complex system be replaced by a conventional tariff on imported crude oil because the present method of protection is easily confused with a subsidy This could lead to countervailing duties being imposed on Sasol's exports to important overseas markets However, the proposed changes would neither affect Sasol's profits nor the price of petrol

Appearances are only part of the problem — the uneconomic nature of synfuel production was demonstrated afresh when Engen recently declined to take up its option to acquire more equity in Mossgas

It's time to scrap the entire protectionist and over-regulated structure, with its administered profit margins at wholesale and retail levels, and its complex pricing formula

Debate over the issue has been paralysed by government's need to protect the sources of SA's crude oil imports If Opec heeds an expected call from the ANC to rescind all sanctions, the perceived need for secrecy will fall away

The system could then be tested against sound free market principles Even though the present government has moved intellectually away from protectionism, there will soon be a new generation of politicians to be shown its folly ■

AECI FM 30/7/93

## New lease of life

**For a change,** AECI shareholders will find much with which to be pleased in this year's interims This chemical industry behemoth, which has developed some elderly tendencies in recent years, seems to have been given a new and welcome lease of life

EPS rose to an astonishing 48c compared with the year-ago 32c That 50% increase is misleading, however, and arises principally from the recently introduced reduction in company tax, that, in turn, requires lower deferred tax and triggered a release of R14m, equivalent to 9c a share

Financial director Neale Axelson says he expects a similar contribution in the second half

Disallowing the deferred tax release, treated as an abnormal item above the line in the income statement, reduces EPS to 39c, up 22%

(183)

There's certainly nothing wrong with that performance, which was stimulated by a 6% rise in turnover to R2,7bn and a reduction of R18m in financing costs Average borrowings fluctuated around R880m and attracted lower interest charges

The nasty in AECI's bag continues to be its heavy exposure to the Botswana Soda Ash project, which cost the company R13m on an equity accounted basis The scheme is fully operational and teething problems have been resolved the problem areas are SA demand and international competition

Local offtake has disappeared like mist on a hot morning it was 335 000 t in 1990, 255 000 t last year and is estimated at only 235 000 t for 1993 When the project was approved in late 1988, the feasibility study projected demand this year of about 400 000 t

FM 30/7/93

This substantial decline is impelled largely by declining requirements in the glass packaging industry (bottles, etc) and in vanadium production, where soda ash is used as a reduction agent Axelson says AECI doesn't see any structural dimension in the decline it's another case of an industry bitten by recession

International competition is severe World production is divided betwen expensive synthetic and much cheaper natural production Botswana can hold its own at full production but the American cartel is breathing heavily

Other areas of AECI's activity are not looking bad there's been a significant improvement in demand for some of Chemserve's products, and fibres are doing well internationally The explosives business is "pretty flat," says Axelson, increased offtake by gold mines being countered by declines from coal and diamonds

(183)

The lysine project (R270m) to make an important amino acid used in livestock feeds is on schedule and in the detailed design phase, the proposed merger of synergistic AECI and Sasol businesses is in the due diligence phase, and the company is talking sweetly with ICI to strengthen global positioning Nor is that before time ICI holds 38% of AECI and is viewed by some investors as having persistently treated the SA company as a milch cow

Overall, this is a good result which needs only a similar second half to warrant renewed shareholder confidence It certainly helps to explain the astonishing rise in the share over the year

*David Gleason*

### FLASH OF YOUTH

| Six months to | Jun '92 | Dec '92 | Jun '93 |
|---|---|---|---|
| Turnover (Rm) | 2 524 | 2 835 | 2 685 |
| Operating income (Rm) | 68 | 173 | 100 |
| Attributable (Rm) | 50 | 114 | 75 |
| Earnings (c) | 32 | 74 | 48 |
| Dividends (c) | 18 | 40 | 18 |

FM 30/7/93

PREMIER PHARMACEUTICAL

FM 30/7/93

# Strong medicine

**Activities:** *Manufacturing, marketing & distribution of pharmaceuticals, consumer, vision care and animal products*
**Control:** *Premier Group 57,5%*
**Chairman:** *P Wrighton, CE P Nortier*
**Capital structure:** *106,6m ords Market capitalisation R1,9bn*
**Share market:** *Price 1 800c Yields 1,9% on dividend, 4,4% on earnings, p e ratio, 23, cover, 2,3 12-month high, 1 850c, low, 650c Trading volume last quarter, 99 081 shares*

| **Year to April 30** | **'90** | **'91** | ***'92** | **'93** |
|---|---|---|---|---|
| LT debt (Rm) | 91,9 | 69,8 | 17,5 | 19,1 |
| Debt equity ratio | 1,04 | 0,7 | n/a | n/a |
| Shareholders interest | 0,33 | 0,44 | 0,5 | 0,6 |
| Int & leasing cover | 4 0 | 5,1 | 22 | n/a |
| Return on cap (%) | 28,8 | 33,1 | 40,2 | 28,3 |
| Turnover (Rm) | 492 | 493 | 477 | 456 |
| Pre-int profit (Rm) | 82,9 | 81,7 | 115 2 | 118,5 |
| Pre-int margin (%) | 16,9 | 16,6 | 24,2 | 25 9 |
| Earnings (c) | 41,3 | 39,2 | 59,3 | 78,5 |
| Dividends (c) | 16,0 | 16,0 | 25 | 34 |
| Tangible NAV (c) | 104,4 | 109 5 | 149,0 | 241,3 |

* 13 months to April 30 EPS & DPS annualised

**The well-publicised** skirmishes between the Krok twins and Premier Group over the past 12 months appear not to have damaged the Premier Pharmaceutical (Prempharm) share, previously Twins Pharmaceutical Indeed, the price has risen from R6,50 to R18 over the period (183)

The group completed a rationalisation programme this year, started in April 1991, focusing and consolidating operations into four autonomous divisions pharmaceutical, consumer, vision care and animal health Some cost-efficiencies benefited the 1993 results, operating margins strengthened from 24% to 26% Turnover increased by 4%, the modest growth being due to depressed trading in all but pharmaceuticals

There were more impressive gains after tax Income rose by nearly a quarter thanks to a R7,2m interest credit — the proceeds of an 8,5m share issue in March — and tighter control of working capital This compares with a R5,2m interest charge in 1992 The reduction in the corporate tax rate shrank the effective rate from nearly 43% to 38% The deferred tax adjustment was stated as an extraordinary item of R3,9m

Attributable income jumped 47,7% from 1992's annualised R54,3m to R80,2m

Pharmaceuticals, the largest division, saw 20% sales growth to R204m or 44% of total sales The product range was rationalised and many new products were launched The over-the-counter range was strengthened because of the rising trend of self-medication, hence the recent acquisitions of the Leppin product range and Roychem's Laser pharmaceutical division for a total cash consideration of R37,5m A fourth operating sector is envisaged to group these products

Things are not so rosy in animal health, which contributed 13,2% of turnover The drought, insecurity on farms and recession have undermined demand for these products But Prempharm maintains the annual turnover of R62m remains one of the highest in the sector (183)

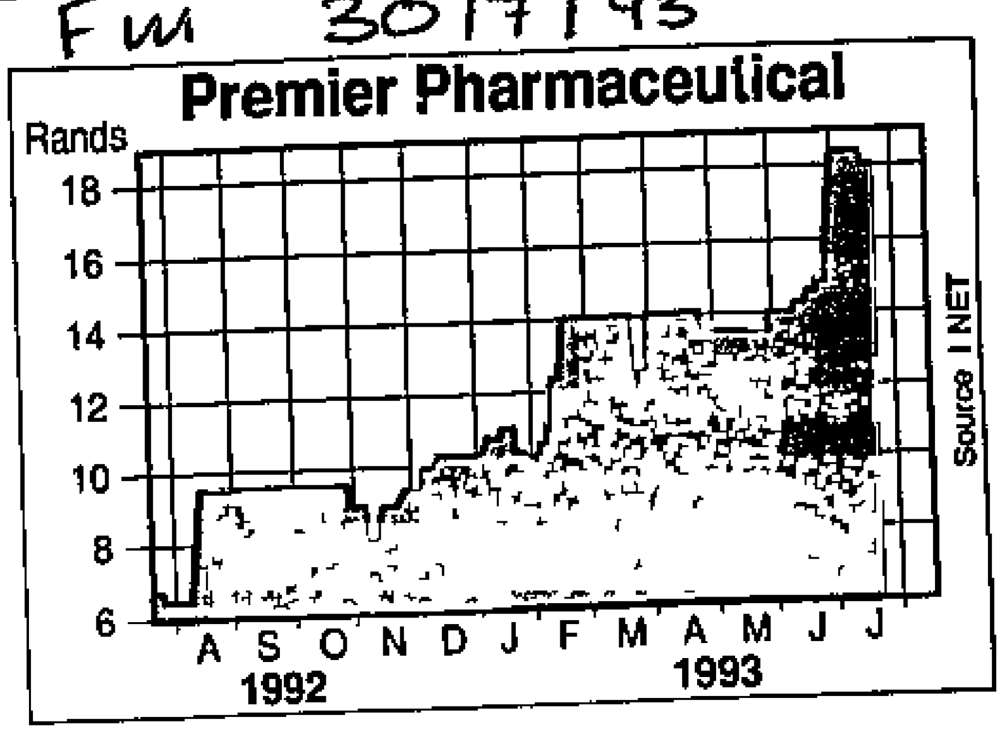
Visioncare is living under the shadow of possible industry deregulation The smallest division, it accounts for 11,8% of sales The recession has undermined demand for imported ophthalmic products

The consumer division, affected by declining personal disposable income, saw its sales cont

**Prempharm CE Phil Nortier**
*rationalisation programme complete*



FM 30/7/93




contribution to the group fall to 30%, from 35% in 1992 Trading conditions were worsened by destocking but the product rationalisation programme has streamlined operations, keeping costs contained (183)

Prempharm, like other pharmaceutical groups, depends partly on research and development (R&D) spending to launch new drugs, critical to earnings growth

Though capex is expected to be maintained, no R&D figures are given The group has cash of about R115m and, though no acquisitions are planned, it is well positioned should opportunities arise in the key pharmaceutical and consumer divisions

The group predicts real growth in earnings for 1994 But the upward momentum in the share price is not likely to be sustained The share looks fully priced for now

*Louise Randell*

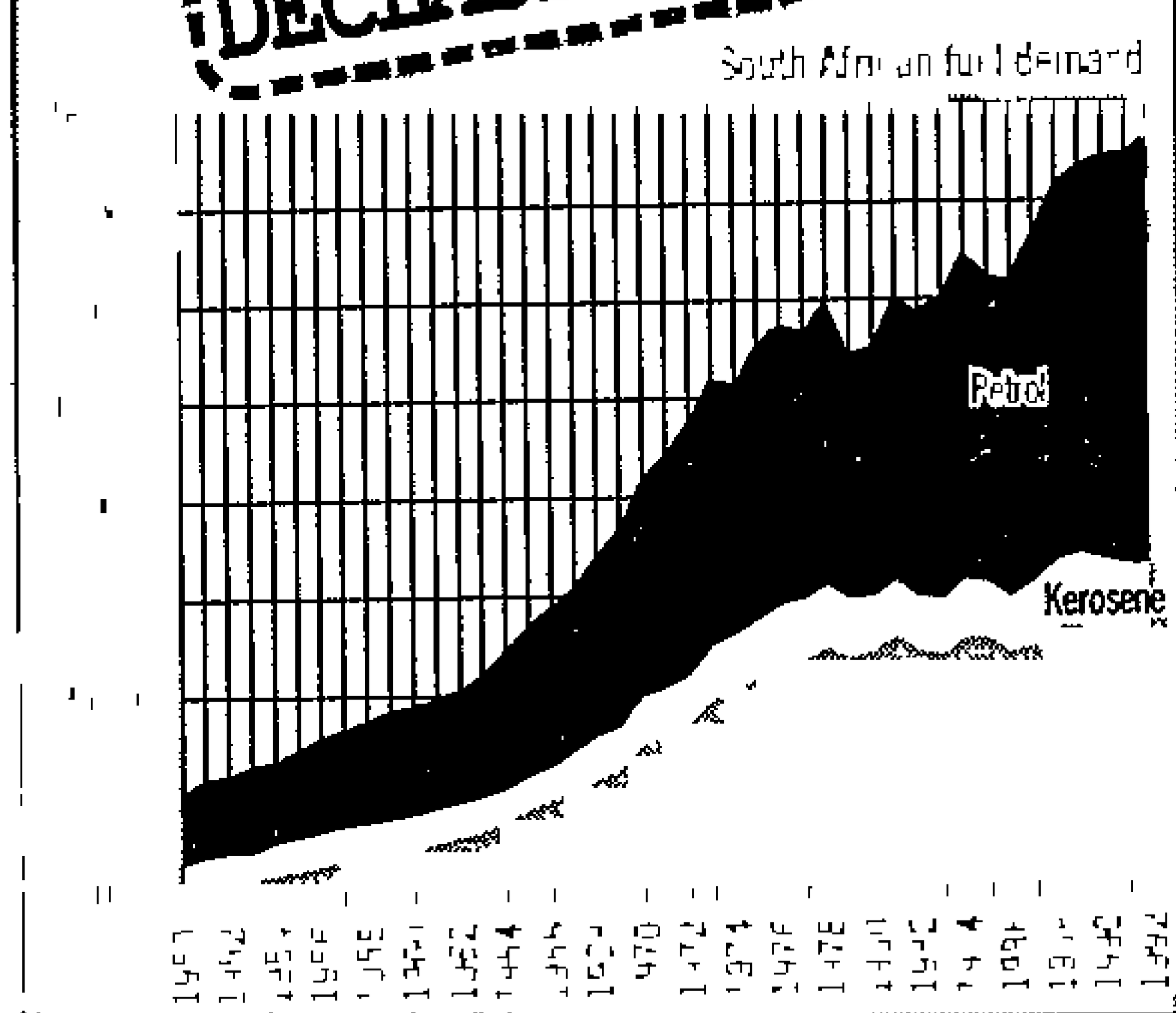
SU

# Lid lifted on soaring sales of petrol in SA

S/Times (Buss) 1/8/93

**By KEVIN DAVIE**

DECLASSIFIED




Graphic: RONA KRSCH Source. PIW

PETROL sale figures — released by the Government for the first time since sanctions took effect in the 1970s — show rocketing growth

"Gasoline (petrol) has been on an apparently unstoppable uptrend for over a decade," says London-based Petroleum Intelligence Weekly (PIW)

"This has been driven by urbanisation, the growing economic clout of the black community, and the consequent extension of the car population"

PIW says the numbers justify the $1,2-billion expansions and upgrades planned by SA refiners through the mid-1990s

"At times during the 1980s annual gasoline demand growth topped 10% But provisional indications for 1993 suggest the expansion rate may be slowing to 3%

## Drought

"Meanwhile, diesel demand is suddenly growing by some 6%, as agricultural use recovers following this year's end to the most severe drought in 100 years"

Petrol use has risen by 4,52% a year since 1980, real gross doemstic product by only 1,02% However, petrol sales have slowed from 8 029 megalitres in 1989 when the recession began to 8 761 megalitres in 1992 (a megalitre is a million litres)

"Petrol sales have been consumption driven," says Econometrix's Tony Twine, an expert on energy economics

He says the black minibus boom explains the rapid growth in petrol sales in the 1980s.

Although new-vehicle sales fell from 404 758 in 1980 to 283 915 last year, Mr Twine says the size of the "park" has been growing by 3,5% a year (183)

In 1991 the vehicle park was slightly more than 5-million (65)

Mr Twine says the park is getting older, suggesting "it burns fuel more inefficiently Vehicles are also being used harder"

Diesel sales, reflecting industrial and agricultural demand, have grown by less than real GDP (1,02%) at 0,02% a year since 1980

"Diesel has been production driven," says Mr Twine The imbalance between petrol and diesel demand has led to an excess of diesel The reason is that refiners have to produce a certain amount of diesel from every barrel of crude

Sasol 2 and 3 help to reduce the imbalance because these plants produce proportionately less diesel SA exports large quantities of diesel to redress the imbalance

Mr Twine says studies show that petrol is relatively price insensitive A 10% increase in price will lead to a drop in volume of only 2% to 3%

Petrol sales growth (4,5% a year since 1980) has outperformed real private consumption expenditure, which has risen by 2,1% a year

Mr Twine expects the growth of the past 12 years to continue once the economy moves out of low or negative growth

## Kerosene

Total fuel consumption (including kerosene and jet fuel) last year was 15 000 megalitres

PIW says "Jet kerosene is making spectacular progress, 10,2% growth last year and a provisional 14% so far this year"

Government's figures show that fuel use in 1950 was only 1 628 megalitres This increased to 3 143, 7 771 and 9 830 megalitres in 1960, 1970 and 1980 respectively

# Closure looms for financially stricken Mossgas undertaking

Star 3/8/93

By Derek Tommey

Mossgas, the oil-from-gas project at Mossel Bay, is a financial disaster. (183)

It might have to be closed if its financial situation deteriorates and the Government is unwilling to support it.

This emerges from an investigation commissioned by the Auditor-General into the economic viability of the R11 billion gift from former President PW Botha to the Southern Cape.

The report says that in view of the inherent uncertainty affecting the operations, it should continue, but with independent monitoring by the Government.

Re-evaluations should be undertaken by Mossgas and reviewed by the Government before incurring capital expenditure, or should production be less than expected, or should key variables change adversely.

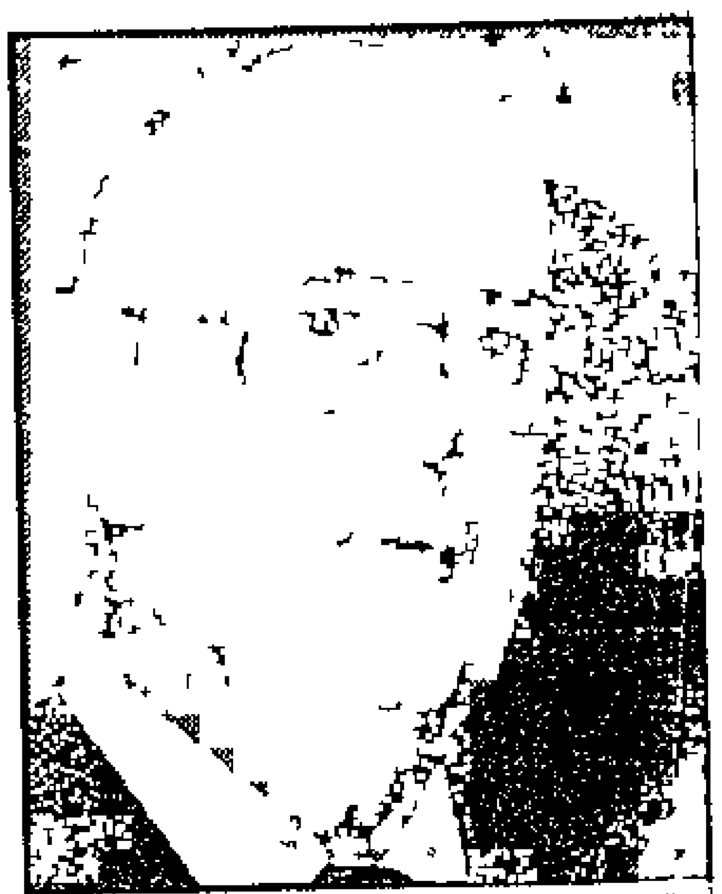
To allow for timeous decision-making, the costs of closing or mothballing Mossgas should be calculated in advance.

The report's findings show:

- It is barely able to cover its running costs and is vulnerable to any changes in its key variables;
- It will have great difficulty servicing and repaying its foreign loans; the result is that this burden will fall on the CEF (the new name for the Central Energy Fund) and will cost motorists about 7c a litre on all petrol bought during the life of Mossgas;
- The project has a life at best of only about 14½ years, against the initial forecast of 25 years;
- Based on the "best estimate scenario", Mossgas will save SA only about R9,6 billion in foreign exchange.

This evaluation of Mossgas's financial situation was conducted by management consultants Deloitte & Touche (D&T).

D&T say that using its "best



PW Botha ... his gift to the Southern Cape

estimate scenario", Mossgas is expected to be cash positive from 1994 until further capital expenditure is required in about the year 2000.

But it says the viability of Mossgas is particularly sensitive to even a 5 percent change in revenue.

This could be caused by changes in import parity-based pricing arrangements with oil companies or by changes in crude oil prices, exchange rates or production.

D&T has prepared two other scenarios. One assumes all key variables are simultaneously positive. The other assumes they are all negative.

In the upper-case scenario, Mossgas is economically viable if there is total debt disregard. In this scenario, it would be able to service and repay via the CEF the R2 billion in foreign and commercial loans, but not able fully to service or repay the remaining soft loans.

In the lower-case scenario, Mossgas is not economically viable at any level of debt and would cost the Government another R2,4 billion if it were to continue to support the company.

This assumes that Mossgas does not go ahead with the proposed EM production platform and stops operating in 2004.

# Numsa poised to sign deal

Star 3/8/93

(189)

By Paul Bell
Labour Correspondent

The National Union of Metalworkers of SA expects to complete its negotiations with automobile, tyre, steel and engineering employees this week.

According to negotiators, Numsa was due to sign a general wage and conditions agreement for 1993/94 with automobile manufacturers yesterday

However, one truck manufacturer registered last-minute dissatisfaction with aspects of the agreement but has chosen to object rather than simply apply for an exemption from the agreement This difficulty should be overcome soon

The union expects to sign an agreement with tyre manufacturers and the Steel and Engineering Industries Federation of SA later this week.

In the troubled motor sector, where Numsa has been unable to agree on a wage settlement for more than a year, the union appears to have won a six-month reprieve for the industrial council — the forum in which industry-wide settlements have traditionally been agreed

Numsa has accused the employers of trying to "break" the industrial council in a bid to "smash" collective bargaining.

Employers, including garage owners and panelbeaters, counter that many of them simply cannot afford the wages and conditions Numsa wants to impose through the council

A series of actions which the union had initiated against some key employers are now likely to be suspended

However, substantive negotiations on wages, and on the future of the industrial council, still lie ahead

Details of the various agreements will be made known at a press conference tomorrow

● Sapa reports that Numsa's call on its members in the motor industry to strike went virtually unheeded in the western Cape yesterday

Most of the large motor companies reported 100 percent attendances

CIT

# Intensive planning for use of 300 vital hectares

JOHN YELD
Environment Reporter

INTENSIVE planning is under way to ensure that more than 300 hectares in the Culemborg-Black River area — mainly the property of the former South African Transport Services — is used effectively in future.

The land, used mainly for railway services and as goods yards and industrial premises, is under-used and largely inaccessible to the public.

A joint Culemborg-Black River planning project has been established by Transnet, the SA Rail Commuter Corporation and the Cape Town City Council to re-evaluate its use.

A spokesman for the organisations described the area as "a well-located and large piece of land".

"This area is particularly strategic because of its size and location and presents a variety of opportunities for Cape Town," he said. AUG 3/8/93

"Through careful planning, the area could achieve not only enhanced commuter and goods transportation services, but also help to meet the needs of the broader community.

"The re-evaluation of its usage will allow it to become an accessible and integrated part of Cape Town, and it could also provide a dynamic range of opportunities — including industrial, commercial, residential, recreational, educational and conservation activities."

Planning is to follow a "package of plans" approach, whereby a series of progressively more detailed plans are prepared.

Work has already started on the two broadest categories — contextual and development frameworks — and these will be followed by precinct plans, site development plans and building development plans.

## Act labelled 'cynical provocation and aggression'

# ANC slates police in Holomisa guard row

ROGER FRIEDMAN
Staff Reporter

THE African National Congress has accused the police of "cynical provocation and aggression" after Transkei leader Bantu Holomisa's bodyguards were taken to the Guguletu police station to be disarmed.

But police spokesman John Sterrenberg said "It would appear there were certain irregularities about their having weapons in the country."

General Holomisa, in Cape Town as a guest of the Communist Party, leaves for Transkei today.

ANC spokesman Vincent Diba said General Holomisa's nine-strong private guard, members of the Transkei Defence Force, stopped for petrol at a Guguletu garage about midday yesterday and were approached by police.

They identified themselves and the police told them they could go, Mr Diba said.

"But then their vehicles were forced off the road by the police, who insisted they accompany them to the police station.

"When General Holomisa received word of the police intention to disarm his guards he threatened to retaliate by disarming all South African soldiers and bodyguards in Transkei.

"This seemed to jolt the police," Mr Diba said.

An angry crowd formed outside the police station and senior Transkei consular officials and Leonard Knipe, head of the serious crimes investigation unit, hurried to the scene.

The issue was also referred to the South African Ambassador to the Transkei, who told the police of an agreement between the South African and Transkei defence forces permitting free travel through each other's territories, Mr Diba said. AUG 3/8/93

"Eventually agreement was reached that the soldiers be issued with temporary permits for their guns. These permits were signed by Colonel Knipe," said Mr Diba.

"The ANC is outraged at this totally unbecoming show of force by the police. If President De Klerk goes to the Trankei with armed bodyguards no one is asked for permits."

But Captain Sterrenberg said police had had a report about "heavily armed men" in Guguletu.

After initially ignoring a police request to pull over, the cars carrying the guards stopped and police found weapons.

"After identifying themselves as members of the Transkei Defence Force they refused police access to the cars, and Colonel Knipe was summoned," he said.

# Soekor retrenches more than 100 in Cape

AUG 3/8/93

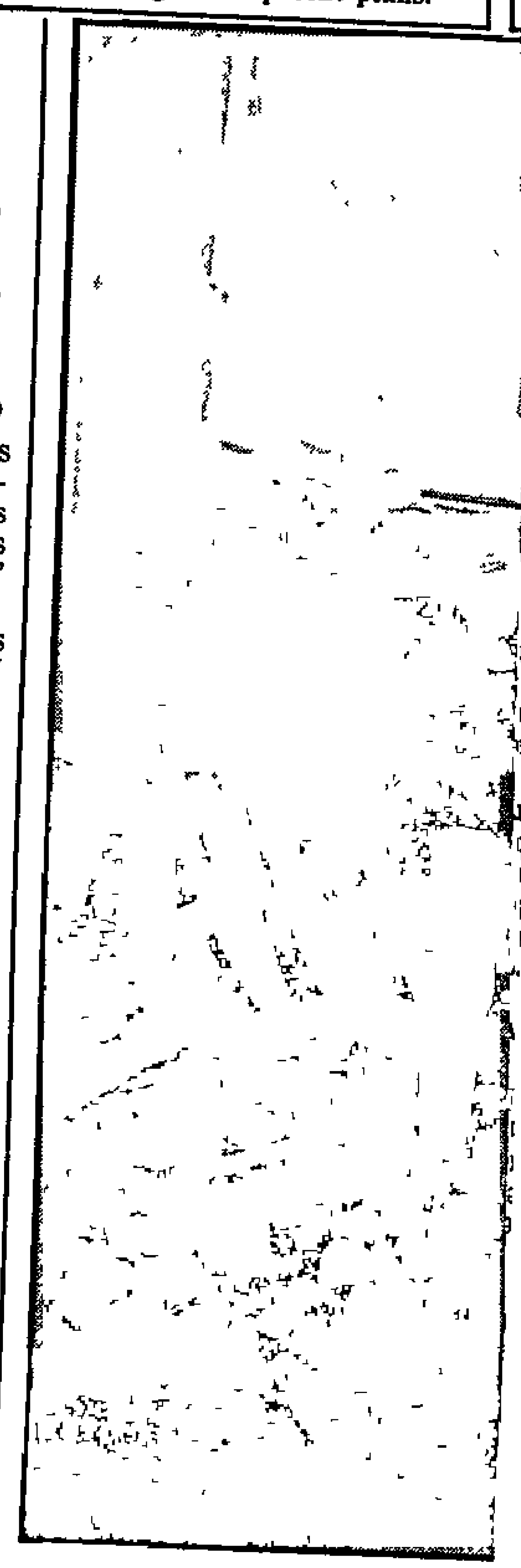
Business Staff

MORE than 100 Soekor employees in the Cape have been retrenched as part of the restructuring of the oil exploration company.

Soekor public relations officer Francois Liebritz confirmed today that between 100 and 120 people had been retrenched.

He would not comment further but it is understood that the retrenchments — effective yesterday — involve all levels of employees, from management down. 183/335

Sources in the company said further retrenchments would endanger the company's future.



HOME NO MORE: Mr Adam ... section of his Gympie S...

# Mossgas viability called in question

(183)

CT 3/8/93

**Own Correspondent**

PRETORIA — The viability of Mossgas, which has cost more than R11 billion so far, has been questioned by the Auditor-General, Mr Henri Kluever

In a special report published yesterday Mr Kluever said his findings could "bring into question whether the Mossgas project should continue"

The government had asked the Auditor-General to conduct an independent investigation into the project after costs spiralled from an initial estimate of R5,5bn in 1987 to R9bn by 1990

The report, which will be debated by the parliamentary joint committee on public accounts this week, said it was unlikely that there would be any real return on the initial capital outlay of R11bn

If this amount was disregarded, key variables were helpful and plans to exploit the smaller EM field were abandoned, it was possible the project could produce a cash surplus of R1,4bn by the end of 2004

This would depend on a number of unpredictable factors, including the oil price, the performance of the rand, the level of actual reserves, continued regulation of the oil industry and the extent of tariff protection afforded the project.

The report noted that the project had many positive spin-offs, including foreign exchange savings and the creation and maintenance of 11 500 jobs

**COURTS:** A former Sasol employee exposes the petrochemical giant's anti-union activities

# Sasol admits it spied on, infiltrated trade unions

183 WM 7 8-2/9/93

Sasol spied on unions, set up front organisations and a Zulu unit to hinder union activities, court papers reveal. **Paul Stober** reports

DOCUMENTS before the Pretoria Supreme Court show for the first time that petrochemical giant Sasol recruited a corps of trained security officers to infiltrate trade unions and "limit the possibility of strikes" at its Secunda collieries

Sasol Mining, a wholly owned Sasol subsidiary, admits this in papers responding to a R12-million breach of contract claim by a former employee, Andries Bruyns

In his founding affidavit, Bruyns also indicates that to mask its anti-union activities, Sasol Mining set up a string of front organisations One was the Secunda Education and Cultural Organisation (Seco), established during 1986 and 1987, which he describes as the "brainchild" of Adult Education Consultants (AEC).

Spawned by Military Intelligence, AEC spent R160-million during the State of Emergency on nationwide "contra-mobilisation" against the African National Congress and its allies *The Weekly Mail* revealed last year that it gave Inkatha Freedom Party leaders secret leadership training and political education

Bruyns also says Sasol Mining hired the IFP youth leader, Advice Gwala, to boost its anti-union drive. At the company's request and with the co-operation of the IFP, he says he later set up a Zulu unit to counter and intimidate union leaders

Tracing the history, Bruyns says he was employed to infiltrate the Chemical Workers' Industrial Union and other Cosatu affiliates in October 1985. He was sent to Germany for specialised training in bugging devices to spy on unions and to prepare strategies to "neutralise" them

Bruyns says he recruited shop stewards as informants, spied on union activities at Secunda and Sasol 2 and 3, and established block committees in hostels to counter the CWIU's influence He believes he was so successful that all attempts to call strikes at Secunda coal mines failed

In responding papers, Sasol Mining admits organising Bruyns' training, receiving information about union activities and authorising the payment of informers. The purpose was to "limit the possibility of strikes", "employ new workers who would receive training to counter intimidation" and "convince other workers"

It also admits setting up Seco for "educational and cultural" purposes and employing Gwala, but denies all other allegations Approached for comment last year, the company denied funding Seco or employing Gwala, who was killed in an AK-47 attack in a labour dispute in 1991.

Bruyns left Sasol to work for another AEC company, GO-HI Management in Cape Town, in August 1988 A year later he says he was asked by Sasol Mining to return to his old job after a bruising strike at the company.

At management request, says Bruyns, he prepared plans to prevent further strikes at Sasol Mining These included the recruitment and training of Zulus to counter and intimidate union leaders in the hostels and the community. Others would receive leadership training to persuade members to leave the union

With the help of the IFP, says Bruyns, he recruited 30 people to deal with intimidation and 50 to work in the community He handed them to the company for training

To distance Sasol Mining from the operation, says Bruyns, he resigned from the mine's security division and joined another company, New Perceptions Limited He would continue to handle the groups, provide training for new members, run Seco's operations and liaise with Gwala Sasol Mining would pay New Perceptions for Bruyns' services

Sasol Mining accepts that the decision to move Bruyns to New Perceptions was carried out but denies the other claims.

Around April 1991, Sasol Mining changed tactics and set up Tekset to promote the mine's image among all political parties in the vicinity Bruyns was the director, secretary and treasurer of the company "The defendants decided to scale down the intimidation and victimisation actions, as well as the influencing programme, to such a degree that the plaintiff was no longer involved with their handling," said Bruyns

To disguise links between New Perceptions and Tekset, Bruyns was asked to establish Highveld Community Development Services as a front for Sasol Mining Sasol Mining's agreements with New Perceptions were to be transferred to the new company Sasol Mining acknowledged meeting the costs of setting up Highveld Community Development Services but denies other allegations

After violence broke out in Sasol Mine's Thandanani Hostel in August 1992, the mine asked the Goldstone Commission to investigate accusations by CWIU that the company was involved in "third force" activities

Acting on the advice of AEC boss Louis Pasques, says Bruyns, Sasol Mining decided to cut all links with Bruyns and Highveld Consultants

The R12-million for which he is suing, is made up of the salary he would have earned until retirement

# Atomic Energy, Fedgas in R7m deal

By DON ROBERTSON

THE Atomic Energy Corporation (AEC) and Fedgas will spend R7-million on a plant to make compressed fluorine for the plastics industry. S\ Times

The plant, to be built at AEC's Pelindaba complex, will be the first in the southern hemisphere. Fedgas will market and distribute the product in SA and abroad (Buss) 8/8/93

The main use for compressed fluorine is for surface fluorination of plastics. It makes them impermeable, gives better adhesion and wear, and improves printability, strength and friction characteristics (183)

When surface treated, plastics can replace expensive materials, such as glass and metals, in petrol tanks and containers for volatile liquids and agricultural chemicals

Chris Bull, Fedgas speciality gas manager, says the SA product will compete effectively in export markets

"The market for fluorine is in a growth stage amd represents many opportunties for development"

The first test consignment of fluorine was recently sent to Australia

ST Times (Buss) 8/8/93

# Health-care giant for SA

By JEREMY WOODS

THREE multinational pharmaceutical companies are linking up to become a force in South Africa's health-care market

Warner-Lambert, Wellcome and Glaxo have signed letters of intent to "enter into a strategic alliance" (183)

Details of the deal have not been worked out, but the idea is to allow the products made by Glaxo and Wellcome to be marketed by Warner-Lambert

A Warner-Lambert spokesman says the arrangement will ensure considerable cost savings

The deal is subject to final agreements, which should be signed later this year, as well as any necessary regulatory approval

# Mossgas faces the scrapheap

S/Times (Buss)

8/8/93

183

**By KEVIN DAVIE**

THE R11-billion Mossgas plant may have to be sold as scrap.

It has cost motorists 20c for every litre of petrol and diesel sold in the four years it took to complete the project.

The first independent assessment of Mossgas, by auditors Deloitte & Touche Management Consultants (D&T) for the Auditor-General, discloses that even if the R11-billion is written off, Mossgas may need continuing State support.

The Government faces increasing pressure for productive investment in social upliftment and will be hard put to justify unproductive subsidies for Mossgas.

D&T says its findings "bring into question whether the Mossgas project should continue"

D&T recommends that it continue with independent monitoring.

"An independent review should be made of the practicality and costs involved in closing the facility."

If Central Energy Fund (CEF) had spent money on lowering petrol prices instead of on Mossgas, there could have been a 7c saving on every litre of fuel used over Mossgas's 16-year life

D&T says the cost of mothballing the plant should be investigated Mothballing costs are not available, but range from zero to R2-billion.

"The alternative uses of the plant have not been evaluated This should be done to allow comprehensive decision making in the future if it ever became necessary to terminate all or part of Mossgas's operations"

The report — released while Middle Eastern crude prices are about $14 a barrel — says Mossgas would only cover all costs at oil prices of more than $70 a barrel.

It discloses for the first time that the CEF, Mossgas and the Government never "expected that Mossgas would be found feasible if it had to cover a return on its past costs or service the financing of these".

Mossgas backers, such as former managing director Bernard Smith, have maintained that if the R9-billion invested by the motorist through the CEF was treated as a "sunk" cost, Mossgas would pay its way

But the report sees this as only likely in terms of an "upper case" scenario (average oil price of $22 a barrel over the life of the plant)

## Seabed

"Under the best estimate scenario ($19 a barrel) the positive cash flows of Mossgas would not be sufficient to fully cover the servicing and repayment of CEF's obligations for the foreign commercial debt under the current maturation schedule."

D&T says the possible deregulation of the oil industry could have serious negative consequences for Mossgas's profitability

It suggests that deregulation may mean that the industry switches from import-parity to export-parity pricing, a negative difference of $3 to $4 a barrel. SA used 233 000 barrels of fuel a day last year

"The financial implications of a regulatory change for Mossgas would be substantial and could reduce revenue by approximately R100-million a year in 1992 rands as a result of having to accept export parity prices."

Experts say the offshore platform is fixed to the seabed and cannot be removed.

Although the onshore plant may be converted to other uses, costs will be high. The gas supply will last a relatively short time and plant output at 30 000 barrels a day is small even by SA standards

Even if the plant was offered to the private sector at fire-sale prices it would be unlikely to realise much more than scrap value, say experts

Mossgas is unlikely to pay company tax "even under the upper case scenario"

D&T says "Under the best estimate scenario Mossgas, if it had to service and repay the foreign commercial loans without additional interest, would need to fund shortfalls of approximately R2,6-billion during 1993 to 1996.

The authors indicate that Mossgas is a marginal proposition for the Government in terms of either economic feasibility or future cash cost.

In the export-parity situation (the oil companies pay Mossgas export-parity prices, the price they fetch in African markets less the cost of transport) the Government would need to seriously consider evaluating continued support after the projected peak cash inflow.

The report says operations should continue as long as no major or unforeseen problems arise or additional funding over that already identified is required.

Engen paid R30-million for the right to buy 30% of Mossgas for 12% of the total cost. It has decided not to take up the equity stake and has asked for the R30-million back, the report says.

The report is the first independent assessment of the multibillion-rand project and the authors say the Petroleum Products Act limited some of the information they could have provided.

Star 4/8/93

# Union warns of Cosatu plan

The SA Iron, Steel and Allied Industries Union, which represent white metalworkers, has warned Cosatu against implementing its voter education programme for workers — Labour Correspondent (189) (~~[illegible]~~)

DARMAG FM 6/8/93

# Innovation needed

(183)

**Rubber and** plastics maker Darmag has been through a difficult year of consolidation. The composition of group businesses is being ra-

CONT →

**COMPANIES**

FM 6/8/93 (183)

**Activities:** *Manufactures rubber and plastic products for a wide range of industrial applications*

**Control:** *Zimco Industries 61%*

**Chairman:** *D A Buchanan, MD D Looms*

**Capital structure:** *22,2m ords Market capitalisation R6,9m*

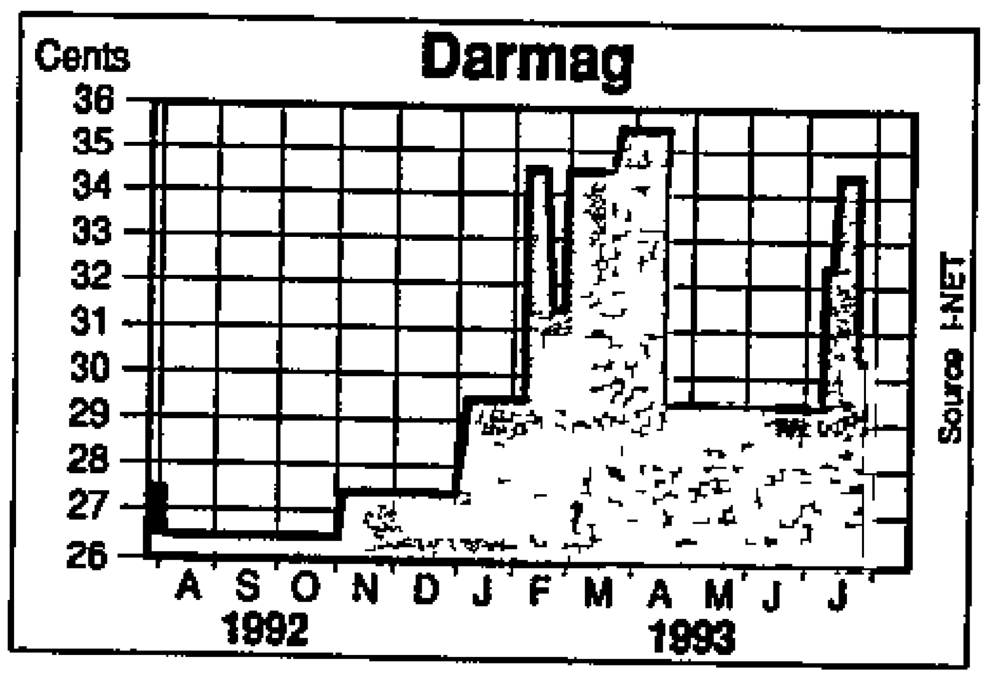
**Share market:** *Price 31c Yields 8,1% on dividend, 29% on earnings; p e ratio, 3,5, cover, 3,6 12-month high, 35c; low, 27c Trading volume last quarter, 47,100 shares*

| Year to March 31 | *'90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) .. | 3,8 | 1,2 | nil | nil |
| LT debt (Rm) | 2,7 | 1,7 | 1,1 | 1,5 |
| Debt equity ratio | 0,7 | 0,3 | — | — |
| Shareholders interest | 0,5 | 0,6 | 0,7 | 0,65 |
| Int & leasing cover | 1,3 | 3,2 | 9,3 | n/a |
| Return on cap (%) | 7,3 | 17,4 | 14,8 | 10,6 |
| Turnover (Rm) | 26,4 | 26,2 | 24,7 | 21,9 |
| Pre-int profit (Rm) | 1,5 | 3,1 | 2,7 | 2,2 |
| Pre-int margin (%) | 5,6 | 12,0 | 10,9 | 10,1 |
| Earnings (c) . | 3,3 | 8,8 | 10,3 | 8,9 |
| Dividends (c) . | — | 2,0 | 2,3 | 2,5 |
| Tangible NAV (c) | 42,4 | 49,3 | 55,2 | 61,6 |

* 13 months

tionalised to cope with the ferocity of recession Turnover fell 11% to R21,9m because the loss-making rubber tyre division was closed at the end of the last financial year. Operating profit fell nearly 18%, pulling margins down from 10,9% to 10,1%. EPS fell 13,4%

Most of Darmag's products are not high value-added. The main business, making battery cases, accounts for about two-thirds of group trading profit but has been badly hit




by recession. Volumes of plastic battery cases exceeded forecasts, but margins suffered in pursuit of market share. Rubber battery case volumes fell short of expectations, though increased rubber toilet cistern sales compensated.

Disposal of the rubber tyre division has created opportunities to develop new plastic businesses, particularly in custom moulding Lack of demand thwarted sales of a new line in plastic crates.

Increasingly technical development of battery separators has precluded Darmag from competing in this market Growth prospects depend on its ability to be nimble and innovative in switching to different product lines

The financial base has been strengthened over recent years Interest charges were reversed this year to a small profit of R7 000. net cash of about R4m at the balance sheet date suggests capacity for acquisitions and changes to the product line

The tax charge doubled to R246 000, partly because of the advent of STC, it equates to an effective charge of only 11% Closure of the tyre division resulted in an extraordinary charge of R461 000 in 1992, there was no extraordinary charge this year

In August 1989, the share stood at 90c, by August 1990, it had fallen to 25c Since then, it has traded between 25c and 40c The 3,5 p.e reflects the very competitive low value-added markets in which the group operates. An economic recovery will probably rerate the share, but until then the group must continue to develop its product mix

*Louise Randell*

# Coates inks up 5% earnings rise

B/Day 6/8/93

MARCIA KLEIN

PRINTING ink manufacturer Coates Brothers was affected by harsh trading conditions in the six months to end-June

But a lower tax rate enabled the company, which produces printing inks, chemicals, resins and sealing compounds for the printing industry, to show a 5% earnings rise to 149,1c (141,8c) a share in the period

Turnover rose by 7% to R93m from R86,5m, but net operating income dropped by 4% to just over R8,9m. The company moved into a net interest paid position, and pre-tax income was 4% down at R8,9m

But the lower rate of taxation helped Coates to report a 7% rise in ordinary shareholders' earnings to R5,2m from R4,8m previously

(183)

The interim dividend was increased similarly to 22c (21c) a share

Although difficult conditions were expected to continue at least until the end of 1993, Coates was expected to meet its forecasts made at the December year-end that full-year earnings would be maintained

# Gresham to control new drug company

ANDREW KRUMM

IN A shakeup of the Premier Group's pharmaceutical interests, Gresham Industries will emerge initially in control of a wholesale drugs distribution business incorporating Medical Cash & Carry (MCC).

It will have a turnover of about R1,5bn a year

BDay 9/8/93

Premier spokesman Ronnie Taurog said at the weekend that Gresham would take a 51% controlling interest in new holding company United Pharmaceutical Distributors (UPD), while MCC, an independent drugs distributor, would own the remaining 49%

However, ownership of UPD may change in the next three years depending on the pre-tax profit performance of the merged operation (183)

If UPD's aggregate pre-tax profits for the three years to end April 1996 exceed R110m, and if agreement is reached to list UPD, MCC will be entitled to buy enough shares from Gresham to lift its interest in UPD to 52%, reducing Gresham's holding to 48%

The purchase price will be reached by agreement or, failing that, on the basis of valuation by a merchant banker.

If aggregate pre-tax profits for the three years are less than R75m, MCC will transfer UPD shares to Gresham to give a 75.25 share split

☐ To Page 2

## Gresham

BIDay 9/8/93

☐ From Page 1

UPD has been formed by merging Gresham's subsidiaries Amalgamated Chemists Association (ACA), Gresham wholesalers and PDC's wholly owned PDC Trading with MCC's business

Premier is owed R215,9m by UPD for the purchase of its wholesale pharmaceutical distribution business — the Gresham and PDC pharmaceutical interests

As a result of the UPD purchase, Gresham has a R53,1m claim against Premier and PDC a claim of R43,7m. In settlement of PDC's claims, Premier will pay PDC R16,7m in cash and assume responsibility for certain warranties it furnished to UPD

In addition, Gresham will dispose of its non-pharmaceutical interests to Premier and its only assets will be a 51% interest in UPD and a claim against Premier (183)

UPD will have an initial annual turnover of R1,5bn and total assets of R500m. UPD will be funded and controlled by Premier through Gresham.

In the case of PDC, Premier will make an offer to acquire all the shares in PDC at 80c a share, and will also offer PDC shareholders the right to receive Premier shares and/or Gresham shares in lieu of cash

PDC will become a wholly owned dormant subsidiary of Premier and its listing on the JSE will be terminated.

As an extension of the transaction, Gresham Industries will change its name to Wholesale Pharmaceutical Holdings and transfer its stock exchange listing from the stores sector to the pharmaceutical sector in late September

The effect of the merger is that Gresham Wholesalers, ACA, PDC Trading and MCC Business all become wholly owned UPD subsidiaries. In addition RM Salters, Salters Business and First Choice Business will be wholly owned subsidiaries of Gresham Wholesalers.

# MacPhail profit slips

ANDREW KRUMM

SOLID fuel distributor MacPhail posted a decline in attributable profit to R2,56m in the six months to end-June (R2,66m in 1992) off an increased turnover as margins were pressured by tough trading conditions in the coal market BDay

Turnover for the period rose 7% to R153m (R142,5m), reflecting its continuing penetration of a shrinking coal market, CE Sid Weintroub said.

However, intensified pressure on margins impacted on pre-tax profits, which declined to R4,5m (R4,8m) (183)

A lower tax bill of R1,8m (R2,04m) relieved some pressure, resulting in an after tax profit of R2,72m (R2,77m) 9/8/93

After deducting outside shareholders interest of R164 000 (R109 000), earnings a share declined 4% to 17,9c (18,7c) a share.

The interim dividend was maintained at 5,5c a share

SPANJAARD FM 13/8/93

# Reversal of fortune

**Activities:** *Makes lubricants and allied chemical products for industrial and consumer application*
**Control:** *Directors 89,2%*
**Chairman and CE:** *R Spanjaard*
(183)
**Capital structure:** *5,7m ords Market capitalisation R4,6m*
**Share market:** *Price 80c Yields 1,9% on earnings, p e ratio, 53,3 12-month high, 85c, low, 80c Trading volume last quarter nil shares*

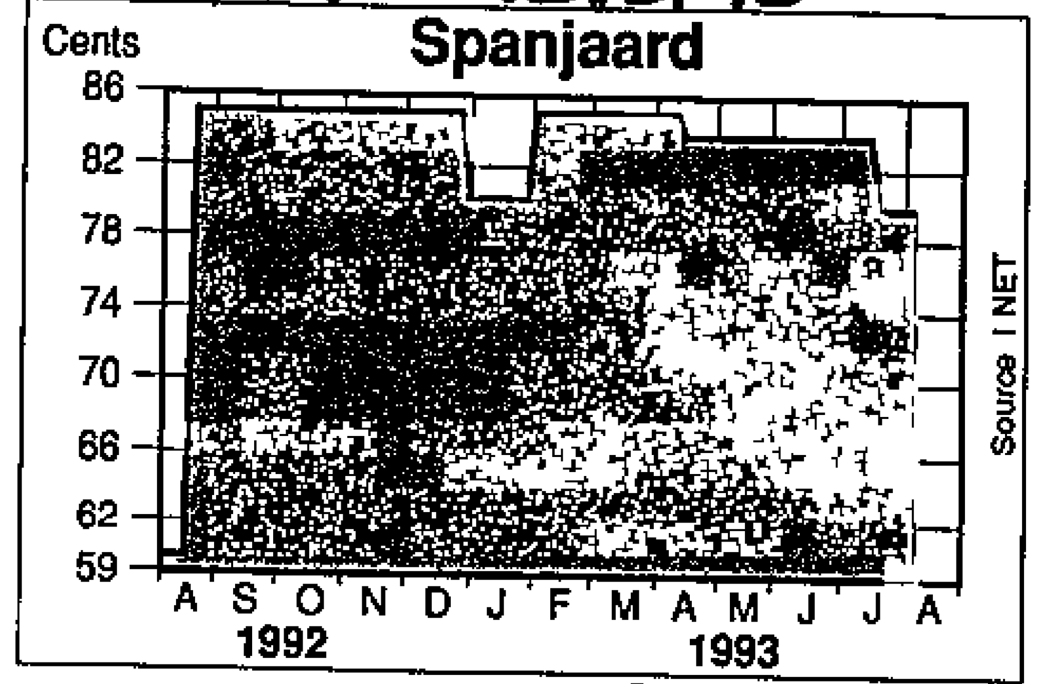
| Year to February 28 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 0,4 | 2 1 | 1,1 | 1,5 |
| LT debt (Rm) | 0,5 | 0,4 | 0,4 | 0,4 |
| Debt equity ratio | 0,34 | 0,72 | 0,39 | 0 50 |
| Shareholders interest | 0,47 | 0,44 | 0,49 | 0,45 |
| Int & leasing cover | 2,4 | 1 6 | 2,7 | 1,2 |
| Return on cap (%) | 15,2 | 9,1 | 13,9 | 6,1 |
| Turnover (Rm) | 13 | 16 | 15 | 15 |
| Pre-int profit (Rm) | 0,9 | 0,7 | 1,1 | 0,5 |
| Pre-int margin (%) | 6,5 | 4,7 | 7,5 | 3,7 |
| Earnings (c) | 8,8 | 2,2 | 12,3 | 1,5 |
| Dividends (c) | 3 | nil | 6 | nil |
| Tangible NAV (c) | 48 | 62 | 69 | 70 |

**Chairman** Robert Spanjaard needed only 11 lines to reflect on the 1993 year It was, perhaps, a year he would prefer to forget, considering EPS tumbled 88% and gearing climbed to 50%

After achieving the best results in its 33-year existence in 1992, DCM-listed Spanjaard (formerly Molyslip) had a change of name and fortune Spanjaard notes that turnover was slightly lower but taxed profit fell significantly Trading conditions worsened, and the usually strong second-half performance failed to materialise "But we still made a profit," he adds "The company has not made a loss since its 1987 listing "

Spanjaard maintains the change of name did not impair profits This change was done, he says, "to associate more closely with the marketing strategy, locally and abroad " An advantage is the group can now market its goods internationally under one brand name,

FM 13/8/93




Spanjaard (183)

The cash flow statement tells the full story Cash generated by operations declined 41% to R800 000 Return on capital plummeted to 6,1%, while the pre-interest margin fell to 3,7% (see table) Net debtors rose 10% and stock 17%, but creditors grew nearly a third

Though finance costs increased by a mere R40 000, interest and leasing cover fell to a thin 1,2 times

Finance costs absorbed 83% of the R537 000 pre-interest profit

Spanjaard says there's been major capital expenditure on upgrading plant since year-end and he expects returns to start in the second half of financial 1994

As for the next few months, Spanjaard says the company is positioned to benefit from "the expected upturn in the depressed local and European economies " New products have been introduced, but the advent of STC will be adverse

The dividend record has been erratic No dividend was paid last year, after the 6c a share payout the previous year and nil the year before that Spanjaard won't venture an earnings or dividend forecast

At 80c, the share trades 5c below its annual high Given the volatile record, gearing and weak profitability the stock is a risky purchase

*Kate Rushton*

# Mossgas in diesel row

By DON ROBERTSON

MOSSGAS has paid R38 400 to vehicle owners who claim its diesel fuel is sub-standard

It has received 64 claims for R53 800 S/Times

The company says its fuel is lower in aromatics and sulphur than diesel produced from crude oil. As a result, rubber seals in fuel pumps of certain vehicles shrink and leaks occur (Buss)

Mossgas claims that new seals maintain their shape when using its diesel

Mechanics in the Eastern Cape where the fuel is sold report many complaints about engines which do not come up to scratch when using Mossgas diesel 15/8/93

Users say its diesel results in engines smoking and losing power. Some users are said to add oil to the diesel, a dangerous practice. (183)

ST Times (Buss) 15/8/93

183

# Simplicity sacrificed to the Kroks

PREMIER Group companies must take the year's award for mind-bending corporate finance announcements; the latest in a long series involve PDC Holdings and Gresham.

It is not often that the "before" structure is more simple than the "after", but the latest proposals arose from a disagreement with the Krok brothers. The Kroks were controlling shareholders of Twins Pharmaceuticals, now called Premier Pharmaceuticals (Prempha) and 58% owned by Premier.

Premier spokesman Ronnie Taurog explains that the original intention was for Prempha to house the group's manufacturing and distribution businesses, namely wholesaler PDC Trading, United Pharmaceutical Distributors (UPD), Gresham's 80,8% of Amalgamated Chemists Association (ACA) and wholly-owned Gresham Wholesalers' Salters division but excluding First Choice.

Prempha agreed to issue 8,5-million shares to Premier, PDC and Gresham in consideration. The dispute has been settled by an addendum to the agreement. Premier would not sell the pharmaceutical distribution interests to Prempha, but would procure a third party to acquire them.

Prempha still issues the same 8,5-million shares only this time it is to UPD. Premier instead pays Prempha R78-million in cash. UPD has also bought Medical Cash & Carry, a wholesaler set up independently by Norman Knight and his team.

The upshot is that Premier now owns 58% of Prempha, the manufacturing arm, and provisionally 82% of Gresham. Gresham has 51% and MCC 49% of UPD.

UPD is the home for Gresham Wholesalers, ACA, PDC Trading, Salters, First Choice and MCC's operations.

Mr Taurog notes how MCC came to the party. "PDC and Gresham have not had great results in recent years. The problems were many — management, unfair competition before the introduction of single-exit pricing, overtrading, shrinkage (reports of which he says have been hyped up) and so on.

"We felt stiff competition from MCC. It was hurting us, but we did not know much about the company. When MCC approached us we learned that it was highly respectable and had the backing of the Commercial Union insurance company.

"The outcome is the merging of two pharmaceutical wholesalers each with turnover of approximately R750-million, into UPD. This way Premier has not only solved its management problems but also joined forces with a major competitor."

The Competition Board has endorsed the deal. Mr Taurog says no profit forecast has been made for the new-look Gresham — to be renamed Wholesale Pharmaceutical Holdings — because it is meaningless to guess at how much benefit will arise from the bringing together of the two components. A state-of-the-art warehouse being built in Roodepoort is expected to lead to cost savings.

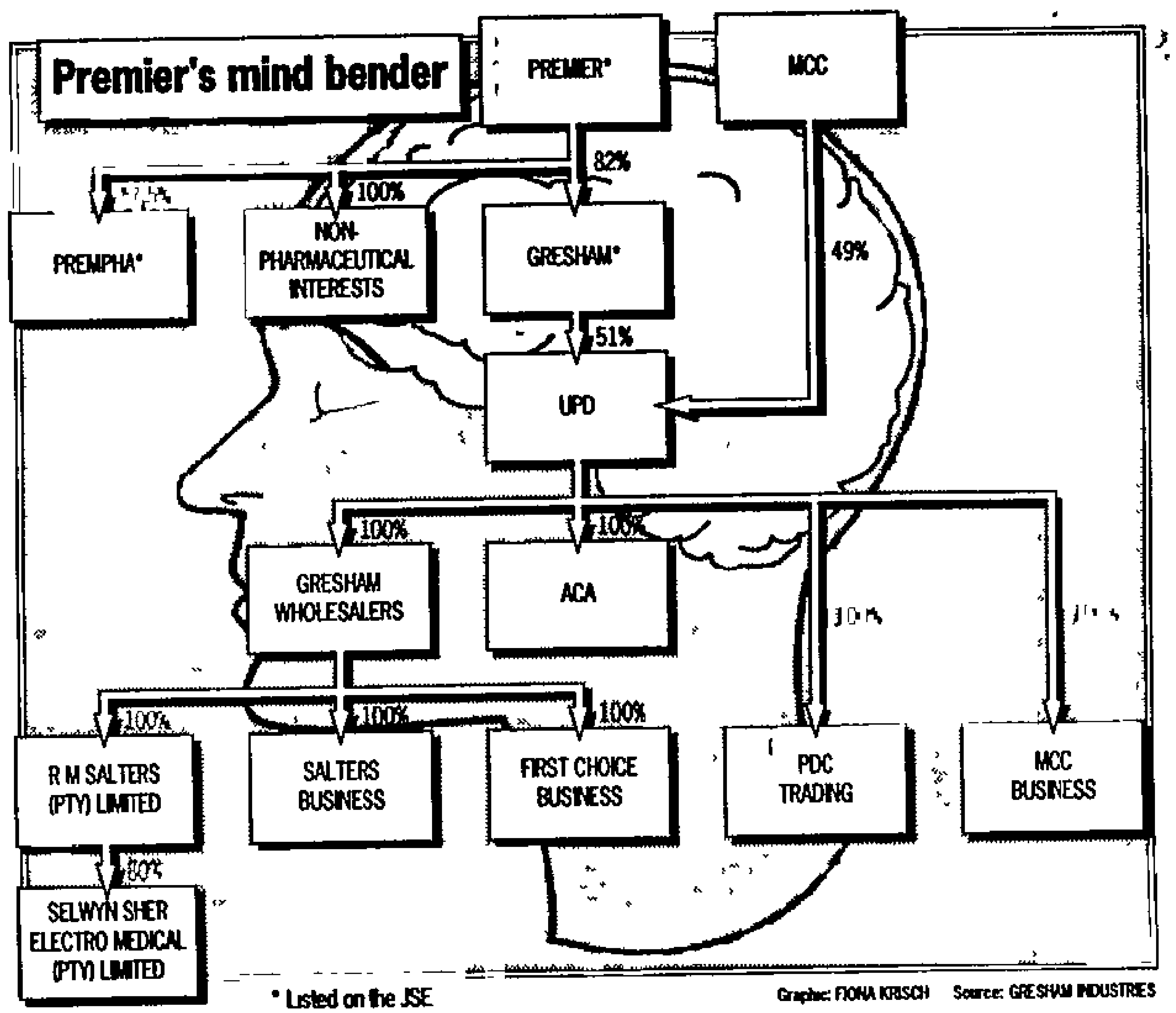
Gresham has sold its non-pharmaceutical interests to Premier, and now owns only 51% of UPD and a claim against Premier. Premier will help fund UPD's working capital at more favourable rates than before the deal.

Gresham minorities can do one of three things: keep the shares, take the 75c offered by Premier (market price 130c), or accept 1,6 Premier shares worth R83 per 100 Gresham worth R130. The status quo looks best.

PDC shares will be redeemed at 80c and delisted. Holders of 100 PDC worth R120 on the JSE can apply redemption proceeds towards 1,7 Premier shares worth about R88, or accept 106 new Gresham shares worth about R138.

If the aggregate net profits of UPD in the three years to April 1996 top R110-million and a listing sought, MCC will be able to buy 52% control of UPD from Gresham. But if it is below R75-million, MCC will relinquish 24% to Gresham at par.

□ There are enough triple-initials to sink a battleship already, and Mr Taurog says Gresham's new name will be shortened to WPH. I prefer Whoph myself.




* Listed on the JSE

Graphic: FIONA KRISCH Source: GRESHAM INDUSTRIES

# Medicine price regulation delayed

KATHRYN STRACHAN

EXPECTATIONS of an early introduction of a single "exit price" for medicines were dashed last week when pharmaceutical manufacturers lodged objections to planned regulation B Day

A single exit price has been seen as an aid to stabilising medicine costs

Competition Board chairman Pierre Brooks said the appeal against a single exit price — the price at which medicines leave the factory — would result in a second inquiry which could take up to two years to complete 16/8/93

At present, manufacturers charge different prices for their products, depending on the client (183)

On the basis of recommendations that followed a year-long inquiry by the Competition Board, Trade and Industry Minister Dawie de Villiers in May declared the differential pricing of medicines unlawful

But in terms of the Maintenance and Promotion of Competition Act, the manufacturers had until last Tuesday to lodge an appeal against the introduction of a single price

Brooks said last week a court with a judge and two assessors would soon be constituted to hear submissions It was still to be decided whether the hearing would be held from the beginning, he said, adding that with so many interested parties the inquiry could take two years to complete

The National Association of Pharmaceutical Wholesalers said many manufacturers had courted private clinics and dispensing doctors, promoting their products

□ To Page 2

# Medicine

B/Day 16/8/93 □ From Page 1

by offering discounts that were not available to wholesalers

This had led to a two-tier pricing system, with wholesalers being charged inflated prices to "balance the books"

The discount offered to doctors was rarely passed on to patients, the association claimed. (183)

Brooks said the Competition Board report found the practice had also resulted in many doctors trading in pharmaceuticals The case of a large wholesale group, which found it cheaper to buy supplies from a certain doctor rather than from manufacturers, was an example of the distortion brought about by the policy.

Manufacturers, on the other hand, opposed the introduction of a uniform price because it interfered with their marketing strategies, he said.

# Energos to 'pass on the torch'

South 20/8 – 24/8/93

OIL GIANT Engen will close the Energos Foundation in 1994 after supporting over 1 000 projects and spending over R60 million since it was created in 1986.

Engen's chief executive Mr Rob Angel said that the company had fulfilled its objectives. (183)

He said that Engen had assumed responsibility for the foundation until 1994 after Mobil disinvested.

He said the foundation's operating environment was "vastly different" to that of 1986 when the foundation was created in keeping with the Sullivan Programme and later the statement of Principles for South Africa (Sopsa), which then guided the strategies of American-owned companies.

"In its role as a catalyst, facilitator, activist and conscience, the Foundation filled a void in a particularly stressful period for our country. Today, in contrast, there is an established development industry, with proven expertise and with access to legitimate community structures in a way unimaginable before the Mobil Foundation was conceived."

He said Engen would become more proactive in its community/business links and that the company would be making more use of its Employee Community Involvement Programme.

"We believe that now is the time for the foundation to pass on the torch it held in trust for community-owned development organisations, structures and groups and allow us to deal more directly with the larger community within which we live and we do business"

Mr Barrie Hurt, a trustee of the Energos Foundation and an executive director of Engen, said the foundation had been formed with the specific purpose of "advancing and promoting a nonracial and nonsexist, democratic society in South Africa".

"This vision of egalitarianism and social justice we upheld without fear of favour in an often hostile environment.

"We will remain as active in community affairs as we have been," he said.

Hurt pointed out that the company has been investing between 12 and 15 percent of its annual gross payroll expenditure in community projects over the last eight years.

The company says it will soon announce plans for funding of social investment projects and for the creative involvement of Engen employees with NGOs and community groups.

# Paint group under pressure

BDay 20/8/93

EDWARD WEST

AUTOMOTIVE paint and allied tool product group Curnow M & G's profit margins came under severe pressure in the year to end June 1993, but earnings and dividends were maintained

Today's published results for the company — in which W & A and AECI jointly hold a 71,4% stake — showed turnover up 4,2% to R24,27m, but operating income fell by just more than a fifth to R1,29m

Finance director Michael van Niekerk said margins dipped because the company had not increased prices this year and because of stiff competition from a number of smaller players in a market which had shrunk

The company supplies paints, body fillers, abrasives and panelbeating and spray painting equipment to truck and car body builders (183)

Interest paid dropped to R221 000 (R466 000) as a result of lower borrowings Gearing dropped to 30,9% from 57,3% at year-end in December 1992 The company benefited from the lower company tax and payments fell to R460 000 (R574 000)

Taxed income was slightly higher at R605 000 (R597 000), but because of a higher number of shares in issue, earnings a share were static at 2,7c The interim dividend was unchanged at 1c

A R110 000 extraordinary item represented an allocation of about 500 000 paid shares to MD Mervyn Bloom as part of a restraint of trade agreement should he resign At year-end in 1992 R200 000 was allocated

# Distillers defies expectations

B/Day 20/8/93

MARCIA KLEIN

DESPITE warnings at the interim stage that wine and spirits producer Distillers' full year earnings could drop, it has reported 9% higher earnings of 73,2c (67c) a share for the year ended June (183)

Full year turnover figures reflect a 6,9% increase to R1,08bn from R1,01bn But trading income was only marginally higher at R180,3m from R178,8m

Pre-tax profit rose by 1,8% to R189,7m (R186,3m) A lower tax rate, which includes secondary tax on the proposed dividend, saw after tax earnings rise by 6,8% to R114,1m (R106,8m)

After outside shareholders and additional depreciation, net attributable income was 9% higher at R102,4m (R93,9m) A final dividend of 31c a share was declared, bringing the full year dividend up by 10,3% to 43c (39c) a share

Directors said the higher earnings were achieved by effective asset management and improved efficiencies Reduced taxation on deferred liabilities and reserves resulted in extraordinary income of R5,1m They said the group's financial position remained strong Cash flow from operations was R82m Capex of R21,8m would be comfortably funded from existing resources

2 SUNDAY TIMES, Business Times, August 22, 1993

# Weighing up unleaded fuel

S/Times (Buss) 22/8/93

By DON ROBERTSON

SUPPORT is growing for the introduction of unleaded petrol, as decreed by the Government for 1995, but there are fears it could result in higher prices for standard grade and the cost of vehicles.

Delegates to a meeting convened by the SA Institution of Mechanical Engineers this month appeared to support unleaded petrol.

But it was said that South Africa would be the only country in the world to introduce "green" fuel for technical and economic, not environmental, reasons (55)

Lead-free petrol and exhaust-cleaning autocatalysts have been in use in Europe, America and Japan for several years to reduce poisonous exhaust emissions (133)

Tougher controls will be imposed in the next two years

In SA the cumulative effect of harmful exhaust emissions are well below so-called danger levels and it is argued that unleaded petrol is not needed

Unleaded petrol was introduced abroad at a lower price than standard grade to encourage its use

Keith Wainwright, past chairman of the institution, says that although delegates, most of whom were technically minded, favoured the switch to unleaded petrol, socio-economic factors were not discussed. He believes they should be debated.

The oil industry will spend about R1,5-billion to increase production by about 30% Part of this expenditure will be for lead-free petrol which will cost between 5c and 7c a litre more to produce than standard grade

No decision has been taken about a possible discount the cleaner petrol would be sold at. Its price could be cut if the Government reduced tax on petrol But the Government would probably be unable to afford a loss of revenue. So the tax on leaded fuel would be increased to make the price of unleaded petrol attractive.

Robert Scott, energy consultant and former chief director of energy at the Department of Mineral and Energy Affairs, says that if the price of unleaded petrol were 15c a litre lower than for standard grade, leaded petrol would have to rise by 5c/l to maintain the tax take

Dr Scott, who chaired the institution conference, says his calculation is based on Government plans for 25% of petrol sales to be unleaded in the first year.

There are also fears that the price of cars would rise because engines would cost more if they used unleaded petrol.

The motor industry denies this. It says imported engine components have to be specially made for leaded petrol because it is old technology abroad. All development and technology is now focussed on the use of lead-free fuel and SA would import engines which were in common use abroad.

Manufacturers say that if SA is to compete in the world automobile industry through exports, it must keep in touch with the latest technology

Dr Scott says it can be taken for granted that unleaded petrol will be introduced in SA. He says the debate about the price difference for the two grades of petrol is no more than a storm in a teacup

# Sasol seeks protection for fuel industry

EDWARD WEST

SASOL had asked the Board on Tariffs and Trade to investigate granting protection to the synthetic fuel industry by raising customs duties on imported crude and transport fuel, Sasol Oil MD Danie de Villiers said yesterday B/Day

A committee made up of representatives from the industry and government departments was examining mechanisms to protect the industry, he said.

Protection was needed because of low international crude prices. When Sasol started production in 1980, crude oil prices were about $32 a barrel But they had fallen nearly 45% in nominal terms and 72% in real terms since 1986 27/8/93

Tariffs and duties granted to protect the industry were pegged at an effective 12,5%, which was low considering the motor industry's 108%, the clothing industry's 65%, tobacco's 50%, the 45% average for consumables and the 27% manufacturing average The value of protection granted since the introduction of the $23 a barrel price formula in 1989 to 1992 was R1,24bn. This was not high considering that annual production was R3,8bn, the amount was taxable, and protection granted to the motor industry was worth billions of rands every year, De Villiers said (55)

The cost of Sasol's tariff protection to the motorist in 1992/93 was 3,4c/l if spread over all transport fuel volumes or 5,2c/l since 1979 Over a year the cost increased to R85 if one assumed the motorist travelled 25 000km at 10km/l (183) (355)

Sasol was also criticised because synthetic fuel tariff protection was used to cross-subsidise other group activities However Sasol had decided to separate its oil refining and marketing activities into a new company, Sasol Oil

The group produced 45% of SA's fuel through its Natref crude oil refinery and its synfuel operations, but other oil companies marketed 95% of SA's fuel. This imbalance would have to be addressed, said De Villiers

The separation of Sasol's synfuel and refining operations would necessitate the establishment of a marketing infrastructure previously disallowed by government.

## NEWS IN BRIEF

B/Day

### Manufacturing up

MANUFACTURING production rose a seasonally adjusted 1,6% in June against year-earlier figures, the Central Statistical Service reported yesterday 24/8/93

Manufacturing production was also 0,05% higher than in the first half of last year The increase could be attributed to improved production of textiles (up 4,8%), plastic products (6,4%), motor vehicles (3,5%) and in "other manufacturing" industries (14,5%), the CSS said Electrical machinery and transport equipment industries registered the largest decreases for the period.

B/Day 24/8/93

### Decrease in strikes

MID-year strike statistics were markedly lower than last year's, the Manpower Department said in its August Labour Focus

Between January 1 and June 30 there were 160 strikes, compared with 219 for the same period in 1992 Altogether 19 534 workers went on strike, costing the economy 125 477 mandays and causing a R6,657 084m loss in wages

B/Day

### Protea Chemicals

ABOUT 100 members of the Chemical Workers' Industrial Union (CWIU) embarked on an illegal work stoppage yesterday over wages and disciplinary action on demonstrations against Protea Chemicals' joining the Chemical Industry National Provident Fund, CWIU official Susan Tilley said 24/8/93

Executive director of the Germiston factory, Tony Wetton, said management was trying to resolve the dispute 183

REPORTS Business Day Reporters Sapa

# R1bn needed or farmers go bust

B/Day 24/8/93

DIRK VAN EEDEN

PRETORIA — Unless the livestock farming industry received an immediate injection of about R1bn in state aid, 70% of livestock farmers would go bust, Red Meat Producers' Organisation manager Gerhard Schutte said yesterday

The organisation's economist Fritz de Jager said more than 70% of all livestock farmers owed more than 15% of their capital employed Under current conditions it was impossible for these farmers to service their loans through farming.

Earlier this month Agriculture Minister Kraai van Niekerk announced an R81m government aid package for livestock farmers in extensive grazing areas to maintain core breeding herds A further R50m was granted as low interest production loans

This fell far short of the more than R1bn requested, but the meat organisation understood these subsidies had to come from an already strained national budget, Schutte said

No statistics were available on livestock farming rentability, but farmers probably earned less than 2,5% profit on capital employed, making it far more profitable to leave capital in an ordinary savings account than to farm, De Jager said

In real terms, gross income for cattle farmers in 1991 was about the same as in 1975 and had fallen since However, production inputs had increased dramatically

US and European livestock farmers received huge subsidies from their governments, making it cheaper for SA to import meat in the short and medium term But, if current GATT negotiations were implemented, it would not be economically viable for these governments to continue subsidising meat production on the current scale This would lead to substantially higher meat prices on the international market, making importation a less attractive proposition for SA

Meat imports would not only have a negative impact on SA's balance of payments, but would also lead to the destabilisation of rural areas, De Jager said

## Airlink announces 10% fare increase

B/Day 24/8/93

STEPHANE BOTHMA

AIRLINK Airline will increase fares on its Johannesburg-Richards Bay route by 10% to R660 from September 1

Escalating operational costs, including a rise in the fuel price, higher passenger levies at state airports and an increase in air navigational services charges forced the increase, Airlink sales and marketing manager Karin Egly said.

In January, Airlink gave an undertaking to absorb any operational costs on the route for a period of at least six months

Egly said that now, almost nine months later, the airline faced a situation where it had no option but to pass some of the rising costs on to passengers

# Cut-rate domestic airline on the cards

B/Day 24/8/93

STEPHANE BOTHMA

A CAPE Town businessman has set out to raise R50m from local investors to start a new domestic airline targeted at black and lower income white travellers

Lionair would offer return fares between Johannesburg and Cape Town at R600, and at R300 between Durban and Johannesburg to compete directly with buses, trains and minibuses, MD Neil Robertson said yesterday.

Advance booking rates on the routes could be as low as R200 return to Cape Town and R100 to Durban

Robertson said he was in the process of putting investor groups together to raise R50m capital to buy five 164-seater Boeing 727-200 aircraft from the US at R10m each

Despite the existing excess capacity in the domestic market, with SAA, Flitestar and Comair already serving the two routes, Robertson said he was confident Lionair would be a success

"Figures we have run — only on a passenger service without any cargo — have showed us that we will have an annual turnover of R300m, of which R200m will be running costs and R100m profit," he said

He said he intended to keep overheads low by leasing the aircraft to Lionair and by running a "no frills" all-economy seat service

Robertson, who yesterday officially applied to the Directorate of Civil Aviation for a licence to operate the service, said he could start flying on November 1 if other airlines did not oppose his application to the Licensing Board

FM 27/8/93 (183)

HICKSON CHEMICAL

# After the purge

**Activities:** *Makes, supplies and distributes chemicals*
**Control:** *Hickson International Plc 80%*
**Chairman:** *B W Murray*
**Capital structure:** *64m ords Market capitalisation R32m*
**Share market:** *Price 50c Yields 2,5% on dividend, 12,9% on earnings, p e ratio, 7,7, cover 5 2 12-month high, 67c, low, 34c Trading volume last quarter, 6 000 shares*

| Year to December 31 | *'89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 5,0 | 5,2 | 16,2 | 4,4 |
| LT debt (Rm) | 5,3 | 1,1 | 0,4 | 0,02 |
| Debt equity ratio | 0,48 | 0,26 | 0,61 | 0,13 |
| Shareholders interest | 0,46 | 0,42 | 0,42 | 0,54 |
| Int & leasing cover | n/a | 5 2 | 2,6 | 7 3 |
| Return on cap (%) | 16 1 | 15 9 | 10,7 | 9 0 |
| Turnover (Rm) | 87,2 | 86,3 | 89,1 | 83,8 |
| Pre-int profit (Rm) | 7,5 | 9,2 | 6,9 | 5,7 |
| Pre-int margin (%) | 8 6 | 10 7 | 7,7 | 6,9 |
| Earnings (c) | 7,9 | 11,6 | 9,5 | 6,5 |
| Dividends (c) | — | 3,75 | 3,25 | 1,25 |
| Tangible NAV (c) | 52 | 60 | 67 | 54 |

* Pro forma

**Much happened** during Hickson's third year of listing An R11,4m rights issue in November reduced gearing to a conservative 13% and the company's name was changed from Manro to Hickson Chemical Holdings

The rights issue was underwritten by ultimate holding company UK-based Hickson International, whose stake consequently increased from 67% to 80%

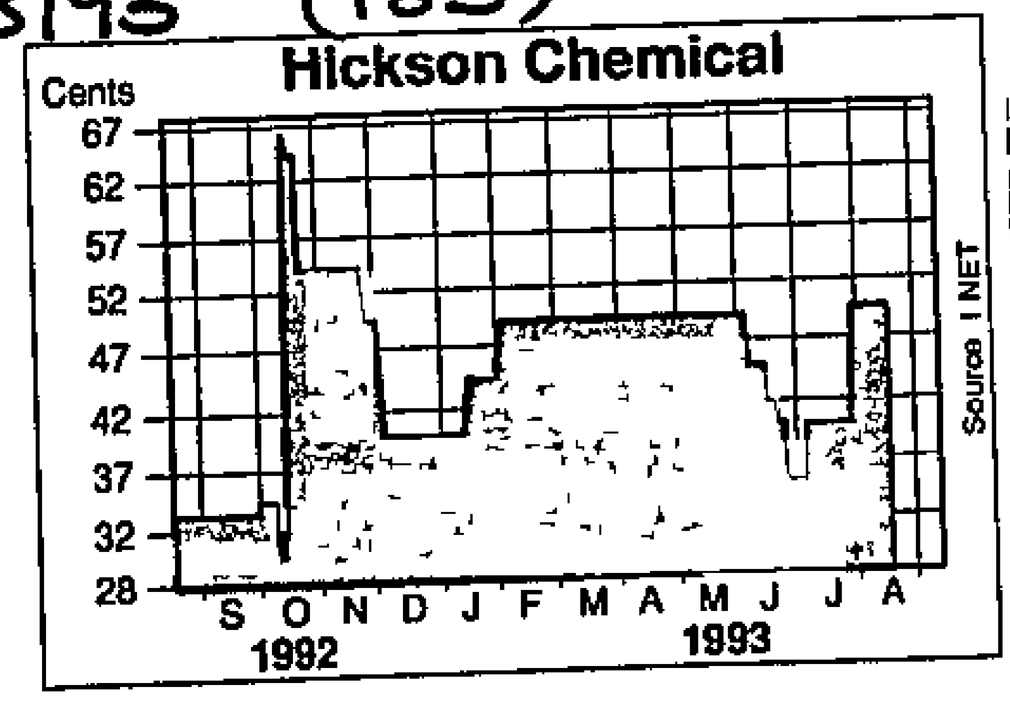
Trading activities have been refocused around the core businesses These supply the detergent and toiletries industries with raw materials, make high purity copper sulphate, CCA timber treatment and copper oxychloride fungicide; and supply speciality chemicals to the paint, paper and textile industries.

The polymer and resin plants at the New Germany factory were closed, though the defoamer and dispersants businesses remain A R6m extraordinary item for the closure and associated costs transformed the R2,7m attributable profit into a R3,3m loss

Hickson had increased turnover and earnings over the five years before its listing, but in 1991 the Bevaloid division's profit deteriorated, and there was a trading loss at Aquasol, a joint venture entered into in April 1991 Earnings fell and declined further in the year to December 1992, when operating income dropped almost a fifth to R5,9m and EPS tumbled from 9,5c to 6,5c

After rationalisation of the Bevaloid specialities business, consolidation is planned Chairman Bruce Murray says development of appropriate niche markets will continue Commissioning of the Chemithon project will provide additional capacity, enabling new export opportunities to be explored Also, the Chemtech division is introducing new products Murray is looking for maintained earnings this year

It has yet to be shown that the downward trend in operating margin will be reversed, but better asset management is clearly evident Cash generation has improved markedly over the past year




After the price gained 10c to stand at 50c this week, the p e is 7,7, still the lowest in the chemical, oils and plastics sector This share is well worth watching *Kate Rushton*

BRENNER MILLS FM 27/8/93

# Change for the better

**Activities:** *Makes maize meal, malt and animal feeds*
**Control:** *Brenner family 81,5%.*
**Chairman & MD:** *A Brenner.*
**Capital structure:** *23,3m ords Market capitalisation. R60,6m*
**Share market:** *Price 260c. Yields 6,9% on dividend, 12,6% on earnings; p.e ratio, 7,9, cover, 1,8 12-month high, 310c; low, 75c. Trading volume last quarter, 390 000 shares*

| Year to February 28 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 1,7 | 4,1 | nil | nil |
| Debt.equity ratio | 0,06 | 0,16 | n/a | n/a |
| Shareholders' interest | 0,72 | 0,67 | 0,71 | 0,68 |
| Int & leasing cover | 9,3 | 5,3 | 26,5 | n/a |
| Return on cap (%) | 14,1 | 10,5 | 19,2 | 30,9 |
| Turnover (% increase) | 18,7 | 11,2 | nil | 29 2 |
| Pre-int profit (Rm) | 4,9 | 4,0 | 7,5 | 13,9 |
| Earnings (c) | 9,9 | 7,2 | 16,4 | 32,8 |
| Dividends (c) | 5,0 | 3,8 | 8,0 | 18,0 |
| Tangible NAV (c) | 107 | 109 | 118 | 131 |

**By and large,** milling companies are uninteresting, save, that is, for Transvaal-based miller Brenner Mills (Brenmill) The 325% rise in the share price during the year has been one of the larger gains on the market over the period

The price surge was in response to a turnaround in the company's fortunes In the year to February, Brenmill doubled its EPS to 32,8c, on a 29% increase in turnover (actual figure not disclosed) Operating profit jumped an impressive 85% to R13,9m, significantly boosting margins This is the second successive year of earnings growth and it reverses the trend of years of poor performances from the maize meal, malt and animal feed maker

Chairman Arnold Brenner says that, as one of the smaller players in the industry, Brenmill can be more flexible and respond quicker to the changing demands of the industry Effective cash management and control over working capital resulted in cash generated by operating activities rising to R16,4m (1992. R14,4m), though the increase was largely absorbed by a higher tax charge

# Omnia reduces losses 57 percent to R1,95-m

Star 1/9/93

BY STEPHEN CRANSTON

A good winter planting season enabled Omnia to lift sales 28 percent to R199 million and operating income by 37 percent to R9,7 million in the six months to June

Omnia has tended to lose money in the first half, as the bulk of its sales take place in the second half, but it was able to reduce its attributable loss by 57 percent to R1,95 million

(183)

MD Neville Crosse says the fertiliser business benefited from the best conditions in the Western Cape for many years.

Crosse is concerned that competitors Sasol and AECI, as conglomerates, have more scope to sell below cost Omnia, with a narrower asset base, can be made to suffer from unfair underpricing

Despite the competition, Omnia's margins were maintained because of improvements in a depressed international commodity market.

It buys ammonia and sulphuric acid on the open market, whereas competitors have their own raw material supplies, which have production costs higher than the current world market price.

The BME division has grown into a major supplier of bulk explosives to the opencast mining industry and has started to supply underground platinum mines.

BiDay 1/9/93

# Good winter plantings bolster Omnia

EDWARD WEST

SEED, fertiliser, explosives and industrial chemicals group Omnia Holdings reported a strong financial improvement in the six months to end-June 1993 on the back of a good winter planting season

Operating income had increased 37,1% to R9,7m (R7,1m) on a 28% increase in turnover to R199m (R155,6m) and last year's interim loss had been reduced to R2m (R4,6m), MD Neville Crosse said

The interim performance traditionally lagged the second half by a wide margin due to the seasonal nature of agriculture The relatively high but unchanged interest of R12,2m paid related to financing stocks ahead of the summer planting.

The second-half bias of the group was accentuated by the continuing growth of the Carnia seed business, which had 90% of its sales in the last six months of the year If the climate was normal for the rest of the year, the group was set to exceed 1992's net profit, Crosse said (183)

Because of the seasonal skewing of results, the interim dividend was declared in November.

Crosse said the fertiliser business, from which the group derived about 70% of its income, had benefited from a good winter planting season, with conditions in the western Cape probably the best in many years.

Volumes increased, but competition was intense and prices were low Fertiliser costs to the farmer had increased only 3% over the past two years Omnia maintained margins largely due to improved raw material procurement in the post-sanctions environment and a depressed international commodity market

The BME explosives division had grown into a major supplier of bulk explosives for opencast mining and had also entered the underground mining market in the platinum sector Omnia's fledgling industrial chemicals company met its budget

Carnia traditionally had a quiet time in the first half of the year, but its sales were expected to increase substantially in the second half

Crosse said there was neither a surplus nor shortfall of grain in SA, reflected by reduced activity of the group's international agricultural commodity trading operation

# Shell set to pump R1bn into capital projects in SA

R3 CT 1/9/93

By MAGGIE ROWLEY
Deputy Business Editor

John Kilroe

SHELL SA was optimistic about the future of the country and would continue to pump more than R1bn into capital projects over the next five years, chairman and CE John Kilroe said.

Kilroe, who leaves to take up the challenge of growing Shell into mainland China from November, has been in his present post since 1989 and is adamant that the multinational's decision not to disinvest during the sanctions era in spite of pressure to do so (particularly when Mobil disinvested) was the right one.

"I said so then that Mobil's disinvestment was badly timed as we could see apartheid disappearing and were certain that it was only a matter of time before we had a new state president.

"Our platform for staying was really protection of human rights. We believed that the role of business included making a contribution to its environment."

During recent years, Shell has put its money where its mouth is and ploughed millions into education, both on a tertiary level through the Universities of the Western Cape and Cape Town and within its own organisation which employs 2 700 people.

In fact Kilroe has been closely linked with both universities serving as a trustee of the former and on the council of the latter.

"Education has been important thrust for us as one cannot have a democatic country without it."

Back in the 1970s, Shell was one of the first companies to embark on an affirmative action programme which has gathered momentum in more recent years. In 1986 a target of 20% black management by the year 1992 was set and reached.

"While this target was reached we have failed in achieving our aim of 10% black Africans and 10% coloured/Asian Africans due to the educational disadvantages black Africans have experienced and the high level of poaching of our black management staff.

"While it is annoying that we have trained people up only for someone else to come along and head hunt them, we try to be philosophical about it and see the training not as being wasted but to the benefit of the country as a whole."

Next month, Shell and BP's joint upgraded refinery in Durban, Safref, comes on stream symbolising a capital investment of R450m.

## Capital projects

The company has spent about R270m annually on capital projects in this country and Kilroe leaves for London next week to present Shell SA's five year plan which would see a further R270m or so annually invested in new projects.

"It is a long term plan. When we push the buttons on these projects will be dependent on the political climate."

The ongoing development of its retail network was continuing, he said. Currently 20% of Shell's 800-odd service sites are in black areas with 50% of all new service sites coming on stream being in these areas.

Because of its greater exposure in these than any of the other oil companies, Shell was more affected in times of violence, he said.

Kilroe reiterated earlier warnings that deregulation of the oil industry, while it had its merits, could see about 50 000 pump attendants out of work.

"We are not worried about competing in a deregulated market as we have been doing so successfully in many other countries.

"However, there is clear evidence that self service outlets is a pillar of deregulation in order for operators to cut overheads. In addition deregulation could result in many smaller rural concerns being forced to close down.

"In these instances it will be the emerging entrepreneurs who will be hardest hit and with unemployment already a crucial issue, the matter should receive serious attention."

"While deregulation has its merits I don't believe this is the time to go this route in SA."

Kilroe is to be succeeded by John Drake, currently based in London who has been Shell International's area co-ordinator for the Far East.

# Talks on R1,6bn chemical plant

CT 2/9/93 (183)

**Own Correspondent**

JOHANNESBURG — Negotiations were under way for the possible establishment of a R1,6bn aromatic-based chemical plant capable of replacing imports worth R500m a year, Industrial and Petrochemical Consultants (IPC) director Philip Lloyd said yesterday.

SA lacked conventional sources of aromatic feedstocks and had to import aromatic derivatives, he said

## Feasibility

SA was looking at the possibility of producing aromatic feedstocks from coal by direct liquefaction technology which had been developed in Germany The technology was at a stage where a 2 000-ton-a-day plant could be built with confidence.

He said IPC had been commissioned by Edward L Bateman subsidiary Western Chemical Corporation (WCC) to do a pre-feasibility study

Once an operator was found for the plant a fuller investigation of the costs and viability could be undertaken

Comment could not be obtained from WCC regarding potential operators, but negotiations were taking place

In a paper delivered to the African Initiative Petrochem conference this week, Lloyd said coal liquefaction technology could be introduced with little technological or economic risk and it would enable SA to use coal resources more efficiently

Iscor could supply up to 2-million tons of coal a year for up to 50 years German-based Ruhrkole would supply the underlying liquefaction technology

Preliminary economic analysis indicated that a small-scale plant would enjoy positive cash flows, even at times when international market leaders had negative profit margins

Such a plant would be capable of supplying SA's needs for aromatic-based chemicals for the next decade By the end of the decade imports would probably be about R1bn a year, said Lloyd

## Conversions

A suggested plant would use 342 000 tons of coal a year, employ 415 workers and produce benzene, toluene, xylene, ethylbenzene, naptha and butane, based on a demand of 62 000 tons a year of styrene and 85 000 tons a year of terephthalic acid

The residue of liquefaction was a pitch which had a natural outlet in SA for conversion into a road bitumen or for producing a material for needle coke production

The residue could yield additional liquids and some fuel gas

# Modest growth tipped for Sasol

(183) CT 2/9/93

JOHANNESBURG — Oil-from-coal and chemical producer Sasol is expected to report modest growth in annual earnings today, despite lower prices for its main products, analysts say

"The depreciation of the rand against the dollar has boosted synfuel income and its refining profitability," Peter Brown of Simpson McKie Inc said

Most analysts polled forecast earnings of 217-222c per share for the year to June 30, 1993, versus 202c in 1991/2, and a total dividend of 84-85c versus 78c

Only one analyst polled said he expects Sasol to report flat earnings and dividend

The company said recently its cost cutting programme was countering the effects of local inflation, currently running at an annual 10% Analysts also expect lower tax and interest bills

Real growth in earnings is expected in the 1993/94 financial year as new projects kicked in, analysts said

Sasol, increasingly shifting its business to higher margin chemical production, is the world's only producer of transport fuels converted from coal

Its oil-from-coal technology was initiated as a strategic move in the 1950s, ahead of an international oil embargo launched in the early 1970s as part of anti-apartheid protest

# New plant may save R500m in imports

BiDay 21.9.93

EDWARD WEST

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SOLCHEM FM 3/9/93

# Improving record

(183)

**Solchem's 1993** results are encouraging but the share price is weakening At 30c, it trades at less than two thirds of the 50c issue

FM 3/9/93

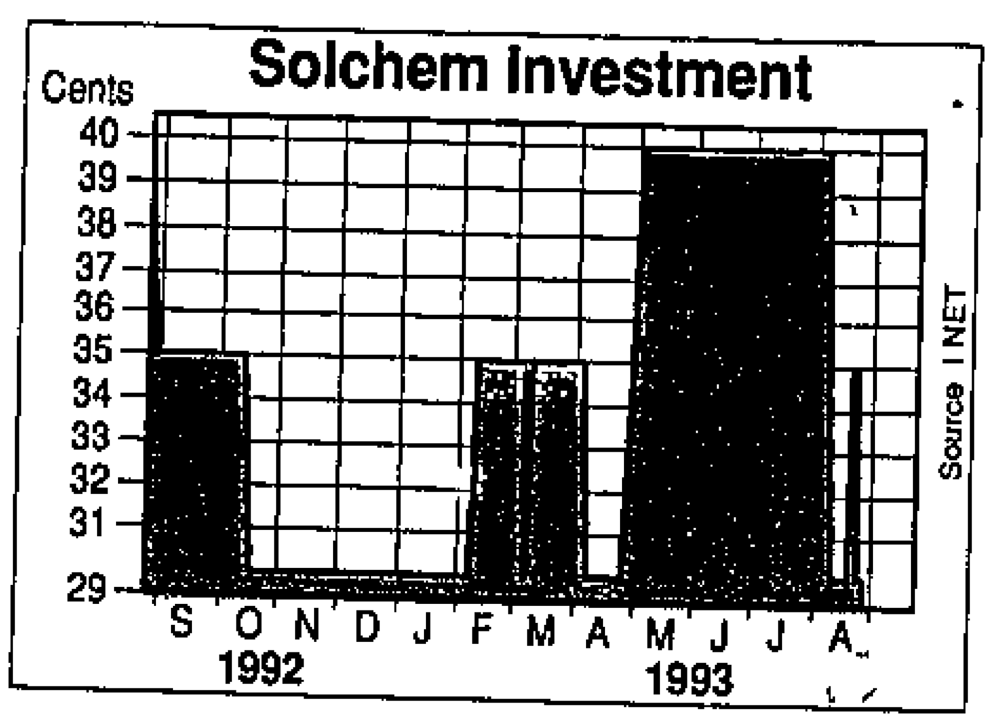
**Activities:** *Makes printing inks*
**Control:** *CTP 79,7%*
**Chairman:** *E M Jankelowitz*
**Capital structure:** *40,2m ords Market capitalisation R12m*
**Share market:** *Price 30c Yields 7 7% on dividend, 25,3% on earnings, p e ratio, 4,0, cover, 3,3 12-month high, 40c, low, 30c Trading volume last quarter, 9 000 shares*

| Year to March 31 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 5 9 | 5,3 | 3,5 | 1,9 |
| LT debt (Rm) | 0 5 | 0,4 | 0,2 | 0,03 |
| Debt equity ratio | 0,52 | 0,41 | 0,21 | 0,06 |
| Shareholders interest | 0 47 | 0,42 | 0 45 | 0,52 |
| Int & leasing cover | 3,2 | 3,8 | 4,9 | 9,6 |
| Return on cap (%) | 19,5 | 15 4 | 17,4 | 19 3 |
| Turnover (Rm) | 47 7 | 49,2 | 53,8 | 57 6 |
| Pre-int profit (Rm) | 5,1 | 5,1 | 5,9 | 6,4 |
| Pre-int margin (%) | 10,7 | 10,4 | 11,0 | 11,0 |
| Earnings (c) | 5,1 | 4 8 | 6,2 | 7,6 |
| Dividends (c) | 1 | 1 | 2 | 2 3 |
| Tangible NAV (c) | 30,5 | 34,3 | 37,9 | 42 9 |

(183)

price and a fraction of the 160c high reached after listing in July 1987

Earnings increased 23% on maintained margins in the 1993 financial year More impressive, though, was the decline in gearing from 21% to 6% Chairman Edwin Jankelowitz says this was a direct result of attention to working capital control Though stock increased by a tenth to R14,8m, debtors fell 18% to R8,7m and creditors climbed 5% to R8,5m




Short-term borrowings were reduced to R1,9m (R3,5m) and long-term debt to R232 000 (R300 000) Consequently, net interest paid almost halved to R655 000 and, with operating income growth, pre-tax profit was up 22% — the third year of significant growth This quashes the reputation Solchem has developed since listing, that of a company with an unstable track record

The relationship with Solchem's main overseas technical licensor, Manders Plc in the UK, has improved, allowing overseas developments to be introduced more rapidly Also, agreements to sell and distribute imported products from Premier Inks of Holland and Roymal of the US have been concluded, complementing the range of locally made products Jankelowitz says this will help earnings this year Overall, he expects earnings to grow and market share to be maintained at 25%-30%

Capital expenditure for this year has been allocated to modernising manufacturing plant rather than relocating the head office Priority has been given to the major new ink plant at Amalgam and further new equip-

**Solchem's Jankelowitz** *working capital control*

FM 3/9/93

ment will be installed soon to replace some of the older plant (183)

Jankelowitz argues the share is undervalued but admits the stock is tightly held, only 9 000 traded last quarter At 30c, on a p e of 4, and with the low gearing and improving track record, it looks cheap *Kate Rushton*

# Robust 14% rise in earnings from Sasol

CT 3/9/93 (183)

From EDWARD WEST

JOHANNESBURG. — Sasol reported a robust 14% increase in earnings to 230,3c (202c) a share in the year to end-June on the back of cost containment, higher output, a weaker rand and lower interest and tax payments

The oil-from-coal and chemicals group's turnover increased 5% to R8,25bn (R7,85bn) due to increased volumes and, to a lesser extent, the effects of the weaker rand/dollar exchange rate

Operating income climbed 11,2% to R1,96bn (R1,76bn) A cost reduction programme enabled the group to restrict cost increases to 3,5% for the year Interest paid fell to R122m (R228,6m) due to higher cash surpluses and the repayment of a R400m instalment for a Central Energy Fund loan Pre-tax income was higher by nearly a fifth at R1,84bn (R1,53bn)

Tax was lower at R347,9m (R359,7m) The tax rate had been expected to increase by more than 30% from just less than 20% because allowances for Sasol III and Syferfontein mine would be utilised R100m was set aside for tax in the 1994 financial year

Taxed profit was 27% higher at R1,48bn (R1,175bn), but the transfer to a tax equalisation fund lowered the rate of attributable income growth to 14,4% at R1,3bn (R1,14bn) A final dividend of 48c (41,5c) lifted the dividend for the year to 86c (78c)

Deputy chairman Paul Kruger said the group had been restructured during the year into separate companies

Sasol Chemical Industries would house chemical operations, Sasol Oil would house the oil refining and marketing activities, Sasol Mining would undertake the mining while the synthetic fuel activities would be operated by Sasol Synthetic Fuels The number of employees fell by about 4 000

Lower international petroleum prices, lower refining margins and severely depressed international chemical markets and prices affected results in 1993

Neverthless earnings were expected to show a further modest increase this year due to the continuing costs containment programme, the commissioning of projects, increased production, the weaker rand and the tax equalisation fund

Militating against these factors were expectations of increased tax and interest, low international petrochemical prices, little chance of a worldwide economic recovery and forecast low crude oil and price and refining margins

During the past year, the Sasol I rejuvenation project was completed and commissioned, as was the anode coke plant at Sasol II and the acrylic fibres plant in Durban Good progress was made upgrading the Natref refinery

*Total dividend 10% higher than last year's*

# Cost-cutting Sasol beats expectations

Star 3/9/93

(183)

**SASOL has increased earnings by 14 percent despite a sharp decline in profit from its non-fuel interests.**

■ BY STEPHEN CRANSTON

Sasol beat market expectations with a 14 percent increase in earnings per share to 230,3c in the year to June.

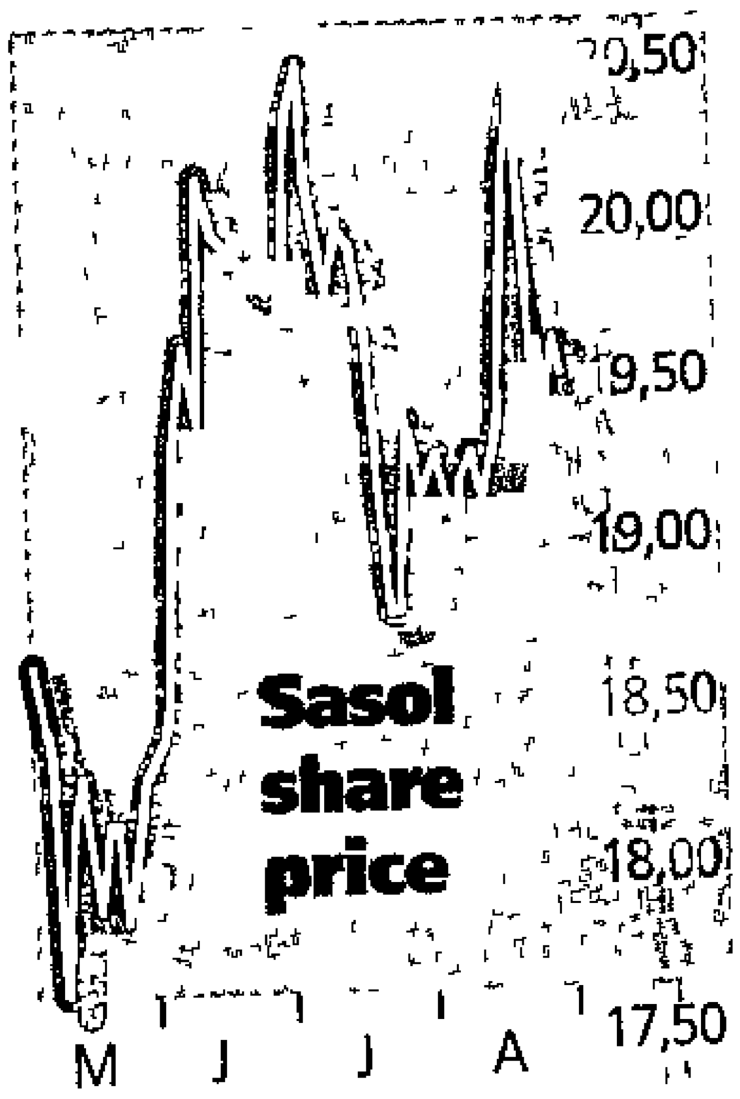
Chairman Joe Stegmann attributes this to Sasol's success in reducing costs and increasing production output and market penetration

A final dividend of 48c has been declared to make a total of 86c — an increase of 10,3 percent on the previous year

Stegmann says cost increases were limited to 3,5 percent, because of a 15 percent reduction in staff and more efficient use of raw materials

At Sasol Two and Three the on-stream availability of the Synthol synthesis units was maintained at very high levels and, combined with excellent plant stability, resulted in a substantial improvement in output

Synthetic fuels remained




the dominant profit source, with operating profit up 24 percent to R813 million

Sasol Two increased its production of synthetic oil by 3,3 percent and total useable products by six percent

Sasol Three improved its oil yield per unit of synthesis gas by 1,7 percent

The rejuvenation of Sasol One was completed at a cost of R820 million — R80 million below budget.

Ammonia production capacity has been increased from 300 000 tons to 500 000 tons a year

Wax and paraffin production facilities were expanded

The most disappointing performance came from petrochemicals and other downstream businesses, which saw operating profit fall from R349 million to R230 million

The worldwide overcapacity and international recession drove dollar prices below the prices prevailing in the previous major slump in the Eighties

Fertilisers were hit by a five percent reduction in local demand, and sales were affected by problems caused by the unsuccessful modification of the granulation plant

The explosives division increased its contribution to group profit, despite severe competition

Crude oil refining's operating profit was down two percent to R483 million becuase of a fall in refining margins.

The star performer was the coal division, which increased operating profit by 64 percent to R430 million.

The Secunda Collieries increased production by 6,4 percent and unit production costs fell by 3,6 percent

Sasol's net interest paid fell by R106,6 million, thanks to higher average cash surpluses and the repayment of a R400 million instalment of the Central Energy Fund loan

The effective tax rate fell from 23,5 percent to 18,9 percent, but the assessed losses of Sasol Three relating to the Sasol Three project and of Sasol Mining relating to Syferfontein will be fully accounted for in the current financial year

**Company: Sasol**
**Sector: Chemicals and Oil**

**SHARE PRICE. R19,40**
**YEAR HIGH: R20**
**YEAR LOW: R14,25**
**Net asset value R11,24**
**MARKET VALUE: R10,99bn**
**PE RATIO: 8,4**
**Dividend yield. 4,4%**

| Year to | Turnover Rm | Operating Profit Rm | Attributable earnings per share (c) | Dividend per share (c) |
|---|---|---|---|---|
| 1991 | 7562 | 1897 | 184,7 | 71,5 |
| 1992 | 7854 | 1759 | 202,0 | 78 |
| 1993 | 8297 | 1956 | 230,3 | 86 |
| % Change | 5 | 11,2 | 14,0 | 10,3 |

# Doctors take trade from pharmacists

S Times (Buss)

5/9/93

(183)

**DOCTORS who dispense medicine are encroaching on retail pharmacists' trade.**

By CHERILYN IRETON

A confidential study by research group Pharmasearch International suggests 5 000 dispensing doctors in SA will spend R540-million on pharmaceuticals this year

About 2 800 retail pharmacies will spend more than R2-billion on medicine

However, dispensing doctors buy medicine at a considerable price advantage to pharmacists. The reason is multiple pricing by some manufacturers, says a trade source.

The Government dropped its attempt to outlaw selective pricing last month after objections by five multinational manufacturers

They are SmithKline Beecham Pharmaceuticals, Pfizer Laboratories, Wellcome, Rhone-Poulenc Rorer SA and Glaxo SA which control 15% of the market.

The so-called single exit price would have compelled manufacturers to have one price for all buyers

Opponents of the five manufacturers claim that their objection could stretch the pricing disputes between dispensing doctors and pharmacists by two years.

One says "We are in the absurd situation that the distributors have been forced into buying their products from the doctors The doctors enjoy price advantages over both wholesalers and distributors

"This is unhealthy and deprives the public of the large discounts offered by some manufacturers.

"Although nobody disputes that dispensing doctors provide a useful social service, it is unfortunately true that some of them have developed a lucrative wholesale trade of their own in the products they buy on favourable terms from the manufacturers"

The manufacturers who blocked the introduction of the single exit price dismiss the charges as being unduly emotive They claim the effect of their objections is likely to have been misinterpreted.

"We took legal advice on the effect of the notice published in the Government Gazette in June and concluded that its wording was so vague that is was impossible to say whether certain normal marketing activities are, or are not, outlawed

"This was a serious consideration because of the R100 000 fine and/or five years' imprisonment for contravention," says a manufacturer

"The prohibition would be discriminatory in that it apparently focuses only on the manufacturer of medicines. Distributors are at liberty to indulge in marketing practices which the manufacturer would not be allowed to practise This places corporate structures which include both manufacturers and wholesale distributors at an advantage."

The manufacturers are committed to co-operate in attempts to reduce the cost of health care

One says "But we believe that the gazette notice interferes to such an extent with normal market forces that it would be counter-productive and likely to lead to an increase in prices

"For these reasons we lodged an appeal against the ruling and hope we succeed in contributing to the development of fair competition."

# Mossgas losses (183) quash CT 6/9/93 NEI earnings

From TIM MARSLAND

JOHANNESBURG — Losses on work contracts completed for Mossgas ate into NEI Africa's earnings in the six months to end-June, although attributable losses were contained at about R4m (R26,9m)

The UK-owned engineering group reported a R2,9m abnormal charge relating to a reduced settlement on work completed for Mossgas

Chairman Peter Joubert said this had adversely affected results, but he expected further Mossgas claims to be finalised before the year end, which "should result in a further flow of cash into the group"

Turnover was down 15% to R245m (R290,9m) with operating profit dropping to R6,4m (R8m)

The group blamed the economy and reducing business (downsizing) for the drop in turnover Margins had also narrowed, primarily because of a lack of mechanical engineering work at subsidiary Ical

Ical had been a strong contributor to profits in the past because of work on Eskom's power stations, but it was responsible for the disputed Mossgas contracts

During the six months, NEI announced it was merging Ical with another subsidiary, John Thompson Africa, resulting in write-offs of R5,4m disclosed under extraordinary items

## Merger

Joubert said the merger would result in cutbacks in Ical's business

Greater volumes were already going through the John Thompson works, but these were not yet sufficient to offset the rationalisation costs

The loss a share was 63,8c (429,4c) and the dividend was passed The group last declared a dividend in 1991

Net asset value a share fell further to R13,38 (R18,98) as a result of the write-offs

The group brought its debt further under control, with its interest bill dropping to R8,6m (R15,7m) Group financial director Tony Welton said the targets for debt reduction had been achieved

Joubert said he expected to make a further announcement soon on a recent cautionary announcement relating to NEI and holding company NEI Holdings.

NEI Holdings reported a loss of 31,4c a share (214,6c). No dividend was declared

SOWETAN Tuesday September 7 1993

bad news for hard-hit consumers

# Unions attack fuel price hike

Sowetan 7/9/93

**By Joe Mdhlela**

THE two largest worker-federations, the Congress of South African Trade Unions and the National Council of Trade Unions, described the looming petrol price increase as bad for consumers (183)

Mineral and Energy Affairs Minister Mr George Bartlett yesterday announced that the fuel price would rise on September 15 by 7c a litre

Diesel and paraffin prices will increase by 5,5c a litre

Spokesman for Cosatu Mr Neil Coleman said the Government seemed unconcerned about what effects increased prices would have on consumers

"At the same time our people are expected to accept low wage increases This is obviously unacceptable to Cosatu," he said

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially

"If this happens the retailers will pass on increases to the consumers," he said

He said Nactu would discuss the increase with its constituencies and decide on what action to take

Ngcukana said the increase would help inflame the taxi feuds that have claimed the lives of many black people

Standard Bank group economist Mr Nicko Czypionka said consumers would be badly hit by the increase

But he said he did not see it having any effect on inflation

Chief economist of Die Afrikaanse Handelsinstituut, Mr Nick Barnardt, said "The increase was not unexpected in view of the weaker rand/dollar relationship"

The petrol price has gone up 23c since April and a total of 52c since August 1991

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# Petrol price will rise again

183 CT 7/9/93

Staff Reporters

MOTORISTS, reeling after the announced petrol price hike of seven cents a litre, should brace themselves for a possible further increase, the government warned yesterday in the face of a barrage of criticism.

Six cents a litre of the petrol price rise will go to the estimated landed cost — the price of petrol bought on the Bahrain and Singapore markets.

Mineral and Energy Affairs Minister Mr George Bartlett said a 4,8c increase would have been appropriate for retailers and wholesalers, at 2,4c a litre each, but the cabinet had decided to allow only 0,5c a litre each, making up the one cent increase, as an interim measure "in the interests of consumers" and to "minimise the influence of increase on the rate of inflation".

The Automobile Association (AA) slammed the increase — which comes into effect at midnight on September 15 — saying that since the last petrol price rise in April, the price of crude oil had decreased by R3 a barrel to R57,48.

## Weakening rand

DP energy spokesman Mr Roger Hulley said motorists were being forced to pay 40% more than the world price of crude oil because of the government's misguided synfuel policy.

The equalisation fund was under pressure because of subsidies for Mossgas and Sasol.

The price of 97 octane in Cape Town will increase from R1,68 to R1,75 a litre. Diesel and paraffin will rise by 5,5c a litre.

The increase was necessary because of the continued weakening of the rand against the dollar and the draining of the equalisation fund since June, Mr Bartlett said.

The Consumer Council's said the increase would further erode consumers' buying power and contribute to inflation.

The SA Chamber of Business said the ripple effect could cause an increase in the Consumer Price Index of between 0,3% and 0,4%.

However, the Motor Industries Federation said it was "relieved" the increase had been contained to "as little as seven cents".

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# Mossgas fiasco spotlighted as contributor to petrol rise

(183) ARG 7/9/93

BRUCE CAMERON, Business Staff

THE R11 million Mossgas fiasco has been spotlighted today as a significant contributor to the seven cents a litre petrol price increase

African National Congress head of economic planning Trevor Manuel, called for an open accounting of the entire fuel pricing structure, saying the days for secrecy were over

At this stage it appeared the increase was completely unjustified, he said

And Pick 'n Pay repeated its calls today for the deregulation of petrol, saying it could cut between seven to eights cents off a litre of petrol now

The increase comes into effect on September 15

At the centre of the dispute over the price increase are claims by Energy Minister George Bartlett that the cause of the rise has been an increase in the landed price of fuel

Announcing the increase, he claimed the drop in the value of the rand had outstripped the fall in crude oil prices on the Bahrain and Singapore markets

The Automobile Association rejected the claim, saying the landed price had dropped by R3 a barrel to R57,48 since the last petrol rise in April

The increase had again sparked calls for the deregulation of the industry to make it more competitive and to bring prices down

The inflation rate is set to be pushed back into an upward spiral, with economists predicting the results would be an increase of up to 0,5 percent over a year The fuel increase comes after latest inflation figures showed the rate back in single digits following the upward push caused by VAT and petrol price increases in April

Mr Bartlett also announced the government was to push ahead with the Mossgas project in spite of strong indications that operating costs would exceed income This would mean motorists having to foot the difference from the fuel equalisation fund on top of having had to meet the R11 million capital development costs

Gencor subsidiary Engen placed a question mark over the project earlier this year when it declined an offer to take up shares in the project

Mr Bartlett's announcement followed a government investigation into the viability of the project after the Engen decision

Roger Hulley, Democratic Party spokesman on energy long-time critic of Mossgas, said today that motorists were having to pay 40 percent more than the world price for crude oil "because of the government's misguided synfuel policy

"The equalisation fund has been under pressure because of the enormous costs and subsidies of Mossgas and Sasol"

RIBS: Mark Lawson of the SPCA with some horses removed from a Durban farm

Picture HENRI DU PLESSIS, The A

## SPCA answers call to aid 10 hors

HENRI DU PLESSIS
Staff Reporter

TEN thoroughbred horses are being removed by the SPCA from a farm near Durbanville

The farmer from whom the owner of the thoroughbred mares rents land and stables complained to the SPCA, after which eight were removed in a large horse transport lorry yesterday Two wild yearlings, which escaped capture, were to be taken away today

An SPCA investigating team alleged three months ago that the horses were underfed, but not in a critical condition Their owner was advised to improve their living conditions, said SPCA official Shaun Bodington.

"We then heard from a neighbour that a yearling had fallen down and had had to be shot," he said

Mr Bodington said charges would be laid against the owner

The owner had had several offers for the horses from potential buyers, but has ref to sell, said a neighbou farmer

"The man has been in game for about 40 years,' said.

Several of the animals peared to be very thin

Mr Bodington said the h would be sent to foster ho where they would be kept the court had decided on future

He also appealed for and medical supplies

## IN BRIEF

### Boy 'taken for ride'

A YOUTH claiming h

Star 7/9/93

# SA offers new deal to Gatt

BUSINESS STAFF

South Africa has submitted a revised offer to the General Agreement on Tariffs and Trade (GATT) after a series of breakthroughs in negotiations between government, business and labour.

The government's earlier offer to Gatt would have reduced tariff headings from about 12 000 to 1 000 and ceilings would have been pegged at a maximum tariff of 30 percent after a five-year phase-in period.

Employer and union federations felt that this would have had severe effects on jobs.

Although no details of the revised offer were made available, a statement from the office of Finance Minister Derek Keys, said the adjustments consisted mainly of subjecting certain sensitive products to a longer phase-down period and in a limited number of cases rates were adjusted both up and down.

A panel representing the clothing and textile industry made a new proposition to the Minister last week.

It suggested maximum tariffs for clothing of 60 percent and for textiles of 30 percent.

Tariffs in other industries will also have to be lowered enough to bring the average into line with Gatt requirements.

Employers and unions in the heavily protected motor industry have agreed to a reduction of tariffs from 110 percent to 60 percent

# Sasol against tariff cuts on chemicals

Star 7/9/93

BY STEPHEN CRANSTON

Sasol chairman Joe Stegmann has condemned proposals to reduce tariffs on chemicals in line with Gatt principles.

He says that in some instances maximum protection will be even lower than those ruling in the US, EC and Japan.

"There will be no quicker or more effective way of destroying our manufacturing base than the removal of protection", Stegmann says.

Writing in the annual report for the year to June, Stegmann says any reduction would leave the country immeasurably poorer and incapable of generating the foreign exchange necessary to pay for the much greater volume of imports.

(083)

Stegmann concedes that certain industries — though he does not name which — have excessive protection and it should be brought down to an acceptable level

But he says tariffs should remain in place until "the root causes of our severe competitive disadvantages are tackled first"

0100804

# Paprika oil project to create new jobs for 2 500

EDWARD WEST

A R35m oil-from-paprika project in the northern Transvaal would generate up to 500 small businesses employing 2 500 people and nearly $26m in foreign exchange, Oleoresin Paprika GM Pierre Grant said yesterday

Grant said the project would be funded by a R10m loan from the Belgium government and R20m in a public share placement Bonds from the local authority and discounting of debtors would add a contingency amount of R5m

Belgium-based De Smet would supply plant and technology expertise The first five years of production would be taken up by De Smet subsidiary Belfinvest International More than 270 tons of processed product would be produced in the first year of operation from mid-1994, said Grant

The company planned to buy 1 000ha of land to be divided into two-hectare smallholdings, each supporting the employment of five people

Grant saida listing would be sought for Oleoresin Paprika after a year of operation

SA produces about 8 000 tons of paprika a year, most of which is exported to Spain

Biday 7/9/93 (183)

# Should your doctor be a pill-pusher?

**Drug manufacturers** like to sell pills and capsules through doctors because they create demand for the product every time they write a prescription Some doctors like to sell drugs directly to patients because of the huge profits — they buy drugs at a big discount and sell at close to the price any pharmacy would charge A few even supply wholesalers and pharmacies FM 10/9/93

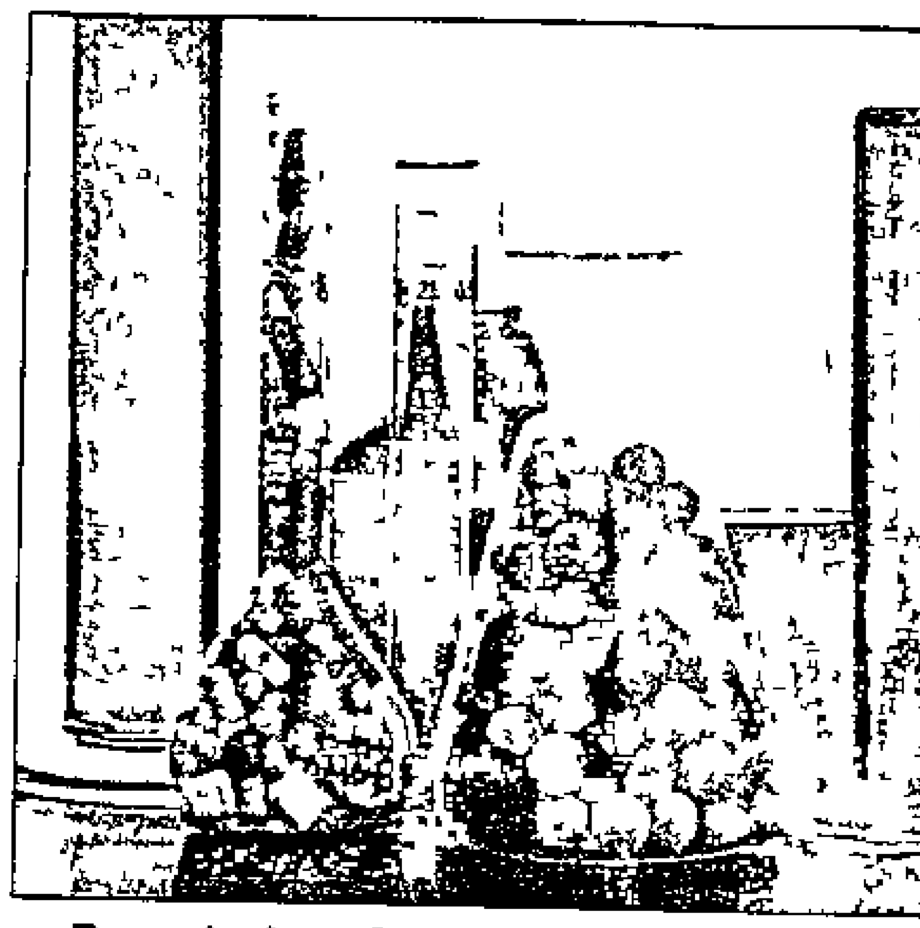
The Competition Board doesn't like this setup It claims that consumers are the losers because they're forced to pay exorbitant prices in pharmacies so the drug companies can make up the discounts they hand out to doctors — discounts that doctors rarely pass on to patients So in December the board recommended that the practice must be stopped by forcing manufacturers to end the special deals for doctors and charge the same prices to everyone — wholesalers, hospitals and doctors — adjusted only for volume and other factors

In June, government agreed and the prohibition was to take effect last month But at the last moment five of the big multinational drug companies appealed The appeal could take two years — it probably will be six months before the Supreme Court even hears the case — so a debate that has raged for the past decade will continue for some time

From a strictly free-market standpoint, the board has erred Critics say that if drug companies want to offer big discounts to people who can push their products, that should be their right If someone is making excessive profits, then there must be some government regulation or other intervention that's restricting competition and should be eliminated

Government certainly has a massive role in the drug market State hospitals buy 70% of the drug companies' output but use their clout to win big discounts so they supply only 30% of the companies' revenue Then there are generic drugs government still has not approved the sale of cheaper, generic equivalents of most drugs Finally, there's the overregulation at the retail level the corner pharmacies are still protected against competition from large chains such as Clicks and Pick 'n Pay

The Representative Association of Medical Schemes (Rams), whose members foot the bills for the ever-more costly drugs, says addressing these issues will do much more to reduce drug prices than any difficult-to-enforce ban on discounts to doctors Says Rams executive director Reg Magennis "Rams does not believe that the introduction of this single measure will, in isolation, contribute significantly to reducing the medicine-cost spiral This objective can be achieved only in the context of a comprehensive and well-structured strategy involving all players in the health-care system " (183)



**Prescription drugs** *doctor's little helper*

The dispute over the so-called dispensing doctors goes back to 1984 With drug prices escalating, government gave pharmacists the go-ahead to substitute generic equivalents for expensive branded drugs So the manufacturers, angered by the reform, began encouraging more doctors to buy their branded drugs directly from them, sweetening deals with prices that undercut wholesalers by as much as 50%

Eventually, pharmacists were barred from suggesting a generic substitute — the doctor or patient has to ask for it — but the cosy relationship between the doctors and manufacturers continued Doctors now dispense about 30% of all private-sector prescription medicines, five years ago the figure was only 10% Medical schemes report that last year some individual doctors dispensed more than R800 000 worth of medicine Some earn more from dispensing than they do from their practices

The mushrooming sales by doctors have raised ethical as well as legal questions is it right for doctors, who stand to make a lot of money, to be pushing drugs through the prescription pen?

The Medical Act clearly prohibits doctors from trading but the Medical & Dental Council has found it difficult to enforce these rules in all but a few cases

It's not fine points of ethics, however, that concern the wholesalers and retailers, the issue for them is lost sales and profits The manufacturers have to recoup these discounts from somewhere, says one wholesaler

But the manufacturers apparently don't feel as strongly Only five — SmithKline Beecham, Pfizer, Wellcome, Rhône-Poulenc Rorer and Glaxo — joined the appeal SA Pharmaceutical Manufacturers' Association president Hugo Snyckers stresses that the manufacturers have supported the principle of charging the same price to everyone — called single-exit pricing — for some time He says their complaint is over the vague and confusing wording of the ban on discounts

Instead of doctors, however, the manufacturers may be contemplating an entirely different market The Medical Schemes Amendment Act, which takes effect next year, allows medical schemes and group practices to run their own dispensaries, which will give them the bargaining power to negotiate for discounts from manufacturers Says Snyckers "We don't want to call in the lawyers or end up in court every time we want to strike a deal One needs scope to negotiate "

Indeed, giving medical schemes more bargaining power, along with other reforms in the pipeline or under discussion — such as allowing large retail chains to run pharmacies, clearing the way for greater use of generics and dropping restrictions on the imports of some drugs — may make the whole issue of discounts to doctors moot by the time the appeal is finally heard

# Medicine

JOHANNESBURG. — Unless firm steps are taken to halt spiralling medicine costs, medicines will slip beyond the reach of the man in the street, the Representative Association of Medical Schemes (Rams) warned yesterday.

CT 14/9/93 (183)

Rams executive director Mr Reg Magennis said in a statement the gravity of the situation was reflected in an estimated R2,7 billion payout by medical schemes in 1992 for medicines dispensed to members.

In 1991 this figure, which excluded medicines dispensed by private hospitals and clinics, had been 28% lower at R2bn, and in 1987 the payout had been only R654 million — 76% less than the estimate for 1992.

Members' contributions for dispensed medicine had almost quadrupled in five years.

He said Rams welcomed moves towards the deregulation of pharmacy ownership, although it was concerned about the unfettered powers given the Pharmacy Council — Sapa pus ing the overa ndex up

# Low oil prices keep PPI down

CT 15/9/93 (183)

By AUDREY D'ANGELO
Business Editor

LOWER world crude oil prices helped to keep the producer price index (PPI) down in July in spite of the weakening rand, which pushed up the price of some other imported components

The year-on-year rise was 6,3%, compared with 6,4% in June and well below the 9,3% reported in July last year But the monthly rise was 0,7% compared with 0,4% in June

This was due mainly to a month-on-month rise of 0,9% in the local component compared with a fall of 0,1% in the imported component.

The locally produced component of the PPI rose by 6,7% year-on-year compared with 6,3% in June and 9,7% in July last year The imported component rose by only 4,5% year-on-year compared with 6,8% in June and 7,5% in July last year

With a base of 100 in 1990, the index for all commodities rose to 129,1% in July compared with 128,2% in June and 121,5% in July last year

Economists said it was encouraging that the PPI remained so low, indicating that inflation remained under control and that the weakness of the rand had not yet fed through

Old Mutual economist Johan Els commented "We were surprised by the decline in the imported component. It indicates that the fall in the price of crude oil was greater than the depreciation of the rand

"The rise in the local component of the PPI cancelled this out, resulting in a small rise in the total figure This was due partly to the fact that the rise in some local components was only estimated in previous months and was actually measured in July

Southern Life chief economist Mike Daly said the figures were in line with expectations The PPI had declined consistently since reaching a peak of 8,3% in February

The year-on-year drop in the imported component was partly due to the fact that there had been a surge in July last year, so that it was measured from a high base But the PPI was under tremendous pressure from competition in the market place which kept SA prices down

Boland Bank chief economist Louis Fourie said the figures showed that inflationary expectations were now below 10%

Overseas PPI figures were also low and the risk of imported inflation would become even less when the rand stabilised

Nedbank economist Mr Edward Osborn said a fall in fruit and vegetable prices, resulting from the end of the drought, helped to limit the month-on-month rise in the local component.

NEW MARKETS . . . Twelve members of a trade mission from the Cape Chamber of Industries (CCI) to Argentina and Chile met for a final briefing this week. They were, front row from left, Joan Melvin of clothing company Val Hau et Cie; mission leader Dave Pocock of clothing company R A Manufacturing, CCI deputy director Colin Boyes Back row, from left, James Godfrey representing Sondor Industries (his colleague P Weir will actually go on the mission); Noel Lawrence of SA Fine Worsteds, Richard Thomas of Meshcape Industries, Ivan Miller of Illumina, Basil Marais of WJM International Trading, D C Schwardt of Consani Engineering, Kees Vermeulen of JKC Agencies, David Walton of clothing firm Melia Holdings and Ian Human of engineering firm Powdermet Two other mission members, L Bouckaert of textile firm Bouckaert-Sonen and D le Roux of L R Plastics are not in the picture

Picture ANDREW BROWN

# In seek of new S American markets

THERE is a growing realisation among Western Cape manufacturers that they will have to seek out new markets aggressively, Colin Boyes, deputy director of the Cape Chamber of Industries, said yesterday CT 15/9/93

Boyes has organised a two-week trade mission to Chile and Argentina, leaving on Sunday

"With the assistance of the SA embassies in Buenos Aires and Santiago, business appointments have been made with import agents, principal representatives and local manufacturers in both countries," he said

"The spread of companies taking part in our trade mission gives a fair representation of the industrial profile of the Western Cape with three engineering, three textile, three clothing, two plastics, one electrical and one general

"The indication is that, given the rapid economic growth currently being achieved in both Argentina and Chile, SA companies stand to do well in these markets

"And the trade mission, closely following President F W de Klerk's visit, is well-timed "

Boyes pointed out that SA companies must become globally competitive as the remaining sanctions end while protective tariffs will gradually be removed This means that new markets throughout the world must be penetrated



# World bank urges rand depreciation

CT 15/9/93

Own Correspondent

JOHANNESBURG — World Bank economists have renewed their call for SA to depreciate the rand — in sharp contrast to Reserve Bank governor Chris Stals' stance

A World Bank study on SA trade policies published last month said the rand should be fixed at a lower rate than the market-determined level as an incentive for SA's manufactured exports

The view that the rand should depreciate has been expressed in other World Bank reports and a number of SA economists, including Old Mutual's team, have supported the call

The study said "The east Asian experience suggests it is preferable to err on the side of undervaluation rather than on the side of overvaluation To encourage industrial exports, the value of the rand must be maintained at a level that ensures their competitiveness "

Using the exchange rate as a trade policy tool would enable SA to scrap trade interventions, eliminating import duties and export subsidies simultaneously, the World Bank said

While that would be the preferred long-term solution, the first step towards helping SA exporters was to give them access to cheaper imported inputs

SA had to enable exporters to pay world prices — rather than inflated domestic prices — for their inputs While the easiest way to achieve that would be to eliminate all import tariffs on these goods, such a move would be too drastic

Other ways to achieve the aim of lowering exporters' input costs included exemptions from import duties for exporters and rebates on excise duties While SA already had a system in place to refund exporters, it was highly flawed

A cumbersome permit process to import at world prices contrasted with the Korean system "where such requests are decided within hours", the study said

The World Bank said SA's rebate scheme should be independent of any suggestion that exporters first shop locally for inputs before importing.

# Petrol revolt

(183)
CT 15/9/93 2 ~~244~~

## State to fight fuel discount

(183)
~~244~~ CT 15/9/93

THE government moved last night to block attempts to bypass the seven-cents-a-litre fuel price hike which came into effect at midnight.

Minister of Mineral and Energy Affairs, Mr George Bartlett, said he was seeking legal advice on schemes to issue discount coupons for fuel purchases

He was reacting to the announcement by two supermarket chains, Pick 'n Pay and Buxtons in Natal, that they would discount petrol.

Pick 'n Pay announced its scheme late yesterday claiming a loophole had been found to circumvent current anti-discount legislation.

The announcement was supported by a television and newspaper advertising campaign.

Mr Raymond Ackerman, chief executive of Pick 'n Pay, said if the discount "experiment" in the hypermarket in Durban North worked they would discount petrol nationally — Staff reporter, Own Correspondent

## Price increase backlash grows

By ANTHONY JOHNSON and Own Correspondent

**JOHANNESBURG. — Cosatu warned the government yesterday that a backlash similar to that resulting from the imposition of VAT could take place over the seven-cents-a-litre petrol price hike which came into effect at midnight.**

And yesterday garages throughout the Border region hit crisis levels after a two-day blockade of the region's main fuel depot by 1 000 taxi operators. SAA was forced to consider refuelling its aircraft at other airports when fuel supplies to East London's Ben Schoeman Airport appeared under threat

King William's Town was sealed off during the blockade, which ended last night after a marathon meeting between police, peace monitors and taxi association representatives

Several garages in the Peninsula had a rush on petrol stations before the implementation of the new petrol price at midnight, but none reported any queues

Responding to Cosatu's warning, Mineral and Energy Affairs Minister Mr George Bartlett said late last night that if Cosatu and other critics did not want to see an increase in fuel prices then fuel would have to be subsidised by the state through increased taxes or VAT

He dismissed Cosatu charges that the increase in the petrol price was "indefensible", saying it was directly related to the cost of fuel

Mr Bartlett also dismissed Cosatu's arguments contained in a letter he received from the trade union federation yesterday afternoon to the effect that the government was "totally failing in its obligation to ensure transparency and accountability for its handling of the fuel price"

The minister said the "whole fuel price formula" was so transparent that the government had several months ago appealed to all major stakeholders — including Cosatu — to make recommendations and comments about the government's involvement in the oil industry "but they did not"

Mr Bartlett said that 180 000 jobs were at stake in the fuel industry in South Africa

Earlier Cosatu said it was making "a last-ditch attempt" to persuade the government to suspend the petrol price increase.

In a letter to Mr Bartlett, Cosatu called for the suspension on the grounds that there had been no consultation with major constituencies on

To page 2

# State to fight fuel discount

(183)

CT 15/9/93

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Mr Raymond Ackerman, chief executive of Pick 'n Pay, said if the discount "experiment" in the hypermarket in Durban North worked they would discount petrol nationally. — Staff reporter, Own Correspondent

## HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version

*For written reply*

*General Affairs*

**Skills and Techniques Programme: kits used**

408 Mr R M BURROWS asked the Minister of Education and Training

(1) (a) What total amount was (i) expended in the 1992–93 financial year on, and (ii) allocated in the budget for 1993–94 for, the purchase of skills and techniques kits used in the Skills and Techniques Programme and (b) what are the names of the companies involved in supplying these kits,

(2) whether he will furnish the names of the directors of each of these companies, if not, why not, if so, what are the relevant particulars,

(3) whether any other types of skills and techniques kits have been or are being supplied to schools falling under the control of his Department, if not, why not, if so, what are the names of the (a) companies involved and (b) directors of each of these companies,

(4) what total amount has been expended on the purchase of skills and techniques kits to date?

B972E

The MINISTER OF EDUCATION AND TRAINING

(1) (a) (i) R3 987 324 (kits for Substandard A and Substandard B)

(ii) R4 500 000 (kits for Substandard A and Substandard B)

(b) African Market Exporters

(2) Yes Mr L A Erasmus and Mr H M Peet

(3) Yes Kits for Standard 4

| (a) | (b) |
|---|---|
| M & G Steel Construction and Welding Works (Pty) Ltd | Mr M J van Deventer |
| K L Engineering (Pty) Ltd | Mr J Bouwer |
| African Market Exporters | Mr L A Erasmus and Mr H M Peet |
| Idem (Pty) Ltd | Mr J J Schoeman |

(4) R34 991 076

*Written reply to question set down for oral reply on Wednesday, 30 June 1993*

**Restrictions on admission of pupils**

*3 Mr R M BURROWS asked the Minister of Education and Training

Whether any restrictions are imposed on the admission of pupils to (a) State-aided and/or (b) private schools falling under the control of his Department, if not, what is the position in this regard, if so, what is the (i) nature and (ii) extent of these restrictions?

B986E

The MINISTER OF EDUCATION AND TRAINING

(a) (i) and (ii). Yes The nature and extent of restrictions on the admission of pupils are governed by Regulation 2 of Government Notice R1143 of 29 May 1981 published under section R44 of the Education and Training Act, 1979 (Act 90 of 1979) as well as section 2A of the Education and Training Act as quoted above

(b) (i) and (ii) No The Department does not prescribe admission requirements to private schools





## HOUSE OF ASSEMBLY

INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

(183)

*General Affairs*

HANSARD 15/9/93

**Special Report: Mossgas Project**

1 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs

(1) Whether he or his Department has taken or intends taking any steps pursuant to the Fourth Report of the Joint Committee on Public Accounts on the Special Report of the Auditor-General on the Independent Expert Evaluation of the Economic Viability of the Mossgas Project [RP 93–93], if not, why not, if so, what steps,

(2) what total amount was transferred from the Equalisation Fund towards the funding of the Mossgas Project during the latest specified period of five years for which figures are available?

B1000E INT

The MINISTER OF MINERAL AND ENERGY AFFAIRS. Mr Speaker, after considering the recommendations of the Joint Committee on Public Accounts and after seeking advice from the Central Energy Fund (CEF) and from my department, the Cabinet decided the following. Firstly, that Mossgas should continue its operations, secondly, that Mossgas should remain a subsidiary of the CEF and be operated as an autonomous commercial State corporation, thirdly, that an independent board of directors, comprising representatives from the CEF, the private sector, the Department of Finance and the Department of Mineral and Energy Affairs should be appointed and should ultimately be responsible to the Minister of Mineral and Energy Affairs, fourthly, that Mossgas should receive import parity (IBLC) revenue for its products, fifthly, that the principle of compensation, should Mossgas receive less than IBLC prices for those products which the oil industry may have to export as a result of excess supply, be accepted, sixthly, that Mossgas should, for a period of ten years, receive tariff protection similar to that paid to Sasol so as to assist it in positioning itself more favourably for possible privatisation, seventhly, that a committee consisting of representatives of the CEF and private sector experts should advise the Cabinet on future investments of a capital nature by Mossgas whilst monitoring Mossgas's cash flow for purposes of recognising any deterioration in cash flow, and finally, the possibility of privatisation being investigated more intensively

It is clear from these decisions that the Government, in its decisions on the future of Mossgas, duly took into account the recommendations of the Joint Committee on Public Accounts

The second question on the Question Paper refers to payments from the Equalisation Fund At the inception of the Mossgas Project, the Cabinet approved that Mossgas be exempted from the payment of a surcharge on imports After it was found that this exemption could not be implemented by the traditional methods, it was decided that the surcharge would be financed from funds generated from the sale of strategic crude oil stock and held in a separate account in the Equalisation Fund Payment effected through this account to the CEF during the first quarter of 1991 amounted to R153 million No other transfer of any kind has been made via the Equalisation Fund towards the funding of Mossgas during the past five years

The principal source of funds for the project did not, of course, come from the Equalisation Fund but from the CEF which today receives income by payments from Sasol, Ltd for the privatisation of Sasol 3 and also from interest

Mr R R HULLEY: Mr Chairman, the reply was more or less exactly what we expected from this hon Minister Today is the day that the petrol price has gone up yet again So this interpellation is not just about Mossgas It is also about the fuel price in general and about how Mossgas has, and will continue to, cost the motorist a fortune in wasted money, which in turn has an impact on the price of petrol [Interjections ]

We say that this Government, under a heavy cloak of secrecy imposed during the self-inflicted problems of the sanctions era, has built a Fran-

# Taxi demo

(183) 15/9/93

## □ Police fire rubber bullets and arrest 68 as drivers blockade streets i

Picture JOHAN SCHRÖNEN The Argus.

**BLOCKADE** Minibus taxis, right, block Strand Street near the Parade during today's protest against the seven cents a litre rise in the petrol price.

Picture DOUG PITHEY The Argus.

**LIGHTER MOMENT** A policeman obliges a nervous smoker from the ranks of protesting taxi drivers shortly before the two groups clashed in Strand Street

**Staff Reporters**

POLICE fired rubber bullets and rubber shot, arrested 68 people and impounded 25 taxis as drivers blockaded most of the major routes into Cape Town early today, causing chaos with rush-hour traffic

Buses were stoned, bus drivers assaulted and a number of policemen treated for cuts and bruises after they were pelted with stones, bottles and tin cans in Strand Street.

Service stations and bus terminals in Mitchell's Plain Mowbray and Woodstock were blockaded by the taxi drivers, protesting against the 7c rise in the petrol price from midnight last night.

They demanded the resignation of Mineral and Energy Affairs Minister George Bartlett and threatened to 'come back tomorrow" if the price did not come down.

At a press conference to discuss opposition to the petrol increase, Mr Bartlett said he was willing to talk to the leaders of the taxi protest.

An earlier offer made to them today had been turned down.

A meeting which began at noon between representatives of the taxi industry and the major oil companies, Shell, BP and Engen, at the Civic Centre, chaired by peace monitors was adjourned until 2pm; with the drivers demanding that Mr Bartlett and Western Cape police chief Nic Acker attend

Their demand was supported by oil company representatives

At the meeting, Trevor Kempshall of the Western Cape Transport Forum called for a moratorium on fuel price increases and for the oil industry to support the demand for the suspension of last night's price increase

By 8 45am nearly all main entrances into the central city had been blockaded

By about 10.30am blockades had been removed and traffic was flowing again, but there were still scores of angry drivers sitting on the grass verge in Strand Street and there were a number of flying blockades operated by drivers who had dispersed and regrouped

Volunteers for further city blockades were reportedly being recruited at high density taxi terminal areas at Mowbray, Mitchell s Plain, Claremont and on the Cape Flats at Hanover Park and Khayelitsha

Afternoon commuters were reassured that other forms of public transport were available to get them home

Both Spoornet and Golden Arrow reported their services would continue according to normal schedules

A Golden Arrow spokesman said buses had to be diverted earlier today but were later running on schedule, especially with the peak hour in mind

A spokesman said. "Bus drivers were assaulted, bus passengers were intimidated by taxi people at terminals and bus stops and people were physically prevented from using the buses"

The taxi drivers were slated by their leaders for acting in an undisciplined and disorganised way

The bus company, Spoornet and the public had to be mobilised to join the protest as well, drivers were told

Speaking to an emotional

(Continued on page 6)

# :mo chaos

ARG 15/9/93 (183)

## s drivers blockade streets in protest at petrol increase

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Pictures DOUG PITHEY and LEON MULLER The Argus

**FIRING:** Members of the Internal Stability Unit, above, open fire with birdshot on protesting taxidrivers as clouds of teargas drift across Strand Street

MORE PICTURES PAGE 6

**TAKEAWAY:** A protester is dragged to a vehicle after police pounced on blockading taxi drivers in the city centre today

# Fertiliser sector recovers drive

Business Day Reporter

THE country's R1,3bn a year fertiliser industry has stabilised after a 10-year slump and drastic producer rationalisation. B/Day

The industry's problems were rooted in farmers' inability to buy because of drought, particularly in the mid-1980s, and tough agroeconomic conditions generally 15/9/93

The Fertiliser Society of SA said last year the three major producers, Omnia, Sasol and AECI's Kynoche, sold 1,9-million tons at an average of R578 a ton In 1981, a record of more than 3-million tons were sold.

This year, farmers' ability to buy has been boosted by government aid and the society expects sales to top 2-million tons (183)

Rationalisation in the mid-1980s forced a number of plants to close However, Omnia's Pierre van Schalkwyk said further shutdowns in the foreseeable future were unlikely

He said farmers had been warned that without adequate fertilisation, soils could be over exploited and their productive capacity reduced

Van Schalkwyk said there were no duties or statutory limitations on fertilier imports, except for areas where ad valorem applied. The biggest importers were, in fact, the major producers.

Imported fertilisers, considering all costs, were probably more expensive than the local product

# Talks go on to end taxi blockade on Border

Sowetan 15/9/93

NEGOTIATIONS to end the blockade of fuel facilities by taxi operators protesting against the petrol price increase continued in the Border region yesterday.

The price of petrol was increased by 7c a litre at midnight on Monday.

It is feared protests in East London, King William's Town, Stutterheim and Queenstown could spread to other areas.

Border/Kei dispute resolution committee deputy chairman Mr Eddie Leeuw said unless the operators received a satisfactory response to their demands, they were determined to continue their blockade until the Border region ran out of fuel.

183

Police have warned protesters in East London they have surrounded a national key point and that the Border region is an unrest area — *Sapa*

# Bartlett to act on price cutting

183

ARG 15/9/93

**TOS WENTZEL Political Staff**

MINISTER of Mineral and Energy Affairs George Bartlett is prepared to discuss the structure of the petrol price, but not to freeze it.

And he was taking legal advice on supermarket price discounting.

Facing a storm of protest from labour unions, the minibus taxi industry, and organised agriculture, he said it was not possible to scrap the 7c a litre increase that came into effect today.

It had been forced on the country by the devaluation of the rand.

While there had been a 3,8 percent drop in the world price of oil, the rand had devalued by 5,8 percent, he said.

The Equalisation Fund, long used to susidise the price of petrol, had been depleted.

A report on deregulating the petrol price had been sent by his department to all interested parties, including petrol station owners, oil companies, labour and agricultural unions and business groups.

Labour unions, the Motor Industries Federation, petrol station owners and taxi owners had responded to the report with a request not to deregulate the petrol price, and a conference would be held soon.

# Uproar over fuel

Sowetan 16/9/93

**By Mzimkulu Malunga, Ismail Lagardien and Sapa**

TWO CABINET MINISTERS are to be summoned to the National Economic Forum to explain the reasons behind the fuel price increase

Mineral and Energy Affairs Minister Mr George Bartlett and Finance Minister Mr Derek Keys have been called to an urgent meeting ,which will take place within two days to justify why the petrol price went up by 7c a litre yesterday

The decision follows representations made to the NEF process committee by the Congress of South African Trade Unions yesterday amid widespread condemnation of the fuel price hike (183)

Cosatu's publicity officer, Mr Neil Coleman, said the organisation would call for the suspension of the increase and agitate for a broader investigation of issues relating to fuel price increases

He said Cosatu would consult other interested forces to decide on appropriate forms of protest should the meeting fail to produce results

"We know that nothing will happen without a fight and we know who we are dealing with," said Coleman Earlier in the day Bartlett reneged on his previous statements on the fuel price and offered to meet representatives of the infuriated taxi drivers to discuss the issue

He attributed his flexibility on the issue to a pending lifting of the United Nations oil embargo against South Africa

About 68 people were arrested in Cape Town yesterday when taxi drivers blockaded the city centre in protest A total of 25 vehicles were towed away and impounded at a police garage in Maitland

Police later decided that charges would not be withdrawn but, where possible, those arrested would be released with a warning to appear in court and impounded vehicles would be returned

Meanwhile, organised business has also threatened to join the anti-fuel hike protests with the president of the Johannesburg Chamber of Commerce and Industry, Mr Mervyn King, warning that such action could turn into an "angry opposition"

The Southern Africa Black Taxi Association has strongly criticised the increase, saying it was done "insensitively"

The organisation's public affairs officer, Mr Isaac Nkama, said they had asked for a meeting with Bartlett to discuss previous increases "but before we could be given a date, the Government came up with another increase We feel the hike was done quite insensitively"

**BUSINESS** · A trip to Maputo convinced businessman that there was a market to serve

# Mokonyama took the right decision

Sowetan 16/9/93

**By Mzimkulu Malunga**

■ **GROWING CHALLENGES** Demand for products rose so he increased output:

A VISIT TO THE Mozambican capital, Maputo, fortified Albert Mokonyama's beliefs that leaving his stable job to venture into the business world was not a miscalculation

"In Maputo I saw young people doing a lot of interesting things, then I told myself that nothing could stop me from doing the same," he says

Mokonyama's company, Glitex, manufactures fabric softener and supplies over 50 stores and supermarkets in the Witwatersrand area (183)

"We started from almost nothing Our production capacity was 250 litres a day, but after buying new machinery our output capabilities increased to 1 000 litres an hour," says Mokonyama

As the business showed signs of picking up, Mokonyama, like all ambitious small manufacturers, launched a number of new products

Hand and body lotion, petroleum jelly and general-purpose cleaner were all added to the production list

But as the demand grew, Glitex battled to match the new challenges due to its size

"Then after conducting a market study, we decided to concentrate in areas are which we are able to produce large quantities faster and we identified fabric softener," he says.

"Our problem was that while we were busy with an order we would get another and that complicated things for us mainly because of our limited capacity," says Mokonyama

Though the concentration is currently on fabric softener, the plan is to produce the other products in the future.

Asked why he supplies only stores and supermarkets, Mokonyama says the advantage of smaller stores is that they pay cash while he has to wait for three months for payment from big chain stores

The next move for Glitex now is to supply unpackaged fabric softener to the street vendors

**Mokonyama ... Hawkers are his future market.**

Albert Mokonyama automatically qualifies for the *Sowetan*/Sanlam Entrepreneur of the Month competition and will be judged along with other weekly nominees on September 30.

# 'Bartlett must go'

CT 16/9/93 (183)

Staff Reporters

**THE government yesterday defiantly stuck to its guns over the petrol price hike in spite of mounting nationwide protests and demands for the axing of Mineral and Energy Affairs Minister Mr George Bartlett.**

In a fiery debate in Parliament, irate opposition MPs accused the government of creating a "Frankenstein monster" which had to be fed a diet of billions of rands of taxpayers' money each year

The row followed a violent taxi protest in Cape Town's city centre Taxis blockaded the streets, police fired birdshot and rubber bullets, scuffles broke out, and 68 drivers were arrested

The Democratic Party said motorists were justifiably in revolt at the minister's attempt to milk them in the form of tariff protection payments of R250

Several bus drivers and passengers were injured when taxi drivers assaulted them at bus terminals, mostly in township areas, a spokesman for Golden Arrow Bus Services said

Late yesterday a meeting took place between taxi drivers and representatives from Engen, BP, Caltex and Shell

President of the Convention for a Democratic Taxi Association (Codeta), Mr Kidwell Magwayi, told about 400 taxi drivers "If he (the Minister) has not met us by 3pm (today) we will report back and decide on what further action to take

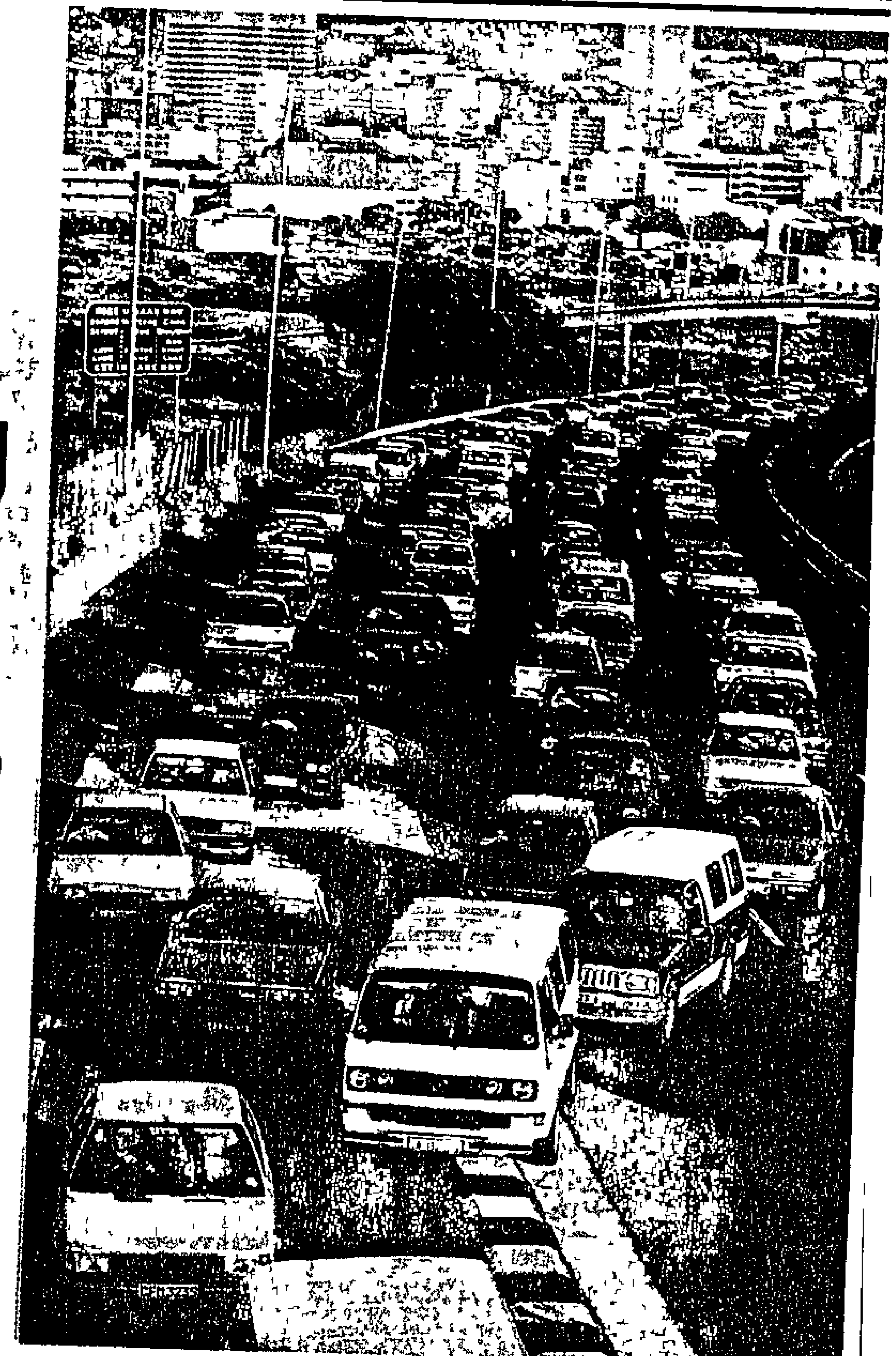
"Meanwhile we have a duty to our commuters to take them home and bring them to work tomorrow "

During the meeting Mr Trevor Kempshall of the Western Cape Transport Forum asked oil company representatives to support the taxi industry's call for a moratorium on fuel price increases.

Mr Oliver Purcell of Caltex said the oil industry believed the petrol price increase was economically justified as the rand was depreciating

"Any freezing of prices now will imply higher

To page 2



**TRAFFIC CHAOS .** Angry commuters drove down the wrong side of Eastern Boulevard when more than 300 taxi drivers blockaded major intersections

From page 1

# Petrol price hike

price hikes further down the road," Mr Purcell said.

Earlier Mr Bartlett told a hastily arranged press conference that he was happy to talk to all critics and interested parties to explain the complexities of the fuel industry, but he was not prepared to allow groups like Cosatu to become involved in fuel price decision-making

Mr Bartlett also warned that South African motorists could not look foward to a reduction in the pump price of petrol once the long-standing oil embargo was lifted against South Africa

The minister said the state had been reached that such a "market-related" step had become unavoidable because fuel had become more expensive in rand terms

Mr Bartlett spoke strongly against the deregulation of the fuel industry, stating that this would cost thousands of jobs, and could damage the economy.

Supermarkets, if allowed, were likely to sell petrol below cost as "loss leaders" in a bid to attract consumers into their premises, but customers would end up paying for the difference in other purchases.

• Late yesterday at least 10 of 17 impounded taxis were returned to taxi-owners as isolated blockades — which had little effect on traffic — were being set up in Mitchells Plain

All taxi-drivers who had been arrested were released from police custody and warned to appear in court, a police spokesman said

Many commuters and motorists told the Cape Times they supported taxi-drivers who opposed the petrol price increase but felt inconvenienced by the manner in which the protest took place

● Fuelling chaos — Page 6

(183)

CT 16/9/93

# 'Frankenstein monster' built

CT 16/9/93 (183) (~~244~~)

MINERAL and Energy Affairs Minister Mr George Bartlett was roasted by members of the Democratic Party in a debate on Mossgas yesterday as Constantia MP Mr Roger Hulley described the oil from the gas project as a "Frankenstein monster".

## DP slates 'scandal of Mossgas'

Speaking on the day the petrol price increased by seven cents a litre, Mr Hulley said the government, under a cloak of secrecy, had built up a "Frankenstein monster" to control South Africa's energy supply during the sanctions era

He said Soekor, Sasol, the Central Energy Fund, the Atomic Energy Corporation and Mossgas were linked in an "intricate web of vested self-interest, mutual back-scratching, fat mark-ups, special subsidies all of which had to be fed on a diet of billions of taxpayers' money derived essentially from crude oil purchases and the petrol price"

Mr Hulley said petrol was about 10% cheaper in Zimbabwe. "This minister must explain how it is that a small disadvantaged land-locked country like Zimbabwe can price its petrol so much cheaper than we can" Petrol was also cheaper in Botswana.

Mr Hulley said the attorney-general's report into Mossgas showed that the R11 billion capital expenditure on Mossgas so far was "sunk cost" — this was a polite business way of saying "the money has been poured down the drain".

Rustenberg MP Mr Willem Botha said Mossgas was one of the biggest scandals that had ever hit a government.

Mr Bartlett said that the decision to build Mossgas had been taken at a time when the country faced total sanctions. Mossgas was currently contributing to the economy by saving R1bn a year in foreign exchange

He said it was clear that in appointing an independent board of directors, allowing the project import parity for its products as well as tariff protection for 10 years, investigating the possibility of privatisation, the government had taken into consideration the recommendations of the Joint Committee on Public Accounts

# The big drugs scam

South 17/9 - 21/9/93

**Why are we getting so badly ripped off when we buy medicine? This article from a recent edition of Mayibuye, the ANC's monthly journal, argues that a can of worms has to be opened in the pharmaceutical industry:**

WHILE in the United States and the United Kingdom the mark-up on drug prices from factory to patient is in the range of 20 percent, in South Africa patients have to pay over 200 percent of the factory price

The following illustrates the mark-up on drug prices in the three countries

- Ex-factory US R100 — patient price R125
- Ex-factory UK R100 — patient price R113
- Ex-factory South Africa R100 — patient price R205 (excluding VAT)

Last year a pharmaceutical company stirred outrage by charging the equivalent of R3 900 for a dose of its colon cancer treatment even though another firm sells a veterinary drug with the same active ingredient for just R42

The most well-prescribed medication for ulcers has risen more than 40 percent over the last five years

The pharmaceutical industry itself is afflicted by soaring costs, fraud and theft At present the country's private-sector health-care market spends about R10 billion on health care, while the public sector spent R11 billion (183)

This is in a country where the public sector takes care of 80 percent of the people and the private sector of 20 percent.

Both sectors spend only four percent of their total expenditure on primary or preventative health care while about 69 percent is spent on secondary or curative care The rest is spent on a tertiary level — heart by-pass operations and the like

Back in 1984, in an effort to contain escalating drug prices, pharmacists were allowed for the first time to substitute patented drugs with cheaper generic equivalents Drug manufacturers, incensed by the reform, began encouraging doctors to buy drugs from them and then sell directly to the public

For many, the offer was irresistible Doctors could obtain discounts that undercut wholesalers by as much as 50 percent For the manufacturer, the doctor often became a valuable marketing tool, pushing drug lines through the prescription pen

Medical schemes reported having processed claims by single doctors who have dispensed more than R800 000 in medicines in a year

Five years ago, only 10 percent of all private-sector prescriptions were dispensed by doctors Today it is around 35 percent Many doctors have therefore become little more than traders

This has spawned a whole industry of corruption, drug theft, blackmail and extortion by Mafia-like gangs And pharmacists are dead-scared to talk about the problem

Last November, an East Rand doctor, Dr Raymond Kobrin, was murdered and dumped in the boot of his car while investigating claims of corruption in the medical and pharmaceutical industry

He handed a six-page report on his investigations to a Sunday newspaper before he was shot.

The report listed prominent members of the industry who, he claimed, had interests in, or were associated with, drug wholesalers

Four Pharmaceutical Manufacturers Association officials were appointed in August last year to probe thefts of scheduled drugs valued at more than R750 million a year

Three members of the task force investigating the lucrative black market in the pharmaceutical industry resigned recently after receiving death threats

The fourth member of the group employed a 24-hour armed guard to protect his family after receiving similar threats

The drugs — allegedly stolen from dispensaries at government and provincial hospitals and bulk storage depots — find their way into the retail market through what sources describe as a "well-connected syndicate"

Thieves tamper with expiry dates and place outdated products on the market, thus posing a serious threat to the patient

The situation prompted Finance Minister Derek Keys to summon representatives from the pharmaceutical industry in May and warn them that the best way to avoid government intervention in the industry, was, as he put it, for the industry "to get its act together"

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PHARMACEUTICAL INDUSTRY

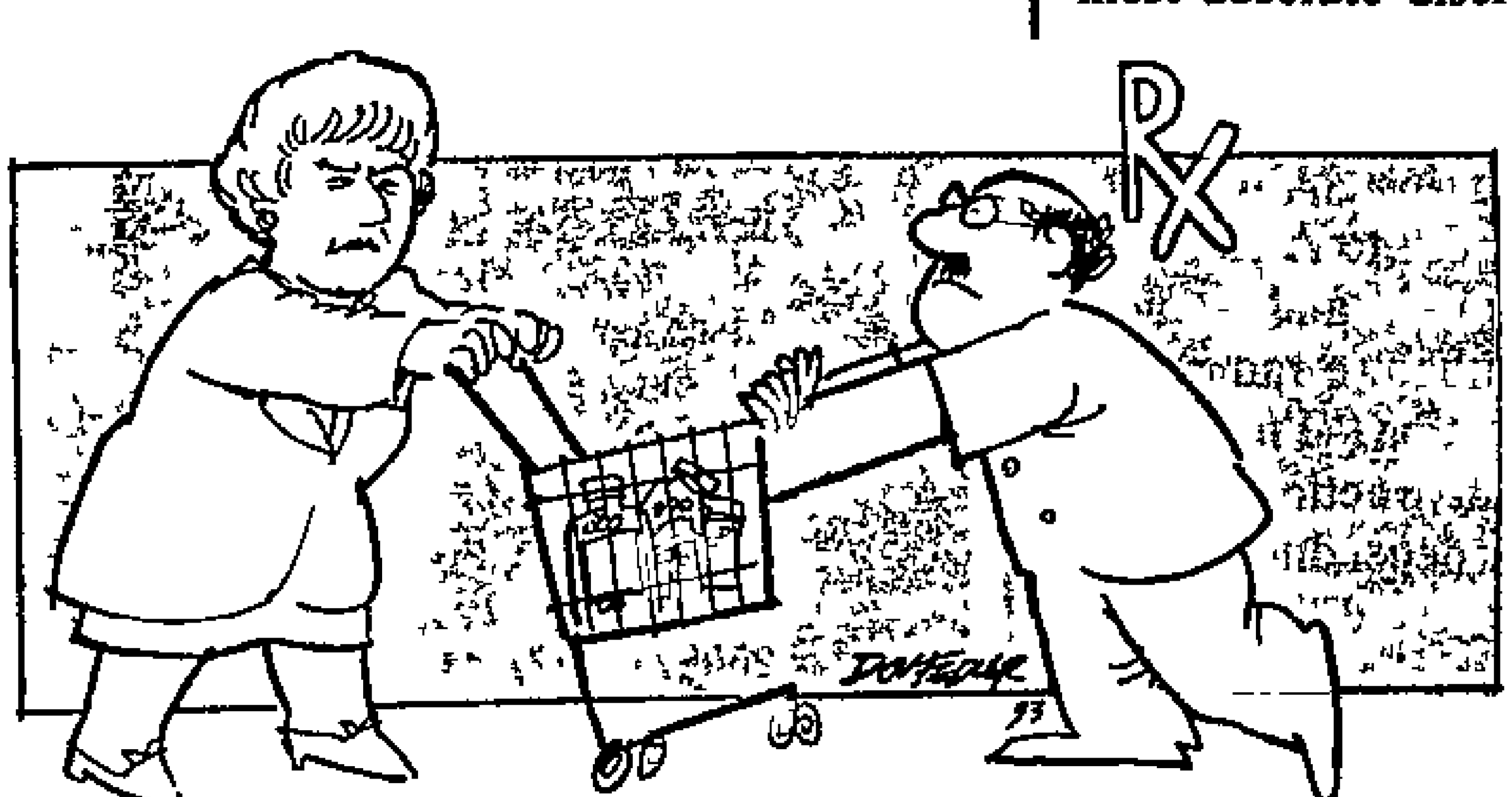
FM 17/9/93

# Clinging to a monopoly

183

**Pharmacists were** pushing once again this week for legislation that protects their pharmacies from competition from the big chains such as Clicks and Pick 'n Pay and keeps drug prices sky-high It's a move that has evoked outrage from medical schemes and private hospitals and they're likely to fight just as vigorously for the right to own and run their own pharmacies

The row began in May when Health Minister Rina Venter unveiled the Pharmacy Amendment Bill, which proposed an end to the ban on non-pharmacists employing pharmacists and owning pharmacies. Her intention was to open up the sector to competition by granting medical schemes, commercial chains and private hospitals the opportunity to use their bargaining power to negotiate better discounts with drug manufacturers and then pass on the economies-of-scale benefits to the public



The Pharmaceutical Society of SA, representing pharmacists and clearly concerned that many smaller and ineffective pharmacists could go out of business under such a plan, was quick to argue that the reform would threaten the professional control of standards by subjecting pharmacists to commercial pressures that would override ethical considerations.

The SA Pharmacy Council (statutorily constituted to safeguard the public but made up largely of pharmacists) drafted the Bill, according to protocol, and gave itself sole discretion to approve or reject any application by a non-pharmacist to open a pharmacy The Bill contained no regulations or guidelines to determine what sort of applications would succeed

Venter, realising that the council's absolute powers could nullify the concession to non-pharmacists, withdrew the Bill before Cabinet could discuss it. After weeks of negotiations with council members, she finally persuaded them to accept a version that would leave the Minister with the final say over applications from non-pharmacists. The compromise was clearly second prize for Venter, who has long supported the Competition Board's recommendations that government should not regulate the ownership of pharmacies

But when Venter took ill last month and was replaced temporarily by Adriaan Vlok, the compromise disintegrated The latest version of the Bill, circulated in the industry last week and scheduled for discussion by the parliamentary standing committee this week, once again vests the council with almost absolute discretion to decide applications from non-pharmacists.

The council's Elize van den Berg says the final version was just as much a surprise to the council, though a welcome one since the council doesn't believe that medicine is a normal commodity and its sale should thus be controlled by the council.

Representative Association of Medical Schemes (Rams) executive director Reg Magennis says "We have it on good authority that the State President was lobbied by a powerful figure associated with the council. We've been told the proposals are a *fait accompli* "

Magennis, while welcoming the concept of non-pharmacist ownership still theoretically available in the Bill, is insisting that the Minister prescribe specific guidelines for applicants. He is also insisting on a right of appeal to the Minister that will enable aggrieved parties to challenge the council Says Magennis "Rams is concerned at the unfettered powers that the Bill gives the council to decide who will own and run a pharmacy."

The Competition Board has also objected that the legislation ignores its deregulatory guidelines

Private hospital group Presmed Joint MD Rob Speedie says the Bill is completely unacceptable "The Bill fails to deal with the issue of hospital pharmacies It makes the Pharmacy Council Registrar the sole arbiter as to who can run the pharmacy and on what basis It can also withdraw permission from non-pharmacist operations

"The council already has adequate control over the profession to maintain standards and it should steer right away from trying to regulate pharmacy ownership," he says

Speedie stresses that aspects of the Bill are draconian and out of keeping with modern notions of deregulation "In particular, I refer to the power the council has to impose fines and have them enforced on the same basis as a judgment in the civil courts The old legislation, with all its uncertainties and warts, is preferable "

Just what will transpire in parliament is not known Venter is not likely to allow the council such a victory She could well withdraw the Bill, leaving her little chance of retabling it before the April election She could also pursue other legal avenues to deregulate the sector, especially to give schemes the right to reap the full benefits of the Medical Schemes Amendment Act

The bottom line is that drug prices in SA are among the highest in the world and the current dispensation allows pharmacists to mark up drugs by 50%, which, along with other markups, translates into a 100% retail markup, though pharmacists have in recent years discounted by as much as 40%

The irony of the debacle is that non-pharmacists have for years been allowed to control the manufacture and sale of wholesale drugs, but they don't qualify to own or control retail pharmacies *Mirryena Deeb*

# Taxi violence flares again

183

## Buses stoned, commuters injured as petrol price anger grows

ARG 17/9/93

Pictures WILLIE DE KLERK, The Argus

**STANDOFF** An irate taxi driver remonstrates with a member of the Internal Stability Unit negotiating at a "face-to-face" standoff at a taxi road block in Mitchell's Plain.

**TYRES SLASHED:** A minibus taxi driver who defied the taxi boycott and picked up passengers in Highlands Drive, Mitchell's Plain, had his tyres slashed

Staff Reporters and Sapa

AT LEAST 24 commuters have been injured as taxi violence flared in the city for the third consecutive day, with buses being stoned and taxis blocking routes leading into Cape Town from high-density areas on the Cape Flats

Thousands of commuters were stranded as township taxis did not run and buses were prevented from operating

Taxi ranks at Guguletu and Khayelitsha were deserted as hundreds of drivers converged on the Nyanga rank for a meeting

Bus services were forced to withdraw from Khayelitsha, Bonteheuwel and Manenberg, and had to avoid other areas including Lansdowne Road between Eisleben Road and Duynefontein Road

About 11am hundreds of taxis were reported to be converging on the city centre from the southern suburbs

Golden Arrow buses became a major target of angry taximen protesting against the seven cents a litre increase in the price of petrol

They claimed the buses were cashing in during the blockade They also claimed incorrectly that the price of diesel bus fuel had not been increased (It was increased by 5,5c a litre)

Buses braving township hell runs were stoned and ambulances were called to take eight bleeding bus commuters — hit by glass from shattered windows — to hospitals

Buses were stopped at Claremont station Wynberg station and Sheffield Road depot in Philippi

Emergency service staff treated two injured patients at Claremont and another two at Wynberg before rushing two people to Victoria Hospital

Four injured women were taken from Philippi to Groote Schuur Hospital

A bus company security guard was stabbed in the back and hit on the head by a stone

Yesterday 14 injured people were taken to hospital after a stone damaged bus stopped at Palotti Road Montana

At Nyanga many taximen who assembled at a taxi rank said today the fuel increase only affected their business and not that of the white establishment

The drivers said they would hold a meeting in Guguletu to decide on a course of action They would also warn the community not to board buses

In Mitchells Plain there was commuter chaos with taxis surrounding the bus terminus

Two taxi drivers were arrested at a 30 vehicle blockade at the intersection of A Z Berman Road and Spine Road

The taxi encirclement from 6am at the town centre prevented buses from entering or leaving the terminus and many irate commuters rushed to the adjacent station to board trains

Random road blocks shut off traffic in the main arterial roads at the intersections of Vanguard Drive and Highlands Road and at A Z Berman Drive and Trampoline Roads

A Colorado Park resident said there was absolute chaos at the Highlands and Vanguard intersection where taxi drivers formed a roadblock

Passengers were pulled out of buses People stood around like lost sheep

Scores of workers were hiking in Spine Road In the Town Centre workers were milling around a temporary bus terminus erected opposite the police station

(To page 4 col 1)

## Four held over Spur killing

JOHAN SCHRONEN
Crime Staff

FOUR men have been arrested after the killing of a part owner of the Rocky Mountain Spur in Tokai

Jeff Lomax was stabbed to death early yesterday

Police spokesman Raymond Dowd said clues at the steakhouse led detectives to believe that robbery was not the only motive for the attack

Colonel Dowd said Lieutenant Vossie Vos and Warrant Officer Mike Barkhuizen worked around the clock and arrested two men in Langa at 5pm yesterday

A bloodied knife and clothes and a car, believed to be the getaway vehicle were seized

Colonel Dowd said two more men, including a person involved in the business were arrested early today

The suspects are expected to appear in the Wynberg Magistrates Court on Monday

**DRESSED FOR SUCCESS** Iris Natan shows off the official Seeff/Argus Gun Run T-shirt that will be on sale at next Sunday's half-marathon through the streets of Cape Town

## Entries hover around the 3 500 mark

ENTRIES for next Sunday's Seeff/Argus Gun Run half marathon rocketed through the 3 000 mark this week, and the 3 500 mark is under fire

The original estimate was 2 500 but entries are coming in thick and fast and should exceed 3 500 by tomorrow's deadline

Herbie Rehder, chairman of host club Atlantic AC, said today "To my knowledge there's no other inaugural road running event in the country that has attracted this type of response"

Organisers have urged participants to register early and not leave it until Sunday morning

"Although we are equipped to deal with large numbers registering at one time, we would prefer runners to collect their entry packages on Friday," says Mr Rehder

Registration hours at Green Point Stadium next Friday will be between 8 am and 7 pm and on Sunday between 7 am and 9 am

● See page 5

P.T.O.

# Make or break day over petrol price

Sowetan 17/9/93

**By Mzimkulu Malunga and Sapa**

**■ JUDGMENT DAY** Economic revival at stake if price hike is not reversed :

(183)

TODAY IS JUDGMENT day for the controversial petrol price increase when two Cabinet Ministers present their case before the National Economic Forum

It is the outcome of this morning's crucial meeting that will decide whether the pending threat of mass action by the labour movement and other forces goes ahead

Mineral and Energy Affairs Minister Mr George Bartlett and Finance Minister Mr Derek Keys are in Johannesburg to substantiate reasons which led to the fuel price hike

### Trade union

The country's two major trade union federations, Cosatu and Nactu, have threatened to unleash unprecedented mass action should the increase not be reversed immediately

Nactu's information officer, Mr Mudini Maivha, said today's meeting was a waste of time "The only thing that ever comes out in such meetings is high-flying economic jargon

"We need to mobilise people into the streets to bring attention to the fuel increase issue," he said

The South African Taxi Drivers Union has threatened to blockade the Pretoria city centre today if the Government does not budge on the fuel price increase

The drivers' union has appealed to taxi association to suspend taxi fare increases pending discussions with the minister

After today's meeting, Bartlett has promised to rush back to Cape Town to meet taxi drivers who have launched blockades since the fuel price hike

Yesterday all hell broke loose in townships around Cape Town when buses were stoned and windows smashed as rampaging taxi drivers pulled passengers off buses

Twenty two of the 68 drivers who were arrested for blockading the city centre on Wednesday were charged in the Cape Town Magistrate's Court yesterday and the case postponed to October 18 The remaining group of drivers will appear on October 19 and 20

Economic experts and consumer groups say an increase in the petrol price will shatter consumer confidence

"Fuel price increases totalling 15 percent this year will further erode consumers' buying power and contribute to higher inflation," said the Consumer Council's executive director, Mr Jan Cronje

The South African Chamber of Business' chief economist said the pending threat of mass action should today's meeting fail, could derail prospects of economic revival after four-and-a-half years of recession

# Accord on taxi protest

**Staff Reporter**

TAXI DRIVERS and police agreed last night to act peacefully in protests planned for today in Elsie's River

Police claimed taxi drivers had looted garages and hawkers' stalls in Elsie's River and broken traffic rules

Taxi drivers admitted breaking some traffic rules, but blamed lootings and robberies on "an unruly element" unrelated to taxi operators

In meetings between police and taxi operators facilitated by the regional peace committee, it was agreed.

- Only taxi operators would take part in today's protest They will wear identifiable armbands;
- Taxi drivers will obey the law and traffic rules;
- Police will not interfere in the protest and will be restrained, and
- Three arrested taxi drivers will be freed

CT 17/9/93

# Commuter slams stoning

**Staff Reporter**

BUS commuters "are your brothers and sisters" — and have nothing to do with the petrol price hike, a hurt and angry township commuter said in a message to taxi operators yesterday

Mr Madoda Guwata, a passenger on a bus stoned "by taxi operators" in White City near Nyanga yesterday, said three passengers and the driver of the bus were injured on the head and in the face CT 17/9/93

Meanwhile, Golden Arrow Bus Services said at least 23 buses had been stoned on Wednesday and yesterday with some passengers being pulled from their seats

"There was pandemonium on the bus with wailing women and children It was unfair to attack us — we are brothers and sisters," said Mr Guwata

Calling from Guguletu police station — to which the bus raced to avoid further stonings — he condemned the attack, saying the community was not consulted on taxi operators' actions or warned not to use buses

# Blockade threat halts taxi trial

183

CT 17/9/93

Staff Reporter

COURT appearances for the 68 taxi drivers arrested on Wednesday for obstructing traffic and constituting an illegal gathering, were postponed yesterday to mid-October, to prevent a taxi blockade outside the Cape Town Magistrate's Court

Senior public prosecutor Mr John Rebine said he had been warned early yesterday morning by Codeta chairman Mr Kidwell Magwayi that "the whole town could be disrupted again" if the drivers appeared in court while emotions ran high

"It would have been unreasonable to have proceeded in the light of today's meeting between Codeta and the state, as well as the likelihood that Codeta will want to make representation to us," Mr Rebine said

## Confrontation

He stressed that the court was "not backing down" but rather providing a breathing space for tensions to cool, to avoid any possible confrontation between taxi drivers and the public outside the court

The execution of the warrants of arrest would be held over until the 18, 19 and 20 of October and the drivers would appear on those days in groups of 20, he said

Speaking outside the court, Mr Magwayi said "We don't want to allow the drivers to disrupt the traffic That should be a last resort You should knock on the door before you kick it down "

He appealed to drivers to delay any protest action until after the outcome of today's meeting with a representative of Mineral and Energy Affairs Minister, Mr George Bartlett

# Mayor promises action

183

ARG 17/9/93

Staff Reporters

MAYOR Clive Keegan says the full force of the law will be used against taxi drivers if they continue their blockade.

"While I completely understand and share the taxi industry's anger at the way the petrol price increase has been been handled — and believe (Minister of Mineral and Energy Affairs) George Bartlett has behaved with extraordinary arrogance and insensitivity in failing to meet the taxi drivers — their battle is with the government and not with the people of Cape Town.

"To stone buses and cars, dragging innocent people out of public transport, and bringing the city to a standstill is completely unacceptable.

"Negotiating gently with them clearly has not worked and we cannot allow the city to be disrupted."

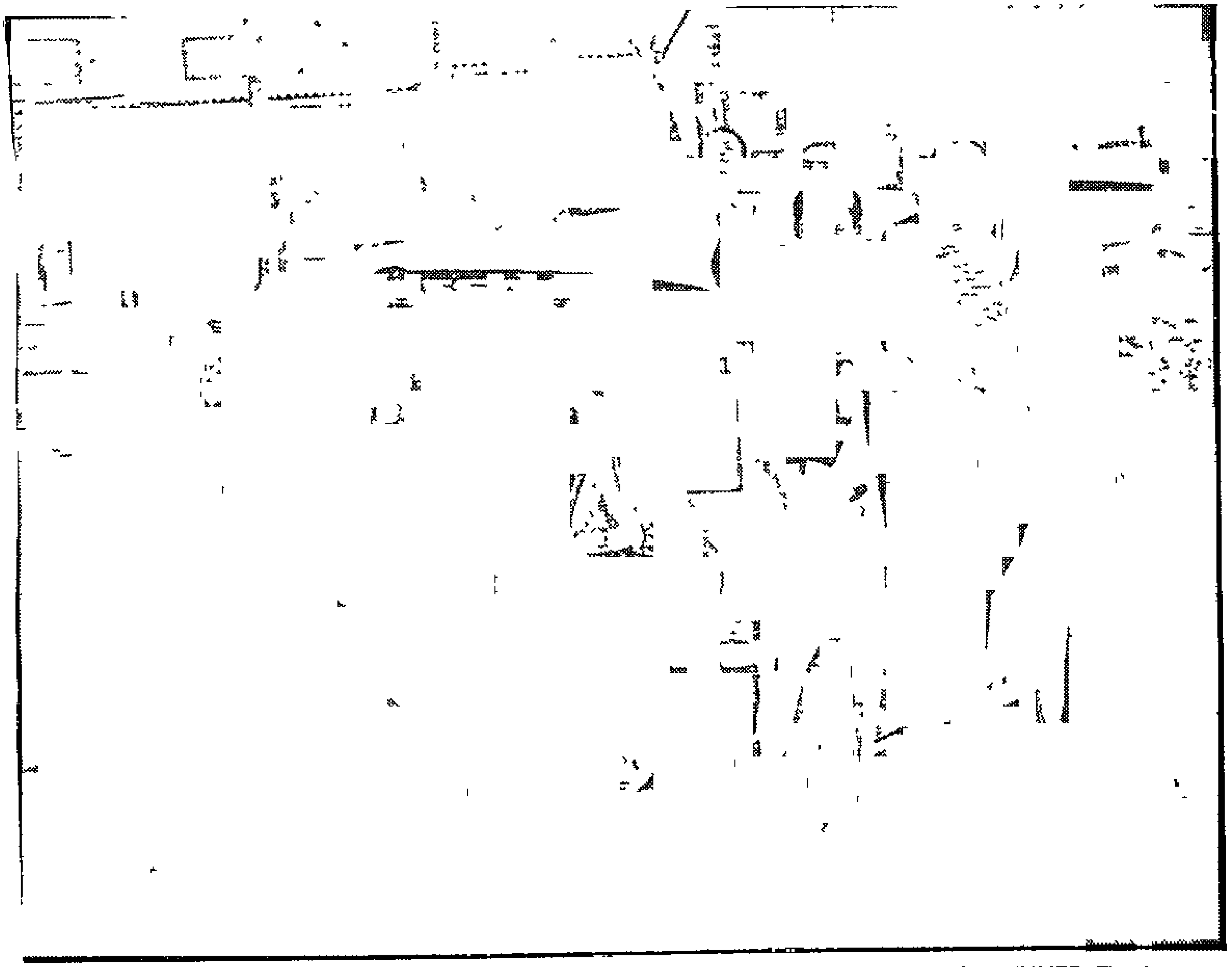
Mr Keegan said he had refused to get involved in negotiations unless blockades were lifted

The city council would act firmly against those who disrupted the economy of the city and disrupted the lives of people who were already disadvantaged.

The way the protest was conducted was out of place in peace month.

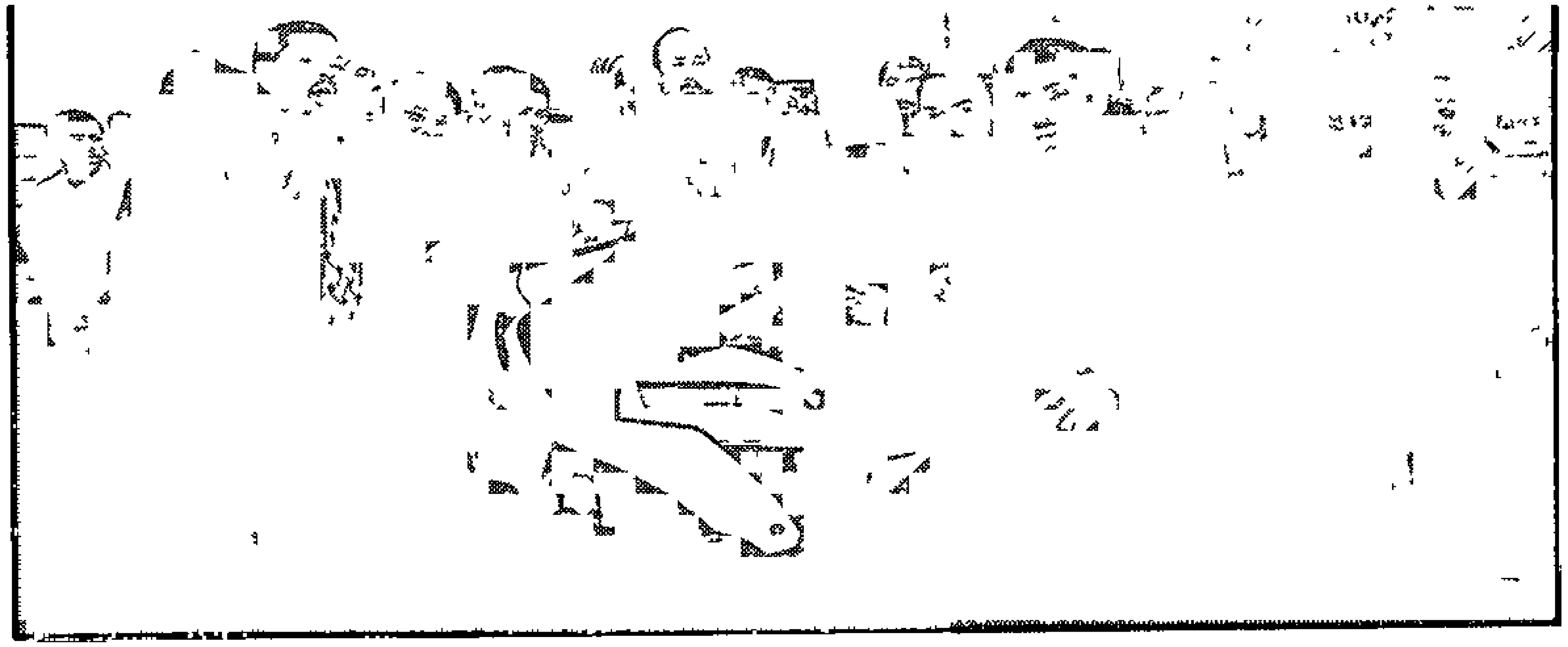
Meanwhile the chairman of the Mitchell's Plain Taxi Association, Don Lawrence, said taxi drivers were concerned about commuter safety.

● See page 4



Picture STEFAANS BRUMMER, The Argus

**HIGH SPIRITS:** Supporters of the protests, spearheaded by taxi drivers, throw peace signs from a taxi which has more people hanging on it than in it.



**SURROUNDED:** A lone traffic policeman finds himself surrounded by protesting taxi drivers in Mitchell's Plain

Pictures WILLIE DE KLERK The Argus

**HAPPY PROTESTORS:** Jubilant taxi drivers in Mitchell's Plain today

183

# Negotiators see Bartlett on petrol rise

ARGT 7/9/93

JOHANNESBURG — Urgent discussions on the controversial petrol price increase began today between the National Economic Forum and Minister of Mineral and Energy Affairs George Bartlett and Minister of Finance Derek Keys

The two cabinet ministers arrived here early today for the talks with the NEF, a multi-party organ of the negotiation process, at an undisclosed venue, a NEF representative said

The NEF said on Wednesday it planned to discuss the broader composition of the fuel price with the two ministers

The petrol price was increased by seven cents a litre from Wednesday and has been met by widespread criticism from trade unions and business, as well as by protests from taxi drivers — Sapa

# Petrol hike will add 0,5% to CPI

183

CT 18/9/93

THE higher petrol price should push the inflation rate up "by less than 0,5 percentage points during the next 12 months", Sanlam chief economist Johan Louw says in his September Economic Review

"At this stage we estimate an average inflation rate of just under 10% for 1993 and foresee that it could fall farther next year"

Picture WILLIE de KLERK, Weekend Argus

□ **BELEAGUERED BARTLETT:** Minister of Mineral and Energy Affairs George Bartlett addresses some taxi leaders at a meeting at D F Malan Airport while peace committee chairman Professor Jaap Durand covers his face as the crisis in Cape Town worsens

# 'Scrap Mossgas' call as petrol price fury mounts

**BRUCE CAMERON and MICHAEL MORRIS**
Business and Political Staff

THE government is under pressure to close P W Botha's R11 billion Mossgas blunder and take a new look at the petrol pricing structure, including subsidies for all the costly synfuel projects

The National Economic Forum, which held a special meeting with beleaguered Energy Minister George Bartlett yesterday, has appointed a task force to look at the current position and longer term fuel industry

The NEF, which has members representing business, labour and government, could reach no agreement at yesterday's meeting and has scheduled a "summit" for October 4

Criticism of Mossgas is growing, with even top executives in the fuel industry now describing it as a "a bloody white elephant and a monument to P W Botha's apartheid regime"

Engen, which managed the development of the project and defended it while it was being developed, has not only refused to take up its share option but is now scrambling to dissociate itself from the project

While taxi drivers caused chaos in challenging the seven cent increase, petrol companies as well as the government were taken by surprise at the ferocity of the protest

Some of the petrol companies attempted to defend the price claiming South Africans had some of the cheapest petrol in the world, while laying the blame for the increase at the door of the government

But an ANC statement yesterday focused attention on the oil companies, saying the highly regulated system of pump price fixing "has guaranteed generous profits" to transnational oil companies and maintained the viability of the synfuels industry

The ANC said it suspected that the import parity pricing mechanism had ensured the profitability of crude refining operations had historically been high by international standards to compensate the oil majors for defying sanctions

There had been no public debate on this, but "one can only assume that returns must have been substantial since the transnational companies remained in South Africa despite strong criticism from anti-apartheid lobbies

■ To page 6

(183)

P. T.O.

183

# 'Scrap Mossgas white elephant'

ARG 18/9/9

■ From page1

around the world".

"The ANC challenges the oil companies operating in South Africa to open their books to public scrutiny, so that the "apartheid premium" earned during the sanctions era can be determined."

On future policy, the ANC said "the end of the necessity to pay the 'apartheid premium' should make it possible to decrease real fuel prices. These reductions could be at the expense of excessive industry profits."

Continued support for "apartheid 'white elephants', Sasol and Mossgas, needs to be thoroughly investigated"

Long time critic of government fuel policies and the Mossgas project, Democratic Party energy spokesman Roger Hulley said the public was paying to keep "P W Botha's folly" Mossgas alive

"With a subsidy paid on every litre produced, the more Mossgas produces the more it is costing the motorist"

Mr Hulley also challenged claims made by Mr Bartlett of enormous savings for the country in foreign reserves, demanding details of whether the well-paid foreign contract Mossgas workers were being paid in foreign currency and how much had been spent and would be spent in imports of plant and equipment for the project

He said an example was the man in charge of the offshore rig, Noel Fitzgerald, who was on a three-year contract at about R1 million a year

Mr Hulley called for the phased, total deregulation of the industry

"This includes Mossgas and Sasol. If they cannot compete they should be closed down"

He said it was disgraceful that motorists were being forced to subsidise Sasol as a publicly listed company which had declared profits to be paid as dividends to its shareholders

He called for the remaining secrecy about fuel pricing to be scrapped and for the the fuel industry to be deregulated not only at retail level, but also at producer level. This was in line with the deregulation of the fuel industry that was taking place internationally

He also demanded an explanation from Mr Bartlett, whom he described as weak and unable to make decisions, on how Zimbabwe managed to sell petrol at 20 cents a litre cheaper than South Africa

Mr Hulley challenged the basic pricing system. It was not set on the petrol companies competing against each other in a free market in South Africa, but on a "fictitious" price — the supposed cost of petrol refined in Singapore or Dubai and transported to South Africa

Everything else was then based on this price

Mr Hulley said the government should reveal the real cost of landed crude and subsequently refined fuel, compared with the fictitious price

"I could weep at what R11 billion could do. Mossgas employs only 1 000 people

■ IN SUNDAY MONEY tomorrow: Is cheaper petrol possible?

# Petrol wars

CT 18/9/93

## Commuters assaulted

By PETER DENNEHY and EUNICE RIDER

**COMMUTERS were attacked and beaten, petrol stations damaged and major routes in Cape Town were snarled up by rolling taxi blockades as violent protests against the petrol price hike rocked the city yesterday.**

And Mitchells Plain taxi drivers vowed late last night to continue their action until at least Tuesday

Enmity between bus and taxi drivers burst into the open yesterday with bus drivers threatening to hit back.

A Transport and Omnibus Workers' Union spokesman, Mr Mogamat Soeker, said some bus drivers had already taken action and rammed taxis

Mr Soeker said a postponement in the fuel hike for two weeks would save lives

"We can't go on like this My members have said that they will fight violence with violence," he said Passengers had been taken off buses and "brutally handled"

Police said bus commuters in Mowbray, Claremont and Wynberg reported that taxi drivers forced them off the road and that a number of drivers were robbed

Commuters were also harassed and hurt in several stoning attacks on buses

Taxi drivers rampaged at petrol stations, stealing fuel, cutting petrol pump pipes and vandalising stations

Several 24-hour petrol stations closed down last night.

During evening rush-hour the N2 and N1 were disrupted as drivers blocked the connecting Black River Parkway between the two highways Drivers also blocked the highways but sped off when police arrived. Rolling blockades snarled other southern suburbs main routes

Mineral and Energy Affairs Minister Mr George Bartlett met taxi industry leaders, a bus union official and peace workers at D F Malan airport last night. Peace monitors warned him the Western Cape was about to erupt and that lives would be lost.

Mr Bartlett refused to suspend the 7c/ petrol price rise, but invited taxi industry representatives to join a new forum to consider the increase in two weeks' time

He was due to meet President F W de Klerk last night to brief him on the situation

On a radio phone-in programme last night Mr Bartlett struggled to defend the price hike to angry callers

Meanwhile the ANC challenged oil companies operating in South Africa to open their books to public scrutiny so that the "apartheid premium" earned during the sanctions era could be determined

The ANC said it suspected the import parity pricing mechanism had ensured that the profitability of crude refining operations had been high by international standards to compensate major oil companies for defying sanctions

● A Khayelitsha bus commuter said five women were injured when the bus he was travelling in was stoned and the driver robbed near Guguletu yesterday morning.

Police said they saw five men drag commuters off a bus and assault them near the Pinelands off-ramp on the N2 yesterday afternoon Police gave chase but no one was arrested

A working taxi driver was also seriously assaulted and his guard was stabbed by other taxi drivers before they robbed them of cash and forced commuters from their vehicle at the Athlone bus and taxi rank. Taxi operators slashed tyres of operating taxis at the rank.

Yesterday a special national "task force" was formed to propose new price structures for petrol and diesel after a closed meeting between Mr Bartlett, Finance Minister Mr Derek Keys and members of the National Economic Forum

The price increase is to remain while the petrol price structure is investigated

● Brothers and sisters victimised — Page 5

**TRAPPED** . . Caught in a blockade by taxi drivers on Hospital Bend, this woman was anxious and upset as taxi drivers shouted at her and her companion Commuters in Mowbray, Claremont and Wynberg reported that taxi drivers forced them off the road and that a number of drivers were robbed. Picture BENNY GOOL

**SAMARITAN TO THE RESCUE — PICTURES**

See PAGE 2

Your lives in danger if the taximen attack, Golden Arrow bus drivers warned

# 'Standstill' threat by cabbies

ARG 18/9/93

DALE KNEEN, EDWARD MOLOINYANE and MICHAEL MORRIS
Weekend Argus Reporters

TAXI organisations have been asked to join a government, business and union task force to investigate the fuel industry in the face of the growing petrol-price crisis

But the taxi strike is expected to continue

Minister of Mineral and Energy Affairs George Bartlett met a small group of taxi leaders at D F Malan airport yesterday, but scores of others claimed they could not find the venue at the airport and returned to the city and organised 'moving blockades" on various roads in the city and southern suburbs

At meetings at the Civic Centre Hartleyvale soccer stadium and Guguletu community hall taxi operators from Elsies River, Bellville, Mitchell's Plain and other areas resolved to continue the strike

Chairman of the Congress of Democratic Taxi Associations (Codeta) Kidwell Magwayi warned at the Guguletu meeting that the taxi industry could bring South Africa "to a standstill if they remained united The taximen slammed Golden Arrow bus service for running during the strike

Transport and Bus Workers' Union spokesman Mogamat Soeker expressed fear that bus drivers could be targeted by taxi-drivers and that their lives were in danger

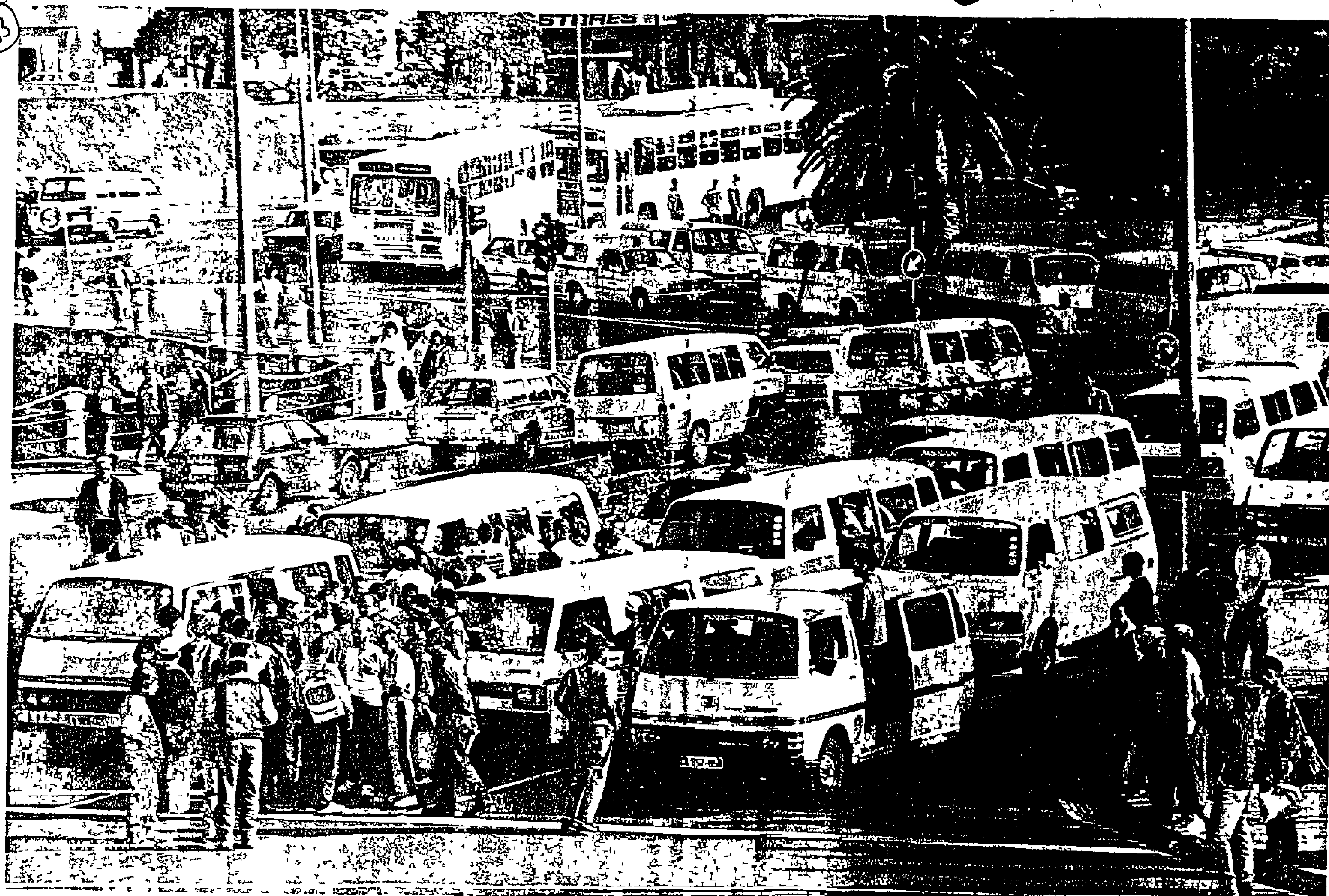
As the crisis deepened, President De Klerk last night expressed regret that the issue had become politicised This was because of next year's election

Mr Bartlett insisted in his meeting with the National Economic Forum (NEF) in Johannesburg and with the Cape Town taxi drivers that the decision to increase the petrol price was based purely on economics

He undertook to convey taxi drivers concerns to the president but ministry spokesman Carel du Toit said there would be no 'giving in to pressure"

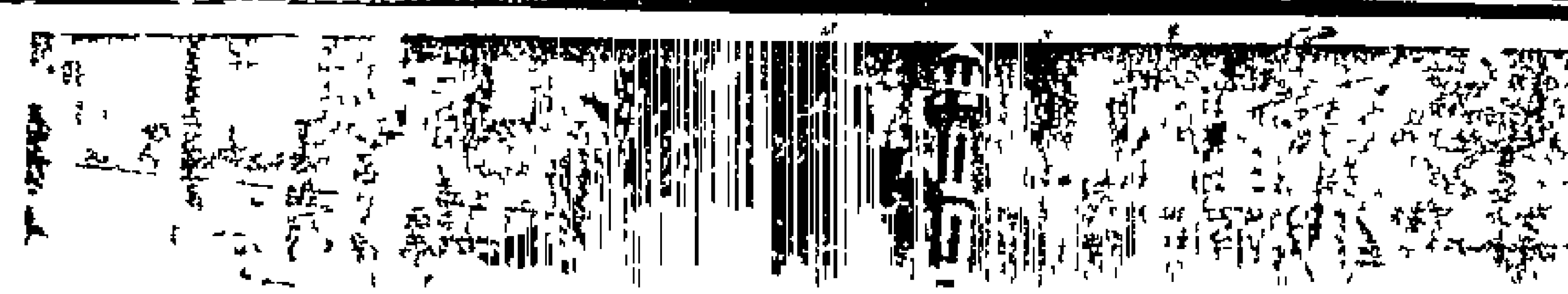
'There is no question that the new prices will be reduced or scrapped," he said

The task force being set up by the NEF after discussions with Mr Barlett a d Minister



Picture WILLIE de KLERK Weekend Argus

☐ **ANXIOUS WAIT** Taxi drivers gather at the parade to hear what Minister of Mineral and Energy Affairs George Bartlett tells representatives at a meeting held at the airport



Picture LEON MULLER Weekend Argus

☐ **HIGH AND DRY.** Shoppers laden with groceries wait in queues for buses near

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The task force being set up by the NEF after discussions with Mr Barlett and Minister of Finance Derek Keys in Johannesburg earlier yesterday has the job of drawing up proposals on the fuel industry and submitting them to a summit on October 4

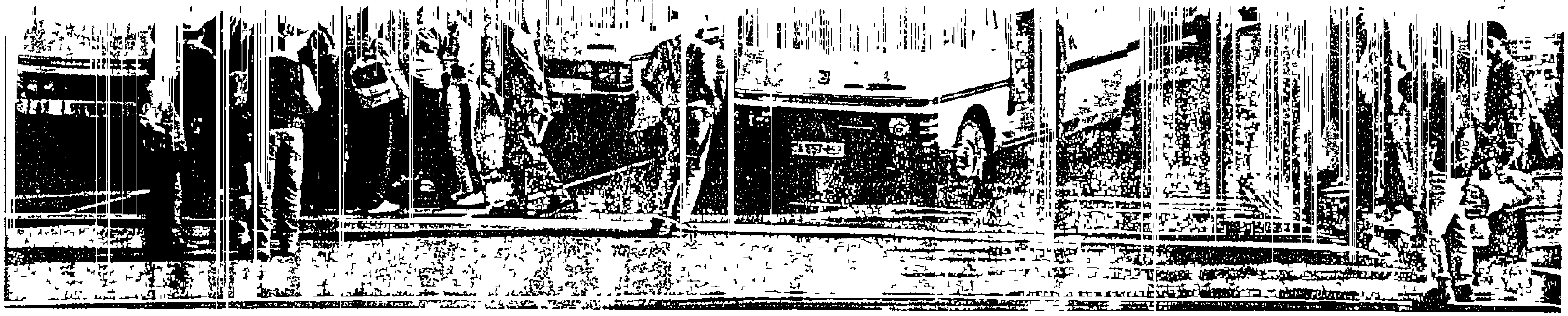
Trevor Kempshall of the Western Cape Transport Forum and Mr Soeker pleaded with Mr Bartlett during their meeting at the airport yesterday to suspend the seven cent increase to avert violence in the country

Mr Bartlett responded. "The fuel industry contributes R23 000 million to the economy and hundreds of thousands of people are working in refineries and gas stations Before I tamper with the system, I need to know from all the role players"

Mr Kempshall said the Department of Mineral and Energy Affairs had a "non-negotiable attitude' towards the price increase and this had angered consumers

Mr Bartlett said his "door has always been open" and that three months ago, when he mentioned the fuel price was under-recovering and that the Equalisation Fund was running out of money he had invited groups to make representation

He had sent invitations to over 70 organisations to discuss the fuel industry and only about 20 had responded They included the Small Business Development Corporation, Caltex the AA and some major labour unions



Picture WILLIE de KLERK Weekend Argus

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Picture LEON MULLER, Weekend Argus

□ **HIGH AND DRY:** Shoppers laden with groceries wait in queues for buses near empty taxi ranks

Picture LEON MULLER Weekend Argus

□ **MOBILE PLACARDS** Taxi drivers show their displeasure at the recent petrol price hikes during a blockade of city streets

183

# 'Scrap Mossgas white elephant'

ARG 18/9/93

■ From page 1

around the world"

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He said an example was the man in charge of the offshore rig, Noel Fitzgerald, who was on a three-year contract at about R1 million a year.

Mr Hulley called for the phased, total deregulation of the industry.

"This includes Mossgas and Sasol. If they cannot compete they should be closed down."

He said it was disgraceful that motorists were being forced to subsidise Sasol as a publicly listed company which had declared profits to be paid as dividends to its shareholders.

He called for the remaining secrecy about fuel pricing to be scrapped and for the fuel industry to be deregulated not only at retail level, but also at producer level. This was in line with the deregulation of the fuel industry that was taking place internationally.

He also demanded an explanation from Mr Bartlett, whom he described as weak and unable to make decisions, on how Zimbabwe managed to sell petrol at 20 cents a litre cheaper than South Africa.

Mr Hulley challenged the basic pricing system. It was not set on the petrol companies competing against each other in a free market in South Africa, but on a "fictitious" price — the supposed cost of petrol refined in Singapore or Dubai and transported to South Africa.

Everything else was then based on this price.

Mr Hulley said the government should reveal the real cost of landed crude and subsequently refined fuel, compared with the fictitious price.

"I could weep at what R11 billion could do. Mossgas employs only 1 000 people.

■ IN SUNDAY MONEY tomorrow: Is cheaper petrol possible?

Picture WILLIE de KLERK, Weekend Argus

☐ BELEAGUERED BARTLETT: Minister of Mineral and Energy Affairs George Bartlett addresses some taxi leaders at a meeting at D F Malan Airport while peace committee chairman Professor Jaap Durand covers his face as the crisis in Cape Town worsens.

# 'Scrap Mossgas' call as petrol price fury mounts

BRUCE CAMERON and MICHAEL MORRIS
Business and Political Staff

THE government is under pressure to close P W Botha's R11 billion Mossgas blunder and take a new look at the petrol pricing structure, including subsidies for all the costly synfuel projects.

The National Economic Forum, which held a special meeting with beleaguered Energy Minister George Bartlett yesterday, has appointed a task force to look at the current position and longer term fuel industry.

The NEF, which has members representing business, labour and government, could reach no agreement at yesterday's meeting and has scheduled a "summit" for October 4.

Criticism of Mossgas is growing, with even top executives in the fuel industry now describing it as "a bloody white elephant and a monument to P W Botha's apartheid regime."

Engen, which managed the development of the project and defended it while it was being developed, has not only refused to take up its share option but is now scrambling to dissociate itself from the project.

While taxi drivers caused chaos in challenging the seven cent increase, petrol companies as well as the government were taken by surprise at the ferocity of the protest.

Some of the petrol companies attempted to defend the price claiming South Africans had some of the cheapest petrol in the world, while laying the blame for the increase at the door of the government.

But an ANC statement yesterday focused attention on the oil companies, saying the highly regulated system of pump price fixing "has guaranteed generous profits" to transnational oil companies and maintained the viability of the synfuels industry.

The ANC said it suspected that the import parity pricing mechanism had ensured the profitability of crude refining operations had historically been high by international standards to compensate the oil majors for defying sanctions.

There had been no public debate on this, but "one can only assume that returns must have been substantial since the transnational companies remained in South Africa despite strong criticism from anti-apartheid lobbies.

■ To page 6

183

# Adcock's Swedish venture

S| Times (Buss

**By JEREMY WOODS**

ASTRA, the Swedish pharmaceutical giant, is to form a joint venture company with Adcock Ingram as soon as investment sanctions end

Adcock Ingram, which is capitalised on the JSE at R2,2-billion, has had a licence arrangement for some time with Astra, a multinational noted for its research

Adcock Ingram chief executive Don Bodley says "The venture will benefit from Astra technology and give us access to its products" 19|9|93

An Astra marketing division has been formed to market its products, although Adcock Ingram will continue to make and distribute them

Turnover of the new company will be about R55-million (183)

In a separate move, Adcock Ingram has gained British Technology Group's marketing rights for a new treatment for anaemia

Adcock Ingram will contribute research to the project

The world market for this ailment is estimated at $200-million

# Taxi strike in city suspended

CT 20/9/93

183

## Two-week halt — but peaceful protest goes on

By PETER DENNEHY

**THE taxi strike which has severely disrupted the city has been suspended for two weeks and several taxi associations have apologised for abuses during the strike, which included violence against bus commuters.**

Commuters were attacked and beaten, petrol stations damaged and major routes in the city jammed in violent protests which started on Wednesday after the 7c/l petrol price hike.

Strike violence declined yesterday, said Mr Frans Maross eneral

Mr Faiek Ariefdien, a spokesman for the Hanover Park Taxi Alliance, said taxi drivers had realised they were "harming the very people in whose interests we were protesting".

At another meeting at Community House yesterday, Mr Isgak Kamaar of the Hanover Park ANC said "This meeting is about isolating those causing the violence

● Pick 'n Pay vows to find a way — Page 3

CT 20/9/93 183

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Strike violence declined yesterday, said Mr Frans Mayoss, general manager of Golden Arrow bus company, whose buses were among the taxi drivers' primary targets.

He said, however, that one of his company's senior inspectors had been "cold-bloodedly shot in the neck" in Mitchells Plain on Saturday He is in a stable condition in Groote Schuur Hospital

Mr Mayoss said bus passengers were intimidated and harassed Some were forced off buses and drivers and passengers were robbed.

## Intimidated

The police placed men on some buses to "ride shotgun"

Several taxi associations apologised yesterday for the abuses

At a meeting of about 700 people convened by the ANC and others at Community House on Saturday, and at subsequent meetings, taxi associations decided the strike should end today However, some will go ahead with "peaceful protest action".

Drivers from the Lotus River taxi association intend to park in District Six from about 10am today and then to march on Parliament, and some Mitchells Plain drivers may protest outside the Caltex refinery in Milnerton "all week"

Mr Don Lawrence of the Mitchells Plain Taxi Association said members were standing by to see what happened at Wednesday's cabinet meeting, where the protest will be discussed

About 30 drivers representing Manenberg, Kensington, Heideveld, Bonteheuwel, Bridgetown, Claremont, Wynberg, Grassy Park and part of Mitchells Plain met in the Hanover Park town centre yesterday.

Mr Faiek Ariefdien, a spokesman for the Hanover Park Taxi Alliance, said taxi drivers had realised they were "harming the very people in whose interests we were protesting".

At another meeting at Community House yesterday, Mr Isgak Kamaar of the Hanover Park ANC said.

"This meeting is about isolating those causing the violence.

● **Pick 'n Pay vows to find a way — Page 3**

## COMPANIES

# Jasco achieves 46% earnings rise

EDWARD WEST

JASCO Electronics Holdings lifted earnings 46% a share to 7,5c from 5,1c in the six months to end-August on the back of strong turnover growth in its electronic, electrical, medical and pharmaceutical divisions BIDay

Jasco is the investment holding company for subsidiaries distributing private paging systems, communications equipment, electrical products for domestic use and computer networking, motor vehicles, and pharmaceutical and medical products.

Turnover climbed by just more than a fifth to R44,11m (R36,46m) in the six months and operating income was 28% higher at R3,67m (R2,88m), reflecting an increase in operating margins resulting from cost-containment.

Increased turnover was reported by all Jasco companies, directors said.

Finance costs fell to R621 000 (R999 000) because of reduced borrowings over the period. Long-term interest-bearing debt was R5,31m at the end of the interim period, from R4,76m at year-end in February, and short-term debt was R5,32m, from R1,36m over the same period.

The tax charge was higher at R885 000 (R396 000) after the tax rate increased owing to the further utilisation of assessed losses. The tax rate was expected to remain at a similar rate in the second half. (183)

Attributable income was 46% up at R2,17 (R1,48m). Dividends were declared only at year-end. A R701 000 extraordinary item comprised goodwill written off and legal costs and tax paid for film ventures now disallowed by government.

Directors were confident about second-half results because order books were healthy, SA Scientific had been appointed agents for Roche laboratory and diagnostic products, and progress was being made in other African countries. A positive attitude prevailed in the group 20/9/93

The Datatrack vehicle tracking and fleet management system would have little impact on earnings in 1993, but good long-term benefits were expected.

The project would be financed by a rights issue, directors said. The share was traded 5c higher at 90c on Friday Net asset value was 45c (38,2c). (1831)

# March against Bartlett

(183)

Staff Reporter ARG 20/9/93

SCORES of Cape Flats taxi drivers and owners chanted "Bartlett must go", as they marched to parliament today

But beleaguered Minister of Energy Affairs George Bartlett was not available to accept a memorandum from the leaders of the 300-strong group.

He sent his representative, Charles Edwards, to accept the document from Lotus River-Grassy Park taxi association chairman Shireen Carter.

"We didn't expect to see you. The minister's not available to see you," Mr Edwards told Mrs Carter

In the document the group demanded the scrapping of the 7c a litre increase in the price of petrol and the same VAT-free subsidy on fuel enjoyed by bus companies

# Pick 'n Pay vows to find a way

(183) CT 20/9/93

By WILLEM STEENKAMP

RETAIL giant Pick 'n Pay has vowed to find a legal way to continue its controversial new petrol discounting scheme, which could be shut down today by Mineral and Energy Affairs Minister Mr George Bartlett.

And today a specially convened National Economic Forum task force is to hold urgent talks to discuss the growing furore over the petrol price rise, and the influential Road Freight Association has joined calls for a moratorium on the increase.

Pick 'n Pay is to fax a legal argument to Mr Bartlett today, detailing reasons why it feels its 7c/ discount scheme should not be disallowed

Last week Mr Bartlett told Pick 'n Pay chairman Mr Raymond Ackerman that the price-cutting scheme contravened petrol price regulations. He summoned Mr Ackerman to his office at 8am today to explain why he had defied the regulations.

In the Pick 'n Pay scheme motorists who spend more than R10 at Pick 'n Pay are given coupons for their service stations, allowing the discount on as much petrol as they want

Last night Pick 'n Pay managing director Mr Gareth Ackerman said the discount scheme was totally within the law.

However, Mr Bartlett had the right, according to the law, to be "totally arbitrary" and put a stop to the discounting

# Bartlett's fuel threat to Ackerman

**Business Staff** 183

PICK 'n Pay chief Raymond Ackerman today jumped a government stop sign on his discounted petrol scheme by expanding his campaign of defiance nationwide. ARG 20/9/93

Embattled energy Minister George Bartlett was still trying to slam the brakes on the scheme today, saying he had the power to stop fuel deliveries to Pick 'n Pay garages.

Mr Ackerman "is breaking the law".

Mr Bartlett said Mr Ackerman was being confrontational. He advised Mr Ackerman to await finality on the legal dispute.

Mr Bartlett said much of the criticism of himself over last week's petrol price increase had been unfair as he had tried to be as democratic as possible.

Earlier this year he had sent out a memorandum on the fuel industry to 74 interest groups from Cosatu to the Housewives' League asking for a response. These responses were to be discussed by the National Economic Forum.

The process had been accelerated by the price increase and a special task force had been appointed by the NEF to look at the whole matter.

A "summit" would now be held on October 4.

In the meantime Mr Bartlett said he had no option but to apply the law.

He warned that the whole pricing structure of the fuel industry could be placed in jeopardy by the discounting scheme.

Within 24 hours Mr Ackerman hopes to be selling petrol from 11 hypermarkets (including those at Otterey and Brackenfell) and three super stores at the old price.

And he has a legal team on hand to continue his legal battle with Mr Bartlett.

An angry Mr Ackerman said today it was not only the question of the price of petrol — "it is the principle of free enterprise".

# Bartlett sees taxi operators

(183) (284)

CT 21/9/93

By ANTHONY JOHNSON

NO finality on how to resolve the petrol price controversy was likely until the National Economic Forum gave its views in two weeks time, Mineral and Energy Affairs Minister Mr George Bartlett said last night

However, another top government source told the Cape Times yesterday that the government would not back down on the decision to increase the price of petrol by seven cents a litre

Mr Bartlett said he had told the Convention of Democratic Taxi Associations during a two-hour meeting yesterday that he could not see the price being lowered, as it was "market-related"

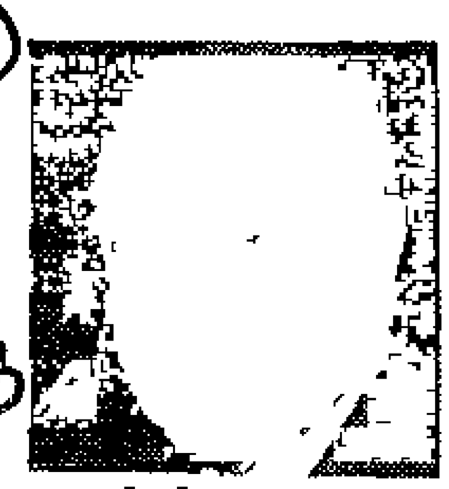
The state had been losing R19 million a month before the price was raised

He described his meeting with Western Cape taxi operators as "very friendly and positive" and he undertook to report back to them after the fuel price issue was discussed at tomorrow's cabinet meeting.

(183)

# Minister turns off the taps for discount scheme

ARGT 22/9/93



Ackerman

**Political Staff**

MINERAL and Energy Affairs Minister George Bartlett has ordered an end to Pick 'n Pay's petrol coupon scheme, warning that if it goes ahead he will cut supplies to the retail giant's service stations

Addressing a press conference yesterday, Mr Bartlett said Pick 'n Pay chief Raymond Ackerman was told of the decision by letter at 3pm yesterday and action would be taken if the scheme was not stopped immediately.

This could include court action, said Mr Bartlett.

The minister emerged with his tough line on the scheme — in terms of which Pick 'n Pay customers are given discounts on petrol at its service stations — after taking advice from the state's legal advisers

He said the scheme was a "contravention of the law" and if Pick 'n Pay persisted "it is my intention to instruct oil companies in terms of the Petroleum Products Act to cease supplies to the offending service stations".

Mr Bartlett said he had taken the decision after "due consideration" of the facts and circumstances surrounding the scheme He had concluded "on the whole it will negatively affect the selling price of petrol and that it will ultimately only benefit Mr Raymond Ackerman and the Pick 'n Pay group to the detriment of service stations and consumers at large".

There were already reports of service stations close to Pick 'n Pay outlets that were losing business as a result of the scheme, he said

Mr Bartlett said that the question of deregulation of the petroleum industry would be discussed in "appropriate forums" where interested parties should have their say "rather than taking the law into their own hands".

But he admitted he favoured "some sort of regulation"

He poured cold water on suggestions that a discount petrol scheme for taxi operators could be launched, suggesting that the totally unregulated nature of the industry should rather be addressed as it gave rise to "over-trading".

# Petrol coupons: Ackerman asks court to approve scheme

183

ARG 22/9/93

**Staff Reporters**

ANOTHER round in the battle over discounted petrol began today when Pick 'n Pay chief Raymond Ackerman applied for an urgent interdict to prevent Mineral and Energy Affairs Minister George Bartlett from outlawing the scheme.

Mr Bartlett banned the scheme yesterday and threatened to cut off the supermarket chain's fuel supply if it did not halt its voucher scheme immediately

Mr Ackerman said he would not stop the discounted coupon scheme at the Durban Hyper, but had decided not to extend the plan to a further 14 stores until the issue had been resolved.

While he had asked for the matter to be considered urgently, Mr Ackerman said he hoped it would come before the Cape Town Supreme Court today or tomorrow

The government raised the petrol price by 7c a litre last week and the supermarket chain is selling it at the old price

At a Press conference in Cape Town yesterday, Mr Bartlett said the scheme was a contravention of the law

He said the scheme would "negatively affect" the petrol price and that it would ultimately benefit only Mr Ackerman and Pick 'n Pay "to the detriment of service stations and consumers at large"

Housewives' League president Lyn Morris and the Congress of SA Trade Unions warned in separate statements that giving big retailers the right to sell petrol did not mean the price would stay down.

Meanwhile, representatives of the taxi industry and community organisations met today to discuss the fuel crisis, the way forward and joint action.

The meeting, jointly convened by the Congress of South African Trade Unions (Cosatu) and National Council of Trade Unions (Nactu), was held after the second death during the current transport crisis.

Senior bus inspector Pelele Mgudhlwa, 55, died in Groote Schuur Hospital last night, two days after colleague Ganief Karriem was shot and killed in Khayelitsha.

Mr Mgudhlwa, the father of five children, was shot in the neck after helping passengers in Khayelitsha on Saturday.

His employers, Golden Arrow Bus Services, have offered a R50 000 reward for information leading to the arrest and conviction of his killers.

Company chairman Nic Cronje said in a statement that Mr Mgudhlwa's death had resulted from the mindless violence plaguing the Cape Peninsula

Cosatu's regional secretary Jonathan Arendse said: "Bus drivers are workers who have nothing to do with the increases. It's unacceptable that they are being attacked and killed Off course, we can't say who's responsible."

● See page 4

# Bartlett 'protecting the SA consumer'

183 ARG 22/9/93

## □ Report completed on entire fuel question and its impact on economy

BRUCE CAMERON
Business Staff

ENERGY Minister George Bartlett is in many ways the man who reaped the whirlwind, taking over as a transitional administrator of a mystifying fuel supply and retailing structure embedded in apartheid economics

No longer able to beat opponents into submission with the crude club of patriotism, cabinet ministers suddenly find they have to explain their decisions in the face of vehement opposition

The latest student of the lessons of consumer resistance in recent days has been Mr Bartlett

Over the past two weeks he has been called an array of interesting names as he has tried to adapt to accountable politics, beat off public anger, control a profit-oriented retailer demanding free market principles and conditions, explain away the R11 billion squandered on the Mossgas fiasco and appease powerful vested interests in the fuel industry

Through it all he has expressed a puzzlement about why he should be the target of such vehemence

He is convinced that he — and not Raymond Ackerman — is protector of the consumer

In an interview this week Mr Bartlett repeatedly said his concern was the consumer — but not only the consumer who has a supermarket petrol station around the corner but also the motorist in Riviersonderend who would have to pay much, much more for his litre of petrol in a deregulated market

He said that when he took over the portfolio in 1991 he had been prepared to deregulate at the retail level or even offer an upper and lower level range within which petrol could be sold

But the petrol companies and the Motor Industries Federation had warned that the whole carefully planned, R23 billion-a-year edifice could collapse if a single brick was touched

It was a warning he had to heed, he says But he did not then just sit on his hands Neither does he feel he allows the petrol giants to bully him into submission.

He had his department do a full analysis on the government's role in the industry He received a 32-page report in May He sent out about 400 copies to interested parties for comment

"It's part of the new democracy"

Now he is waiting for replies He says some significant players — such as Cosatu and the South African Chamber of Business — have yet to reply

When the replies are in they will be summarised into another report. A conference attended by the major players will be convened and a final decision will be taken by the government on deregulation of the industry

George Bartlett

At the same time he has referred the latest fuel hike to the National Economic Forum, which last week appointed a task group to study whether the increase was justified or could be restructured

The increase will be considered at a National Economic Forum-organised "summit" on October 4

For nearly every argument in the debate on deregulation there is a counter argument and Mr Bartlett is aware of them all He does appear to favour some form of protectionism, but adds he is open to argument

About the only issue over which there appears to be no argument now is Mossgas Even Mr Bartlett, who himself was a proponent of another synthetic fuel project — cane sugar to ethanol — is not very keen on P W Botha's special inspiration

With hindsight Mr Bartlett said he would not have approved Mossgas He points out he was not a member of the cabinet that did approve it

And it is the job aspect that Mr Bartlett uses as his main argument in blocking the repeated efforts of retailer Raymond Ackerman to discount petrol

Not only are there 5 000 small businessmen out there who could face closure but there was also the 40 000 petrol attendants who could lose their jobs

Mr Bartlett does accept that industries protected by government do become inefficient but he bases his arguments on two legs

- If there is to be deregulation it should come in carefully considered stages
- Governments the world over protect key industries

He did back down on his argument comparing South Africa's synfuel industry to protected industries in Japan when it was pointed out to him that Japan only protected capital-effective industries

In reply he argued that the years of international isolation did give another angle to protectionism

He also knocked his own argument by saying that since the government and the fuel industry rationalised petrol stations there had been greater efficiency, which had also resulted in a slow-down in price increases

# Fuel costs could be cut — DP

CT 23/9/93

(183)

By BARRY STREEK
Political Staff

THE petrol price could be slashed immediately by between 11 and 14 cents even if the current high level of tax rates were maintained, the Democratic Party's energy spokesman, Mr Roger Hulley, said yesterday

The foundation to the petrol price was its "landed cost" but this was "cooked up" pricing

"There is a degree of fat in this system," Mr Hulley said

He also said the "vested interests" were benefiting from the system

The DP leader, Dr Zach de Beer, suggested a four-step plan for cheaper petrol

- The removal of the Minister of Energy Affairs, Mr George Bartlett, whose tenure had been "nothing but a disaster"
- A saving, to be put into effect as a matter of urgency, of between 10,9 cents and 13,9 cents a litre with the present regulated pricing structure
- Deregulating and restructuring the fuel industry to bring further substantial savings
- Establishing an independent inquiry into the whole pricing structure

Dr De Beer said the DP believed an inquiry would expose the unfair burden being placed on the motorist.

# Bartlett sticks to petrol price

CT 23/9/93 (183)

By BARRY STREEK
Political Staff

THE cabinet had decided the increased petrol price would remain in force, the Minister of Energy Affairs, Mr George Bartlett, told Cape Town taxi drivers yesterday.

The cabinet had decided that in view of the investigation by the special task force, established by the National Economic Forum, there would be no change.

The task force had to report by October 4, and the cabinet decided it would wait until it had received the inquiry's recommendations before taking any decisions about the price of petrol, Mr Bartlett said.

A spokesman for his office, Mr Carl du Toit, said Mr Bartlett had reported back to the taxi driver representatives for 15 minutes after the cabinet meeting

The cabinet had decided that a national taxi forum should be established as soon as possible to look at the whole industry

## Govt to establish taxi forum

This forum would be established under the Minister of Transport, Dr Piet Welgemoed, who had been instructed to get the forum going

Cape Town's traffic chief Mr Wouter Smit said yesterday both bus and taxi drivers who had disrupted traffic would be heavily fined

The penalty for disrupting traffic was a R1 000 fine

A second Golden Arrow worker has died as a result of the violence sparked by the petrol protests. The bus company has offered a reward of R50 000 for information leading to the arrest of the killers of senior inspector Mr Pelele Mgudhlwa, 55, who died in the Groote Schuur Hospital on Tuesday night

He is survived by a wife and five children

On Monday a driver was shot dead in Khayelitsha

In another incident yesterday a bus on the outskirts of Nyanga was fired on

There were no passengers on the bus and the driver escaped serious injury when bullets shattered the windscreen

A Golden Arrow spokesman said yesterday buses were only going to the outskirts of the townships

● **City's traffic chief under fire — Page 7**

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# Supermarket defies cut-price fuel ban

(183) CT 23/9/93

PICK 'N PAY has defied an order from Mineral and Energy Affairs Minister Mr George Bartlett to stop selling cut-price petrol, claiming the minister is acting beyond his powers

The Pick 'n Pay chain went to court yesterday to try to prevent the government from banning its discount petrol scheme and cutting off its fuel supplies

It will continue selling petrol at the reduced price in Durban, but will delay plans to extend its discount scheme throughout the country until the legal action has been heard in the Cape Town Supreme Court and a ruling has been made, Pick 'n Pay chief Mr Raymond Ackerman said yesterday

Mr Ackerman had said earlier this week he would comply with Mr Bartlett's instruction

"Since then our legal counsel have said they believe the discount scheme is legal and that the minister had no right to act as he did Our court application will see who is correct."

Durban's Hypermarket sold more than double its average daily sales on Tuesday, Mr Ackerman said

The saving on cut-price petrol on a 50-litre tank is R3,50

The Congress of South African Trade Unions said earlier that although it opposed the increase, it remained unconvinced the Pick 'n Pay scheme was a solution to the problem — Staff Reporter, Sapa

# Romens clothing faces liquidation

Supreme Court Reporter

ROMENS Menswear (Pty) Ltd, supplier of men's clothing, was placed in provisional liquidation yesterday because its liabilities exceeded its assets

This emerged in papers in the Supreme Court in an application before Mr Justice W A van Deventer, by House of Monatic Manufacturing (Pty) Ltd CT 23/9/93

In papers, Monatic managing director Mr Stanley Stubbs, said Romens Menswear, a subsidiary of JSE-listed Romens Holdings Limited — of which Lenco Holdings, Monatic holding company, held 26% shares — owed it R1,9 million

Romens Menswear's assets were worth about R4,6m and its liabilities were about R8,5m, and it would be just and equitable and to the benefit of creditors that it be wound up, he said

In his reply, Romens Menswear managing director Mr David Marks said "The application is aimed at effecting a hostile takeover"

# 300 taxis blockade Welkom

CT 23/9/93

WELKOM. — About 300 taxi drivers laid siege to this northern Free State city yesterday to protest against the 7c/litre petrol price increase.

The drivers parked their vehicles in the city centre and locked them, effectively blockading the city.

A Free State police spokesman confirmed the blockade, which began at 9am. He said most drivers had begun a peaceful exodus, and those taxis still blocking traffic were being impounded.

A driver was arrested for obstructing police.

Sporadic fighting had broken out between drivers, but had been quelled. Police used stun grenades to disperse the crowd, the spokesman said, adding that 345 policemen had been deployed.

The drivers had drawn up a list of demands to present to the Welkom police, Mr Fezile Dabi, legal department head of the ANC's northern Free State region, said. — Sapa

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CT 23/9/93 (183)

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A Golden Arrow spokesman said yesterday buses were only going to the outskirts of the townships

● City's traffic chief under fire — Page 7

# AECI forms new food chemicals company

B/Day 23/9/93

AECI said yesterday it had formed a new company, AECI Aroma and Fine Chemicals Limited.

AECI Aroma and Fine Chemicals would build an R18m plant to manufacture aroma and food chemicals in Richards Bay, AECI said

"This plant will be a first for Africa and will be built on a 50ha greenfield site in the Alton Industrial Area

"It is envisaged that similar projects will follow"

Site preparation for the new factory would begin in November and it was expected that the plant would be completed by July 1994, said AECI Another group company, AECI Operations Services (Pty), would install the basic infrastructure and administer the site.

(183)

The plant was being designed to conform to local and national environmental standards and legislation, AECI said. — Sapa

# Taxi body delivers Oct 4 ultimatum on fuel price rise

**ROGER FRIEDMAN, Staff Reporter**

TAXI associations countrywide have threatened unprecedented mass action if the petrol price increase is not scrapped or the industry subsidised by October 4.

This follows the cabinet's decision yesterday not to pre-empt proposals of the special task group established by the National Economic Forum to look into the petrol price increase and the entire price structure.

President of the Federated National Transport Organisation (Fento) Lennox Magwaza said the groundwork was being laid "for stronger but disciplined" national protest from October 4, the date the NEF task force is due to table its report.

"We are not fighting with civilians, but with the government of the day," Mr Magwaza said.

"Taxis carry 55 percent of passengers nationally on a daily basis and there is therefore a lot we could do in order to bring down the economy of the country.

"We don't want to harm the economy — we want to build it, but if the government snubs us we'll snub them back."

Fento is an emerging giant in the transport industry, representing 225 taxi associations, and with interests in trucking, shipping, aviation and tourism.

Active in the Transvaal, Free State, Natal, Lesotho and Swaziland, Fento is now making inroads in the Western Cape. ARGT 23/9/93

The Mitchell's Plain Taxi Association has already affiliated, while discussions with Codeta are in progress. 183

Mr Magwaza is due to meet Energy Minister George Bartlett in Pretoria today to set out the taxi industry's demands

# Ackerman stops petrol scheme

DAVID YUTAR, Staff Reporter

PICK 'n Pay has stopped selling discounted petrol at its Durban Hypermarket outlet after receiving an urgent instruction from the Minister of Mineral and Energy Affairs, George Bartlett.

He said he was acting on a directive from President De Klerk and the cabinet

Pick 'n Pay chief Raymond Ackerman said the company had decided to heed the instruction immediately.

However, he said, Pick 'n Pay would still go ahead with its court application to test the validity of the prohibition

Pick 'n Pay has until now defied the government's order to stop the discount scheme.

CT 23/9/93

In terms of the scheme customers spending more than R10 at Pick 'n Pay's store in Durban have been subsidised to the tune of 7c a litre by the company.

Pick 'n Pay has filed papers in the Cape Supreme Court for an application challenging the validity of the prohibition of its scheme issued by Mr Bartlett on Tuesday. (183)

# Taxis: Plan for new fuel protests

(332) (183) (244)

CT 24/9/93

Staff Reporter

FURTHER protest action against the recent petrol price increase is being discussed by several taxi associations and a group of trade unions

A meeting of the Western Cape Fuel Crisis Forum was convened by the Nactu and Cosatu trade union federations on Wednesday and yesterday morning in the Sactwu Hall of Industria House in Salt River

Participants included representatives of the Codeta township taxis, Mitchells Plain taxis, Bellville taxis, and those based at the Wynberg interchange

Representatives were also present from the bus drivers' union (Tramway and Omnibus Workers' Union), from the Transport and General Workers' Union, and from the ANC, PAC and SACP

At the meeting, a resolution was adopted rejecting Minister of Energy Affairs Mr George Bartlett's "intransigence" in refusing to suspend the fuel price increase

Mr Joe Sineke of Nactu and Mr Xolile Nxu of Cosatu said the various organisations were discussing, with their constituencies, what further action should be taken

This will be finalised this coming Monday at 10am at Industria House

"The forum calls on all commuters and the community at large to express their views through their communities, political parties, trade unions, civics and churches," the two men said in a press release.

Earlier this week, taxi drivers said that many commuters had complained about lack of consultation with their organisations before taxis embarked on a strike, supposedly "on their behalf"

Both bus drivers and taxi drivers who got fines during the course of their protests have yet to work out how they are going to deal with these

## Task group on minibuses

**PRETORIA. — A task group would be appointed to investigate the grievances and problems in the minibus taxi industry, the Minister of Transport, Dr Piet Welgemoed, announced yesterday.**

**The department's director general, Dr C F Scheepers, welcomed the decision and said such an independent task group would co-ordinate the findings of different inquiries into the industry.**

**The Department of Transport had been in the process of studying the issue of a new, more appropriate Public Passenger Transport Policy, which includes the subsidising of commuters using minibus taxis.**

**Views would be forwarded to the task group whose address is: The Chairman, Taxi Task Group, Department of Transport, Private Bag X193, Pretoria, 0001, Fax Number: (012) 326-4791. — Sapa**

# Union, taxi groups want 10c fuel drop

(183)

CT 24/9/93

**JOHANNESBURG. — The Congress of South African Trade Unions and a labour and taxi delegation are demanding not only the scrapping of the seven cent a litre petrol price increase, but a further reduction of three cents a litre in the price of petrol and diesel fuel.**

**The demand was formulated by Cosatu, the Foundation for African Business and Consumer Services, the National African Federated Chamber of Commerce and Industry and representatives of several taxi organisations.**

**The organisations are also demanding a review of all subsidies, protection and profit margins which make up the petrol and diesel price.**

**Speaking at a news conference in Johannesburg yesterday, Cosatu vice-president Mr Chris Dlamini said the organisations condemned Wednesday's cabinet decision not to review the petrol price increase "especially in the light of the fact that government has agreed to be part of the National Economic Forum task group on this issue".**

**Mr Dlamini said a labour and taxi delegation would attend the NEF's first task group meeting today to begin negotiations on the structure of the petrol price.**

**●In Kroonstad, taxi drivers blockaded two streets in the central business district of this northern Free State town yesterday afternoon.**

# 'Dallas' twist to Mossgas soap opera

(183) ARG 25/9/93

BRUCE CAMERON
Business Staff

THE R11 billion Mossgas project has both tragic opera as well as soap opera elements

Now, its offshore operations are to be overseen by Cliff Barnes — a name familiar to the followers of the American soapie, *Dallas*

Cliff Barnes was the man whom oil baron J R Ewing loved to trample in the mud

However, the Cliff Barnes who is to take over as manager of the Mossgas offshore operations does not come off the *Dallas* filmset He is a South African oil engineer

A Mossgas secretary expressed the opinion that not only was he better looking than the TV star, but also much tougher

Mossgas's Cliff Barnes may wish he was in the same league as his fictitious counterpart, however — or, at least, in the same league as the man whose job he is inheriting, Noel Fitzgerald, who earns more than R1 million a year

A Mossgas spokesman said Mr Barnes would not earn nearly as much, because he was a South African

Mr Fitzgerald, who was brought in from the North Sea oilfields, had been paid the enormous salary because there were no South Africans with the required experience There was also the problem of the low exchange rate of the rand, said the spokesman

Mossgas also announced that it no longer would be using the services of Soekor to manage the offshore operation — which should result in a considerable saving

# More action on petrol price

183

Staff Reporter 244

TAXI organisations, trade unions and political parties are meeting today to discuss further protest action against the petrol price increase. CT 27/9/93

Mr Xolile Nxu of Cosatu and Mr Joe Sineke of Nactu said various organisations were discussing further action with their constituencies and a final decision would be taken at a meeting at Industria House today

# Premier to open Metcash stores in Russia and Israel

B/Day 27/9/93

MARCIA KLEIN

THE Premier group had said recently it was targeting real growth in the current financial year but was finding trading conditions very difficult, CE Peter Wrighton said last week

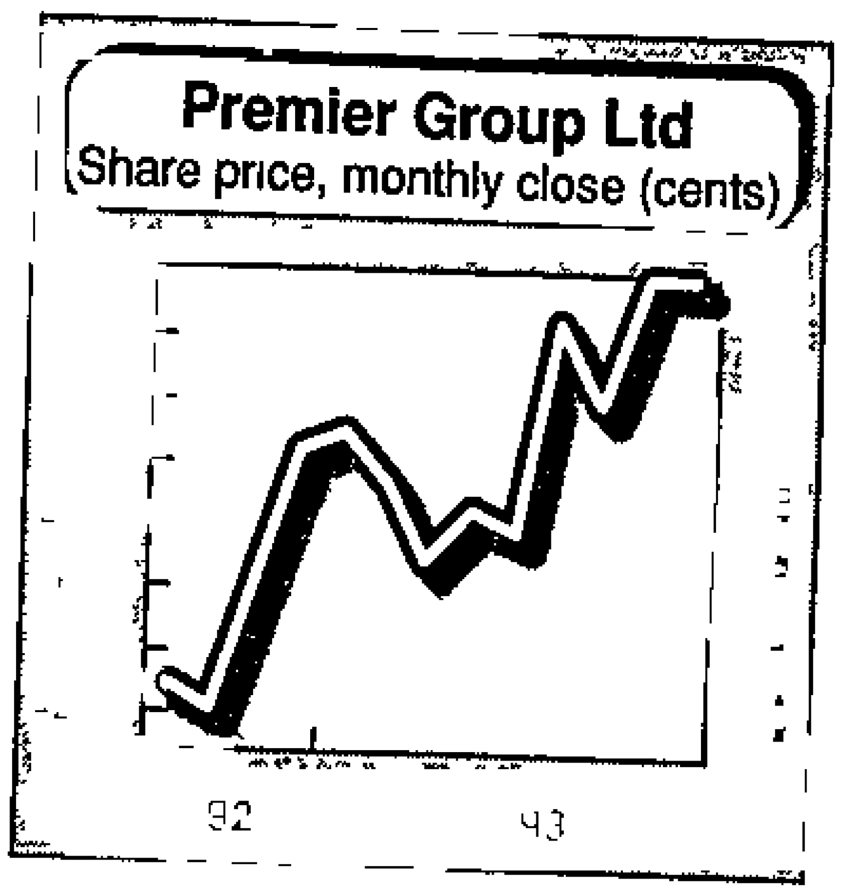
In the year to end-April, the food, pharmaceutical, wholesale and retail group reported a 16% earnings rise to 283c (244c) a share on turnover of R10,2bn

The share has been rerated over the past year It closed on Friday at R55,75, which was well up on the R42 low in October last year In line with the recent declining industrial trend, the share has lost ground since reaching a high of R60 on September 17

Wrighton said last week the food division was operating in a deflationary environment, which made trading difficult Food sales have been constrained, companies had been retrenching, and a vicious cycle had been created

Wrighton said there had been further deregulation in terms of control boards While this would open up opportunities, it also presented difficulties as companies would have to learn some new skills

In the pharmaceutical division, the toiletries side of the business had been




adversely affected by the downturn, and unit volumes were down.

But the group's pharmaceutical interests had benefited from the fact that a rationalisation programme was complete, new products were being launched, and three companies had been acquired

(183)

Pharmaceutical distribution was feeling pressure on margins in a highly competitive market. Costs had been reduced to improve margins.

Cash & Carry subsidiary Metcash's turnover had been affected by the violence, boycotts and crime, and it was struggling to meet its targets.

However, it had managed to achieve further efficiencies and cost-savings. It was also moving into product lines which had higher margins. These factors should enable it to achieve its profit budget.

Metcash would shortly open two stores in Russia and two in Isreal. This was the start of a major internaitonal thrust.

On the retail and entertainment side, CNA Gallo's entertainment business was starting to look up, and the CNA stores had been repositioned. Wrighton was reasonably confident CNA Gallo would do better in the coming year

Wrighton warned that CNA, Nu Metro and Clicks were dependent on Christmas trade. Many retailers had run down stocks in the period prior to Christmas, and this could turn out to be problematic.

Wrighton said Premier had positioned itself as a leader of social and political change. Premier had introduced a redundancy support fund, funded by employees and the group. When the upturn came, those who had been supported would form a trained pool to be reabsorbed into the group or other organisations.

The group had been involved in affirmative action, fed 65 000 schoolchildren each day, and had a forum for workers and management to take joint decisions

# Oil refiners come clean on profits

CT 30/9/93 (183)

From EDWARD WEST

JOHANNESBURG — Oil refiners moved yesterday to counter allegations of excessive profit-taking from fuel prices by presenting the first public independently audited assessment of the industry's profits to the National Economic Forum.

The report presented an aggregation of the profits of BP, Caltex, Engen, Shell, Sonap, Total, Trek and Zenex, but excluded Sasol fuel operations. Trek and Sonap are owned by Engen.

It showed that the companies invested substantially more in the local economy through capital expenditure over the past two years than the net profit accumulated after tax and interest.

In 1991 the [illegible] profits on oil, diesel petrol and other fuel sales amounted to 3,6c/, and 4,1c/ in 1992 the report said. In relation to the price of 93 octane petrol on the Reef in September 1992 the oil companies made an average 2,6% profit on every litre sold.

Aggregate net profit after tax and interest was R886,2m in 1992 and R774,2m in 1991. Capital expenditure was R1,6bn in 1992 and R983,7m in 1991. Total sales volumes were 21,7-billion litres in 1992 and 21,2-billion litres in 1991.

The refinery industry was deregulated in 1991. As a result, refiners were allowed to source crude oil outside the state procurement agency, but were still regulated in terms of marketing operations.

Government allowed the industry a return on assets of 15% before tax. This return was not guaranteed. Shell SA said oil industry industry returns were 1,3% in 1990, 3,4% in 1991 and 8,9% in 1992.

Engen MD Rob Angel said only 5%-7% of the group's costs was not related to procuring, landing and refining crude oil.

Two weeks ago the forum's executive committee, prompted by Finance Minister Derek Keys and Mineral and Energy Affairs Minister George Bartlett, created a task force to seek solutions to the objections to the latest fuel price increase and to investigate the industry more thoroughly over the longer term.

The task force is due to address a summit on the price increase on Monday.

● Angel said Engen was considering applying for a listing of its shares in London.

"When we get a bit more clarity on the political situation, and the violence, we think it'll be time to go for a London listing."

● Government had to scrap the multimillion-rand a year subsidy for synthetic fuels producer Sasol if deregulation of the oil industry was to work, Angel said yesterday.

Speaking at the Genref refinery, Angel stopped short of making an outright call for deregulation but said: "The synfuel subsidy must go. It's just not right."

Sasol, ranked as one of the world's most profitable oil companies, received a R670m handout from government in 1992/93, contributing to a 14% jump in attributable earnings to R1,3bn, on sales of R8,25bn. Other regulations include fixing the price at which oil companies buy crude oil and sell petrol, as well as restricting who can sell petrol.

# Engen chief supports oil industry deregulation

183

ARG 30/9/93

## □ But discounters must help fund synfuel plants

DES PARKER

DURBAN. — Engen chief Rob Angel supports deregulation of the oil industry.

But he believes the debate on the contentious subject is "too immature" for change at the moment He is also "violently opposed" to "partial" dismantling of the the complicated procurement and pricing policy, which has governed the sector during South Africa's international isolation

In Durban to host a media vist to Engen's Genref refinery — in the middle of a two-stage R1,5 billion upgrade — Mr Angel said his company would settle only for a complete freeing up of the market

"If Raymond Ackermann (chairman of Pick n' Pay) — or any supermarket chain — is permitted to import refined fuel to sell at a discount, then it must share the synfuel burden with us"

Oil companies were obliged to buy a portion of the fuel they sold from synthetic fuel producers Sasol and Mossgas. The synfuel groups were also paid a subsidy from the pump price About 45 percent of the fuel sold at Engen service stations away from the coast was produced by Sasol and Mossgas

Mr Angel said the fuel market was more competitive than most people believed, and he anticipated a deregulated market would be reduced to no more than five oil companies.

He also anticipated a third of smaller service stations would go out of business — "and quite quickly" — with job-losses

He doubted that deregulation would translate into much lower fuel prices, Oil company margins were on a par with markets in the Southern Hemisphere and east of Suez, and low when measured against inflation and political risk

Mr Angel said subsidies to "cash-positive" Mossgas and Sasol should be scrapped. He questioned where the Mossgas money was going and took exception to Sasol stakeholders pocketing the proceeds from a utility built with taxpayers' money.

He advocated unbundling Sasol and "ring-fencing" the synfuel division However, he felt it would be in the national interest for them to continue selling their product to the to the other oil firms on "a negotiated, transparent" basis, and provided they were cash-positive.

Engen was a world-competitive refiner exporting to 20 countries in Africa, as well as six or seven further afield. The refinery upgrading would enable it to refine heavier, cheaper crudes, while producing a slightly larger proportion of the "white" fuels — petrol, avgas, liquid petroleum gas and diesel — for which there was more demand.

Genref GM Peter Dent said Engen had spent R280 million in the upgrading on environmental projects, such as improving the sulphur recovery unit and enhancing low lead petrol facilities

# DP 'rescue plan' will mothball Mossgas

CT 1/10/93

183

By ANTHONY JOHNSON
Political Correspondent

THE privatisation of key state assets such as Telkom and SAA and the possible mothballing of Mossgas form part of a five-point "economic rescue strategy" unveiled by the Democratic Party yesterday

The main points of the plan, designed to create growth and jobs by kickstarting the economy, are to:

- Alleviate the tax burden on middle-income earners through greater efficiency in state expenditure, privatisation and introducing a lottery to fund welfare expenditure
- Initiate a "massive" labour-intensive housing and development programme in conjunction with the private sector.
- Establish export processing zones and redress imbalances in tariff structures.
- Implement deregulation and rationalisation to make state spending more efficient, for example, by reviewing — and where necessary mothballing — "white elephants" like Mossgas
- Privatise key state assets, starting with Telkom and SAA, to raise revenue, promote efficiency and roll back the deficit

The five-point strategy will be fleshed out at the DP's national congress in Cape Town this weekend

About Mossgas, DP leader Dr Zach de Beer said no enterprise could be run at a loss simply because the government poured about R13 billion into it

SHIPPING

# SA gets major role in new oil project

(183) ARG 2/10/93

**IAN SHIFFMAN**
Shipping Correspondent

■ A Durban company about to mothball its shipbuilding facilities has won part of a R340 million contract to build two oil production platforms.

TWO off-shore oil production platforms for Angola are to be built in Durban for R340 million

Minister of Mineral and Energy Affairs George Bartlett said the project would bring together the Durban companies Dorbyl and Murray and Roberts, the British-based international engineering firm Amec, the American oil company Chevron and the Angolan state oil company Sonagol

Over the next two years the Durban companies would build the two platforms at the Bayhead area of Durban harbour Mr Bartlett said about 70 percent of the R340 million project would benefit Durban

Mr Bartlett predicted this contract could lead to South African engineering companies winning international contracts worth between R600 million and R1 billion a year building off-shore oil production platforms for Angola, West African countries, and firms operating in the Singapore and Malaysia areas

This has been a windfall for Dorbyl, which recently announced the mothballing of its shipbuilding operation, and for about 600 job-seekers

ST TIMES [BUSS]

# Doctors take a drug cut

**By JEREMY WOODS**

MASSIVE discounts given by some drug manufacturers to prescribing doctors — some of whom deal unethically in prescribed drugs — are keeping the price of drugs to patients artificially high 3/10/93

Competition Board chairman Pierre Brooks said on Friday "If a drug manufacturing company gives massive discounts to prescribing doctors in the hope that those doctors will prescribe the drugs for their patients, and they don't give the same discounts to wholesalers or pharmacists, then that is discriminatory behaviour."

Dr Brooks said it made no sense for a doctor to get substantially lower discounts because it meant that drug companies had to put up drug prices elsewhere (183)

He was reacting to reports from Western Cape pharmacists that they could buy prescribed drugs and medicines from prescribing doctors cheaper than from drug manufacturers

One pharmacy owner said he had been offered prescribed drugs worth R800 000 at prices he could not match buying from the manufacturer. "Some doctors are creaming off huge profits. They don't even buy the drugs or see them. They just get a commission cheque for moving them."

Dr Brooks said he was aware that "some doctors" were dealing in prescribed drugs. "They are not allowed to trade in drugs and should be disciplined by the Medical Council."

Ethical rule No 28 states that doctors must not participate in "sale, advertising or promotion" of medicines "as defined in the Medicines Control Act". The Medical and Dental Council registrar was not available on Friday to confirm whether any doctors had been disciplined for dealing in prescribed drugs.

# Petrol price to drop?

CT 4/10/93 (183)

JOHANNESBURG — The National Economic Forum's task force — set up to investigate the fuel industry — is today expected to recommend the withdrawal of the latest seven cents a litre increase in the petrol price

The task force — made up of representatives from business, labour and the transport industry — would recommend to the forum, who will debate it today, that the increase be scrapped and a moratorium placed on further petrol price increases until the end of the year, a member of the task force said yesterday

The task force supported the idea of selling the country's strategic oil stockpiles to fund any under-recovery on the equalisation fund, he said

Mineral and Energy Affairs Minister Mr George Bartlett commented yesterday that any move by the forum to seek alternative finance for the fund would vindicate his assertion that a price increase was needed because of a shortfall

He denied reports that the government would definitely rescind the increase

● The National Council of Trade Unions (Nactu) said that its planned national protest today against the fuel price rise will be put on hold — Own Correspondent, Staff Reporter

# Petrol price may drop after talks

183

TOS WENTZEL, Political Staff ARGU4/10/93

THE petrol price could come down after discussions today between government leaders and National Economic Forum representatives

A task force of the forum has been investigating the fuel industry, but has not yet come up with a final finding

It is recommending that part of South Africa's strategic oil reserve should be sold in the meantime to reduce the petrol price to the old level

This would cost about R186 million over two months

Minister of Mineral and Energy Affairs George Bartlett confirmed this recommendation today

He could not say what would happen as the decision had to be taken by the cabinet. Mr Bartlett said he wondered what would happen if the value of the rand went down further

The task force is continuing an investigation into the fuel price structure, including the question of deregulation, which Mr Bartlett said was what he had in mind when he called for a conference of interested parties on the issue.

There has been widespread protest against the 7 c-a-litre price increase.

# Boost for medicine industry

CT5/10/93

CT5/10/93

## Drug plant opens

Staff Reporter

IN a major boost to the medicine industry, multinational Parke-Davis officially opened its new plant in Cape Town yesterday where it will manufacture generic drugs.

Generic drugs are copies of drugs developed from original research which clone the same active chemical compound but do not carry the expense of research and development and are marketed only after the original patents expire This should lead to savings for consumers of these products

UCT medical school head Professor J P van Niekerk lauded the development which he believes will provide a wider range of more affordable medicines

"It is estimated worldwide that generic drug equivalents result in cost savings of about 50% and that if properly vetted, there is no significant difference in quality or effect to the original drugs," he said

Other advantages are the skills training and job creation spin-offs attached to high technology development and the foreign exchange savings on manufacturing medicines locally, he said

However, the Representative Association of Medical Aid Schemes (RAMS) yesterday expressed concern that the Parke-Davis initiative, Parke-Med, would add as many as 40 new drug lines to a country already unable to support the enormous variety of available drugs

Executive director Mr Reg Magennis said marketing and distribution costs increased as the variety of pharmaceuticals expanded

The cost of medicines had escalated dramatically and urgent steps needed to be taken to ensure they remained affordable

Since 1987 payouts by medical aid schemes had increased by 76% Last year payouts had totalled R2,7 billion, he said

The domestic generic drug market earns R300 million a year, only 12% of the total drug market, compared with the UK where generic medicines account for about 45% of the drug bill

Parke-Med aims to increase the size of the domestic market by five percent in the next three years, producing about 40 generics by the end of 1994

Three of their generic products are already available

# Forum backs call to put off fuel rise

The Argus Correspondent

JOHANNESBURG — The National Economic Forum (NEF) has endorsed a recommendation by its task force investigating the fuel industry to withdraw temporarily the 7c a litre petrol price increase — leaving the cabinet to make the final decision tomorrow

The task force — made up of representatives from business, labour and the government in an advisory capacity — proposed that the increase be postponed from October 14 to December 15 and that the shortfall in revenue during that period be financed through the sale of strategic crude oil stockpiles and the equalisation fund levy

The only point of dissent on this proposal at yesterday's special NEF meeting was the date from which the postponement should become effective

The government has proposed that should the cabinet agree to the NEF recommendation, the postponement be effected from November 1 rather than October 14 and that it should remain until January 14 rather than December 15

Mineral and Energy Affairs Minister George Bartlett said he would refer the NEF's recommendations to the cabinet tomorrow, but reiterated his view that if the petrol price increase was rescinded, the shortfall would have to be made up eventually by another increase in the future

A transport delegation warned Mr Bartlett that should the cabinet oppose the consensus of "this highly representative task group", there would again be a threat of mass protest (183) ARGUS 10/9/93

Ben van Rensburg of the South African Chamber of Business said the cabinet faced an essentially political decision because the task force's recommendations cannot be justified economically"

The NEF has also recommended that during the period of the postponement, another NEF task force be established with a view to making recommendations on a reviewed pricing mechanism for the industry to be concluded by December 15

# Petrol price: Cabinet to decide

(183)

CT 5/10/93

Own Correspondent

JOHANNESBURG. — The National Economic Forum yesterday recommended the suspension of the recent petrol price rise from October 14 and a moratorium on further increases until mid-December

Despite angry protests from labour and the taxi industry at the forum's meeting, Mineral and Energy Affairs Minister Mr George Bartlett said the government needed to discuss the matter at its regular cabinet meeting tomorrow before it could endorse the proposal.

The government's main disagreement with the proposal was the dates of the moratorium. Mr Bartlett said for practical purposes the increase could not be revoked on October 14 but should take place at the beginning of November.

## Today

Labour and the transport industry said their followers had so far "held their fire" but they could no longer be prevailed upon to refrain from further action.

The suspension should be implemented today, if possible, Cosatu general secretary Mr Sam Shiloa said.

Regardless of a new regulatory framework, the minister said the petrol price would have to be increased by 8,5c/ at the end of the period for at least a year to recover the amount "lent" from the strategic oil stockpiles.

He asked for assurances that taximen would adhere to the proposals and not introduce further fare increases and that labour and business would not pass on any decreases to the consumer.

Delegates warned that Mr Bartlett would be held responsible for consequences of the delays.

# Thumbs up for AECI, Sasol venture

233 183 CT 6/10/93

From MADDEN COLE

JOHANNESBURG — The Competition Board has given the green light to plans by Sasol and AECI to merge their petrochemical and plastics interests in a joint venture company with annual sales of R2,5bn.

The decision also clears the way for the R400m revamp of AECI's PVC plant

Board chairman Pierre Brooks said last night the board believed it would not be necessary to launch a formal investigation into the transaction

The merger was approved on condition that the chemical companies stood by undertakings not to discriminate in the supply of monomer feedstocks — ethylene and propylene — to rival chemical producers Sentrachem and Hoescht The new plant would become SA's sole supplier of the feedstocks

Brooks said the vertical integration of major suppliers of monomers did provide cause for concern, particularly for Sentrachem and Hoescht, adding that "the essentially monopolistic structure of the monomer market" was left intact

"The corporate realignment and restructuring that will take place is, however, potentially not more conducive to anti-competitive behaviour than was the pre-merger position," he said Brooks added "Should Sasol /AECI and the new company, contrary to expectations, default on their assurances and undertakings, the Competition Act enables the board and government to take swift, effective remedial action"

Sasol executive director Andre du Toit said his company was "very happy" with the decision, as it cleared the way for the completion of the R400m project and establishment of the new company

AECI MD Mike Sander said he had expected the board's approval but it still was good news The project allowed AECI to capitalise on Sasol's competitive advantages as a feedstocks supplier to create a "world class business competitive on an international scale"

## Vertical merger

The project involved joining Sasol's ethylene, propylene and polypropylene operations with AECI's chlor alkali cyanide, PVC, polyethylene and associated downstream converting companies. It amounted to "a vertical merger" of Sasol and AECI interests

AECI's current production of PVC used carbide feedstock, an uneconomical process which made local PVC output uncompetitive on international markets, and seriously undermined the viability of PVC manufacturing in SA. The joint venture would use ethylene rather than carbide as the PVC feedstock, a cost effective change

## No need for probe, says Brooks

# Sasol, AECI joint venture gets go-ahead

BIDay 6/10/93

THE Competition Board has given the green light to plans by Sasol and AECI to merge their petrochemical and plastics interests in a joint venture company with annual sales of R2,5bn.

This clears the way for AECI's R400m revamp of its PVC plant. (183) (250)

Board chairman Pierre Brooks said last night the board believed it would not be necessary to launch a formal investigation into the transaction at this stage. (232)

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MADDEN COLE

Sasol executive director Andre du Toit said his company was "very happy" with the decision. "The top management (of the new company) will be appointed shortly and we will also be able to proceed full speed with the planning and implementation of the PVC conversion project."

AECI MD Mike Sander said the project allowed AECI to capitalise on Sasol's competitive advantages as a feedstocks supplier to create a "world class business competitive on an international scale".

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AECI's current production of PVC used carbide feedstock, an uneconomical process which made local PVC output uncompetitive on international markets and seriously undermined the viability of PVC manufacturing in SA. The joint venture would use ethylene rather than carbide as the PVC feedstock, a cost-effective change. Conversion costs were substantial and could be effected only by pooling the resources of the two companies.

The joint venture was announced in June and the partners plan to list the new company on the JSE. Sasol would hold 60% and AECI 40% of the company.

# Cosatu: Drop petrol hike

THE government should "heed" the National Economic Forum's recommendations and suspend the recent petrol price increase, a Cosatu spokesman said yesterday (183) ~~(SAPA)~~ ~~(TG)~~

Mr Bheki Nkosi also said a moratorium should be placed on further increases until mid-December

Cosatu was keen to see what the government's decision would be when the cabinet met today to discuss the forum's proposals, he said

Meanwhile, traffic authorities said no taxi blockades took place yesterday despite recent threats that last month's taxi strike action would resume on October 4 if the petrol price increase was not scrapped CT 6/10/93

# Petrol fury

CT 7/10/93 (183)

**UNDERCOVER** . Sergeant Ivan McLean (left) and Constable Mark Hendricks pose as blind men yesterday while Constable Bernard Sarels leads them along a platform at Salt River station Picture ANNE LAING

## Cosatu's threat of mass action

By ANTHONY JOHNSON and ANDRE KOOPMAN

**REACTING with fury to the cabinet's decision last night to maintain the controversial fuel increase Cosatu and the ANC vowed mass action to force the government to back down on the 7c/l hike introduced last month.**

After a marathon cabinet meeting President F W De Klerk announced last night at the Union Buildings that the increase would stay Effectively rejecting calls from organised labour, business and the National Economic Forum which recommended that a moratorium be placed on the increase until December.

### 'Total lie'

Flanked by his embattled energy minister, Mr George Bartlett and finance minister Mr Derek Keys, Mr De Klerk said the hike was justifiable in terms of the pricing formulas set.

Soon after his announcement Mr Sam Shilowa, secretary general of the powerful Congress of SA Trade Unions, described the government's reasoning in rejecting the findings of the National Economic Forum as "a total lie" adding that there would "definitely be mass action" to ensure that the government was "brought to its senses"

Meanwhile the ANC and Cosatu threatened nationwide disruption saying in joint statement last night that "by recklessly rejecting the rec ommendations of the NEF, the government has shown it is prepared to plunge the country into a costly conflict"

"The consequences of such a conflict must be squarely placed on their shoulders"

The gaint alliance said they were "outraged by the insensitive and arrogant manner in which the government has ignored public opinion on the fuel price"

The "broad front of organisations on the fuel price issue" would be meeting today to "discuss a comprehensive programme of action in response to the disastrous government decision", the statement said

"This fat-cat government is as out of touch as George Bartlett is with the feelings and problems of ordinary people, and the seriousness with which they view the issue of fuel prices," they said

Mr De Klerk issued a plea to critics not to engage in irresponsible mass action which could result in a loss of income and jobs, adding "We have enough violence as it is."

"It's a courageous decision because it is unpopular and it was taken be cause we think it is in the best interests of the consumer

"In the final analysis the goverment must take decisions in terms of what it believes is the best possible route for the whole country"

# Anger mounting over petrol price increase

ARCG 7/10/93 183

**Political Staff**

ANGER is mounting over the govermnent's refusal to scrap the petrol price increase.

Already the African National Congress and the Congress of South African Trade Unions have threatened to take steps which they say will force the government to back down.

The threat came after the government surprisingly refused to suspend the controversial 7c a litre increase.

The decision, announced at a Press conference by President De Klerk, was made in spite of threats of more protests from trade union and taxi industry representatives if the government did not accept a National Economic Forum proposal that "the increase be rolled back" for a two-month period to allow for an investigation of petrol pricing.

Mr De Klerk said: "After very careful consideration and in-depth discussion ... we have come to the conclusion that we cannot accept this recommendation."

The ANC and Cosatu said they were outraged by the "insensitive and arrogant" manner in which the government had ignored public opinion.

"By recklessly rejecting these recommendations (by the NEF), the government has shown it is prepared to plunge the country into a costly conflict. The consequences of such a conflict must be squarely placed on their shoulders."

The two organisations said a meeting of a broad front of groups would be held today to discuss a comprehensive programme of action.

● The South African Commuters' Organisation called on the Department of Transport yesterday to subsidise all forms of public transport after the fuel price increase

# Showdown

CT 8/10/93 (183)

# Fuel hike: Unions to slug it out

By ANTHONY JOHNSON
Political Correspondent

**THE stage is being set for a bruising showdown between the government, trade unions and organised business over the government's refusal to back down on the recent 7c/l petrol price hike.**

Fears have been expressed that a confrontation could threaten foreign investment and damage the economy and the negotiations process

Yesterday labour movements and the taxi industry ~~announced a mass action campaign aimed at~~ "bringing the government to its senses"

Protests will include pickets, marches and taxi blockades of cities and towns, Cosatu secretary-general Mr Sam Shilowa said

A general strike had not been ruled out and fuel companies would be particular targets

On a television debate last night he said "We are prepared and willing to slug it out on the streets unless the government changes its mind"

**UN TO DROP SANCTIONS TODAY**
**ANC SHIFTS STANCE ON SASOL**
— PAGE 5

And Mr Bobby Godsell, the business representative on the National Economic Forum, said the government had missed an opportunity to find "a contructive way out of a difficult situation"

In Johannesburg organised business warned that confrontation seemed "inevitable" and said it was "not unlikely" that business would join hands with other organisations that registered disapproval

The comment came in a joint statement issued by the Johannesburg Chamber of Commerce and Industry and 14 Transvaal chambers, which demanded that the government reverse its decision in the national interest, as recommended by the National Economic Forum

The Afrikaanse Handelsinstituut said it failed to understand how the suspension of the petrol price increase would have cost the consumer more

The Pretoria Afrikaanse Sakekamer said the government's decision was regrettable

The Automobile Association said it was disappointed by the government's rejection of proposals put forward by the NEF

Government spokesman Mr Dave Steward said the government regretted both the nature and tone of the labour movement's response, as the government was acting in good faith

● Petrol debacle — Page 6

# CRIME RAIDERS NET KISSES

**MIXED RECEPTION** . . . Some Khayelitsha women welcomed policemen and army personnel when they moved through the township in an early-morning crime swoop yesterday — but a number of other residents were hostile ● Report — Page 5

Picture BENNY GOOL

# Rates likely to go up by 14%

CT 8/10/93 (184)

By PETER DENNEHY

THE City Council now expects rates to be set at last year's level plus 14% as major commercial property owners decided yesterday not to challenge a

why the council's 10,5% projection had jumped to 14%

If the new roll is declared invalid, most home-owners will save hundreds of rands — some thousands — and about 32 000 ratepayers mainly in Mit

# Chinese athletes in drugs scandal

PEKING — The cloud of suspicion hanging over China's world record-breaking athletes darkened here yesterday when a Sports Ministry official disclosed that 11 Chinese athletes had tested positive for drugs

# Protest gathers support

184
183

**Staff Reporter**

A POWERFUL coalition of taxi organisations and major trade unions is drumming up community support for a possible month-long Western Cape mass action campaign against the petrol price hike

The campaign will be kick-started at a rally at Athlone Stadium on Sunday

CT 13/10/93

Cosatu, which represents 15 unions and 185 000 Western Cape members, announced yesterday that the mass action campaign could target government buildings and oil refineries

The Crisis Forum has refused to abandon the strategy of staging blockades on the main city access routes which caused massive congestion and angered motorists last month.

Deal based on share swap

# AECI and ICI in explosives joint venture

B/Day 14/10/93

MATTHEW CURTIN

AECI and ICI have set up a new joint venture, turning AECI Explosives into the local arm of ICI's $1,3bn a year global explosives business

The deal gives ICI, the UK-based chemicals conglomerate, a higher profile involvement in SA after less formal ties to the Anglo American controlled chemicals group when sanctions were in force

Although management and the name of the explosives business will remain unchanged, management will report to a joint ICI and AECI board. (183)

The two chemical companies announced yesterday that the deal was achieved by an asset swap — to which neither company would attach a rand value. In the transaction effective from January 1, ICI would acquire a 51% stake in AECI's explosives business. In return, ICI would dispose of an effective 25% interest in AECI, reducing its holding to an effective 13,3%.

The changes turn Anglo American Industrial Corporation (Amic) into AECI's holding company AECI was previously controlled by Afex, jointly owned by ICI and Amic. The Afex holding will be reduced to 50% minus one share from 55,4% through the distribution of AECI shares to Afex's shareholders

ICI will transfer its 50% holding in Afex to AECI, leaving ICI with only the 13,3% effective holding in AECI, held through a number of subsidiaries.

The move has immediate strategic rather than financial significance for AECI It will enable the chemicals group to share ICI's latest explosive technology and contribute its own expertise to the development and supply of blasting management systems for mines and quarries worldwide.

ICI Explosives CE Bob Clark told a news conference the deal was "the most important step taken by the division for many years" ICI had turned its passive investment in AECI into a "direct" link, while its other ties to the group would be unaffected.

He said ICI Explosives had the lion's share of the global explosives market with operations in North America, Australia, Brazil, India, the UK as well as SA.

MD Mike Sander said "We are now aligned more closely with a powerful partner and our horizons are spread wider."

The deal would have a "negligible" impact on AECI earnings in the short term, but presented lucrative new opportunities, especially as SA mining companies expanded overseas, in the longer term

AECI turned in attributable earnings of R75m in the half-year to end-June on sales of R2,7bn, of which a third were derived from its explosives and related chemicals operations.

Clark said the predominant feature of the current explosives market was the importance of supplying explosives worldwide as mining groups consolidated their international interests The explosives industry was moving away from centralised production sites

He said AECI Explosives, a business of the same size as ICI's US and Australian operations, was among the best producers worldwide although its interests were skewed towards the gold mining industry.

Sander said better access to ICI's technological expertise would improve its ability to meet the changing demands of its

To Page 2

## AECI

B/Day 14/10/93

From Page 1

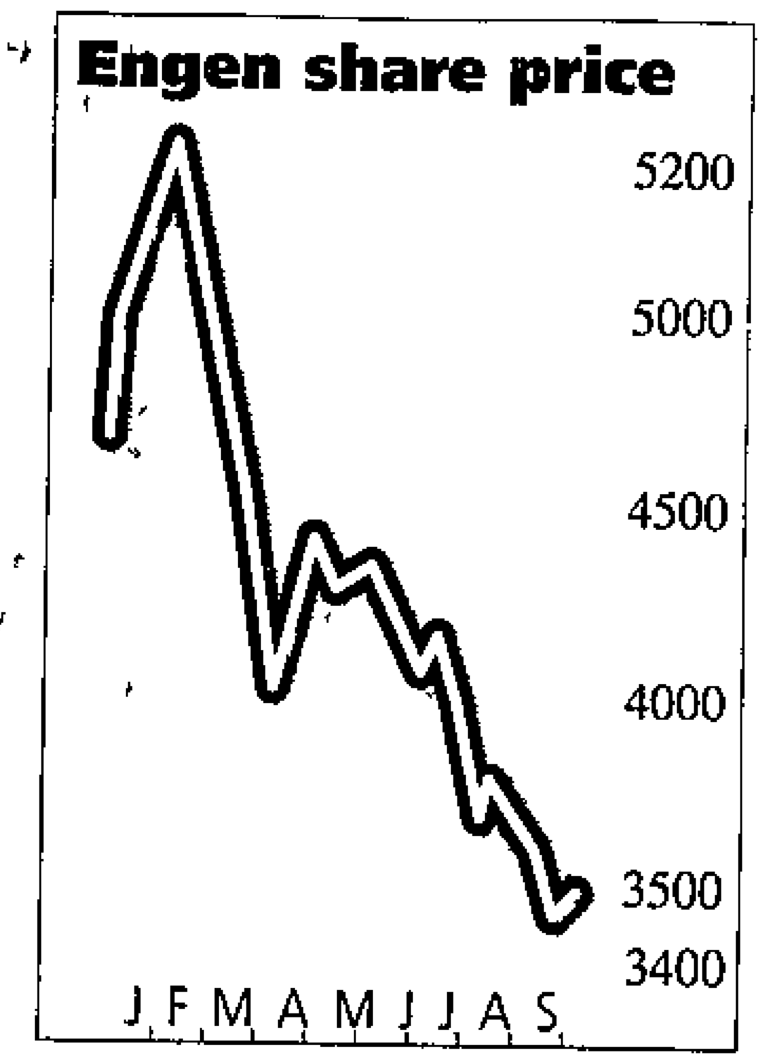
customers, in particular the drive by the mining industry to save costs as commodity prices remained depressed (183)

He said new blasting methods could save individual mines between R25m and R75m a year if techniques could be applied successfully on a daily basis. Cheaper blasting could mean the difference between going ahead with or canning new projects given the huge cost of deep-level mining

Sander said the deal was driven by a desire by AECI to improve its international competitiveness through access to ICI expertise, and for ICI to harmonise the parts of its businesses which complemented AECI's operations.

# Higher Genref volumes boost Engen earnings

Star 14/10/93




**Company:** Engen
**Sector:** Chemical and Oil

**SHARE PRICE: R34,50** — **MARKET VALUE R5,36 billion**
**YEAR HIGH R53,25** — **PE RATIO. 11,2**
**YEAR LOW: R33,75**
**Net asset value.** — **Dividend yield 4,5%**

| Year to | Turnover Rm | Operating Profit Rm | Attributable earnings per share (c) | Dividend per share (c) |
|---|---|---|---|---|
| 1991 | 6 098 | 379 | 233 | 116 |
| 1992 | 6 560 | 393 | 275 | 137,5 |
| 1993 | 7 719 | 578 | 309 | 154 |
| % Change | 17,7 | 47,1 | 12,4 | 12,0 |

(183)

■ **BY STEPHEN CRANSTON**

The increased volumes of crude oil processed at the Genref refinery in Durban enabled Engen to report a 12,4 percent rise in earnings per share to 309c in the year to August

There was a considerably improved performance in the second half as earnings in the first half were up by only 10 percent because teething problems after commissioning of Phase One of the refinery expansion reduced output.

Cash generated in the second half was R303 million, about 20 percent higher than in the first half

Petrol price hikes in October last year and April this year, neither of which improved the wholesale margin, helped turnover rise by 18 percent to R7,719 billion

Operating income rose by 47 percent to R578 million because of the increased crude volumes and higher exports to 26 countries in Africa, and to the Philippines and Pakistan

Exports were up 70 percent to 905 million, or about 13 percent of production

Net cash reserves were used up and Engen went into a net borrowings position, though gearing is still a conservative 11,4 percent Financing income fell from R140 million to R16 million

Group CE Rob Angel says Engen's ambitions to acquire more of its production capacity through offshore acquisitions were stifled by the Reserve Bank's limitations on foreign exchange.

The group is considering ways of raising funds overseas, including a possible listing on the London Stock Exchange

Exploration expenditure increased from R35 million to R38 million Four new licences were awarded in West Africa, including two offshore licences in Angola, an onshore licence in Gabon and one offshore in Namibia

Another important feature of its offshore diversification was the purchase of a 10 percent interest in the Bukha gas-condensate development offshore of Oman

Commenting on Gencor's imminent unbundling of Engen, Angel says that during its formative years Engen benefited greatly from the support of Gencor as its major shareholder

The unbundling will see Engen emerge as a publicly owned company with the management and resources to grow and prosper in the years ahead

Engen's P/E ratio of about 11 makes it look reasonably priced, but investor sentiment has turned against it and might not return easily

Angel says there was some loss of market share in the first half, with the total share falling from 25,3 percent to 25,1 percent

But in the second half, market share soared back to 25,8 percent, which Angel says indicates the acceptance of the new Engen brand in the market place

Edited by John Spira

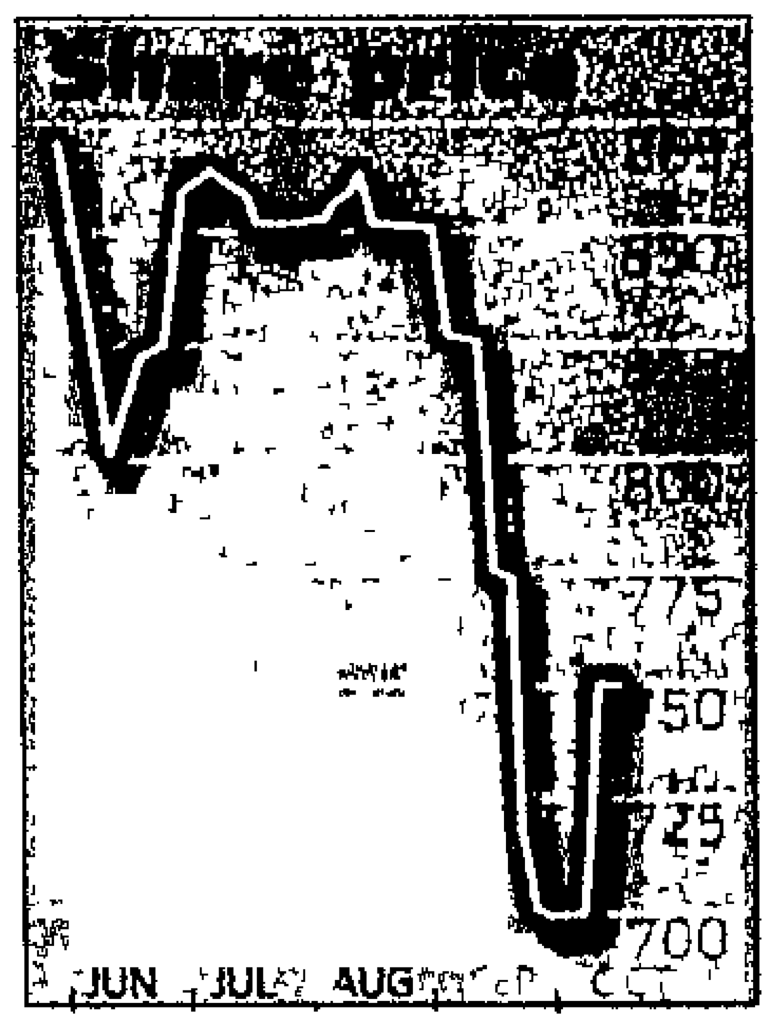
*Earnings up 21 percent, dividend up 20 percent*

Star 15/10/93

# Sentrachem gets it right

(183)

**BY STEPHEN CRANSTON**




**Company:** Sentrachem
**Sector:** Chemicals and oil

**SHARE PRICE:** 750c
**YEAR HIGH:** 875c
**YEAR LOW:** 535c
**Net asset value:** 552c
**MARKET VALUE:** R866 million
**PE RATIO:** 10,0
**Dividend yield:** 3,2%

| Year to | Turnover Rm | Operating Profit Rm | Attributable earnings per share (c) | Dividend per share (c) |
|---|---|---|---|---|
| 1991 | 2 275 | 214 | 53,8 | 18 |
| 1992 | 2 433 | 220 | 62,0 | 20 |
| 1993 | 2 623 | 212 | 75,3 | 24 |
| % Change | 8 | —4 | 21 | 20 |

John Job . . . pressure on pricing.

Despite tougher trading conditions in the second half, Sentrachem achieved a 21 percent increase in earnings per share to 75,3c The dividend is up 20 percent to 24c

MD John Job says that volumes were up, but that there was pressure on pricing, which in some cases was "distressed", particularly for organic chemcials

Chlorine producer NCP suffered from the softening of prices internationally

Group operating margin fell from 9 to 8,1 percent, although there were increased contributions from Sanachem, Mega Plastics and Karbochem.

Asset management was improved and borrowings in all divisions were cut 20 percent, except for Sanachem, which had to fund its increased exports.

Net borrowings were down by R10 million to R380 million and gearing fell from 44 to 42 percent, slightly ahead of the 40 percent predicted at the interim stage

Better debt management and lower interest rates, however, reduced finance charges by 12 percent to R66 million and brought interest cover up to 3,3 from 2,7 last year and two times in 1991.

Financial director Norman Kennelly expects interest cover to rise next year.

The reduced corporate tax rate and better tax planning trimmed the effective tax rate from 33 to 25 percent, though the change in the deferred tax balance was treated as an extraordinary item.

Exports took an increasing share of sales and at R345 million represented 13 percent of turnover.

Sentrachem will buy the remaining 50 percent of Sanachem from Farm-Ag in February 1995 on a formula based on three years' trading.

After the first year's results, the price looks likely to be about R165 million

Capital expenditure was down from R154 million to R106 million, which Job says is not much above the spending required to keep the assets in good order

Unless there are significant new projects, Sentrachem intends to keep capital expenditure at or below depreciation.

Sentrachem has had a good recovery over the last two years, and probably offers some value at its present price

# Sentrachem surges 21% on lower tax

B/Day 15/10/93

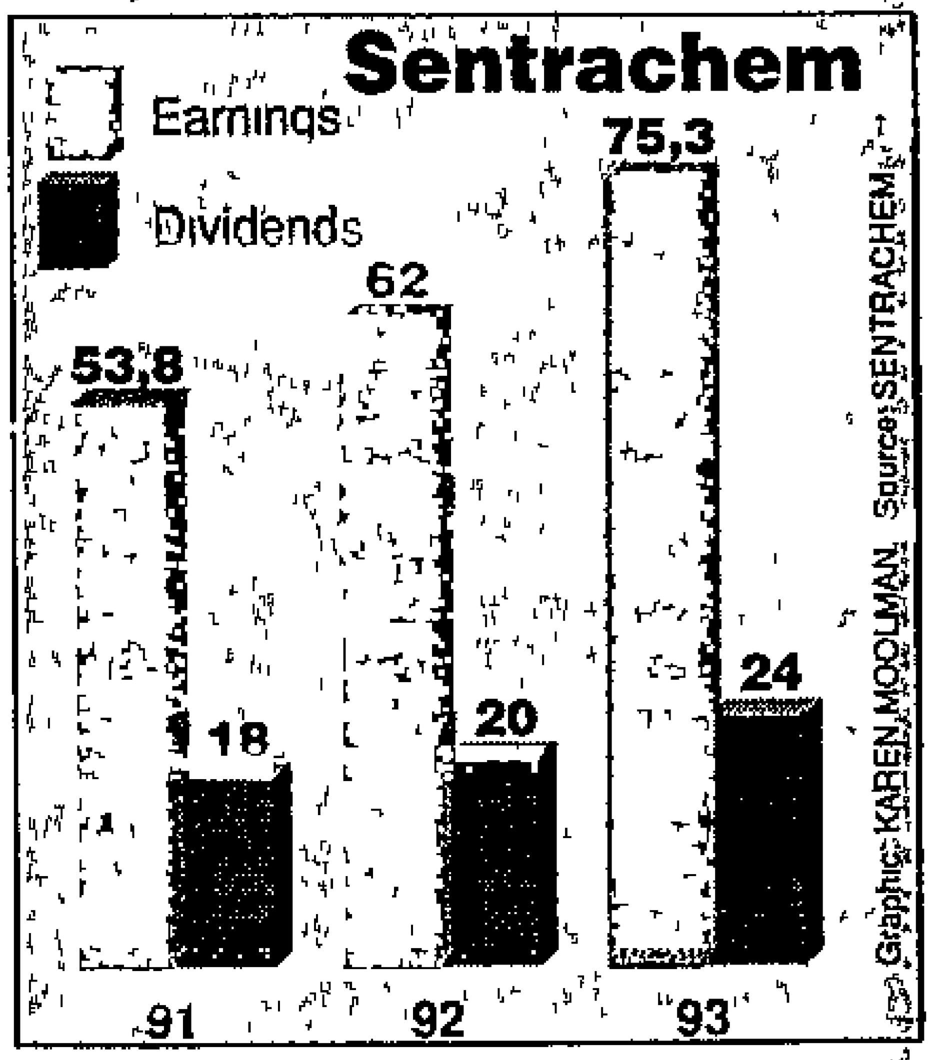
MATTHEW CURTIN

SENTRACHEM turned in a 21% surge in earnings to 75,3c (62c) a share in the year to end-August The improved results were driven by tight cash management and lower tax provisions which masked difficult trading conditions.

The Sankorp-owned chemicals, plastics and rubber producer declared a total dividend up a fifth at 24c (20c) (183)

MD John Job said the year ... tough but successful Operating profit slipped 4% to R212m (R220m) on improved sales of R2,62bn (R2,43m). Net financing costs declined to R66m (R75m), leaving pre-tax profit almost static at R146m (R145m)

The big swing came with a reduced tax bill of R37m (R48m). Finance director Norman Kennelly said the group benefited from the reduced company tax rate, but Sentrachem escaped paying the full amount of secondary tax on companies by offsetting dividend receipts against its own




payout to shareholders After-tax income climbed to R109m (R97m) which, after reduced distributions to outside shareholders and an improved contribution from associ-

□ To Page 2

## Sentrachem

B/Day 15/10/93

From Page 1

ates, left attributable earnings at R87m (R72m)

Job said Sentrachem would proceed with a rights issue — which market sources have estimated at about R250m — "within nine months", depending on political stability, market conditions and the share price The money would be spent on expanding domestic operations, but there was "no urgent need for cash" (183)

Sentrachem's commitment to ~~take com~~plete control of 50%-owned crop protection products supplier Sanachem after February 1995 would cost R165m. The group and Sasol had set up a R48m joint venture to produce amine, a project set to be commissioned next September, and planned to co-operate on other ventures

Job said better sales largely reflected the full year's contribution from recently acquired businesses and strong export growth Overseas sales rose nearly a third and at R345m represented 13% of turnover, close to management's target of 15%

Sanachem achieved the best export results, thanks to being particularly well-aligned for overseas markets and strenuous management efforts to exploit them. "World chemical markets are huge, so if you can successfully chip away at them, you do well," he said.

Domestic and international chemicals prices nevertheless remained weak throughout the year, squeezing margins. Sentrachem was striving to find cheaper raw materials and to take advantage of the weaker rand, although Job said export sales roughly matched foreign input costs.

Kennelly said the group was managing its working capital at least 20% better than in 1992, although the cost of financing Sanachem's export drive ensured group debt was not cut as much as expected Net borrowings were R380m (R390m) and interest cover improved to 3,3 (2,7) times.

Job said the relationship between Sentrachem and the new Sasol/AECI joint venture on which the group's Safripol plastics plant depended for feedstock was on a "sensible" footing after the Competition Board cleared the partnership

South 15/10 – 19/10/93

183

# Worker, 22, dies of mercury poisoning

## *British chemical company Thor to face culpable homicide charges*

MR PETER Cele, a former employee of Thor chemicals, has died after lying in a coma for a year as a result of chronic mercury poisoning He was 22

A charge of culpable homicide will be laid against Thor Chemicals, a British-owned toxic waste processing facility outside Pietermaritzburg, according to the Natal attorney-general, Mr Tim McNally

If it can be proved that Thor knew the dangers of dealing with mercury and that the operations were potentially life-threatening, the charge could be one of murder, said Mr Richard Spoor, the lawyer representing the Chemical Workers' and Industrial Union

There are also charges outstanding against Thor arising from the Department of Manpower's investigation into the safety of the plant

Cele's colleague, Mr Engelbert Ngcobo lies in a coma in hospital

According to Dr Mark Colvin, an occupational health expert involved in the examination of workers at the Thor Chemical plant near Pietermaritzburg, mercury poisoning does not always present dramatic physical symptoms, like skin ulcers, but may take the form of psychiatric disorders

The patient displays "profound auditory and visual hallucinations, followed by severe anxiety attacks", says Dr Colvin

In cases of severe poisoning the victim may go into a coma and eventually die, as happened with Peter Cele

●The ANC's national co-ordinator on science and technology, Mr Roger Jardine, says his organisation "is committed to developing a system of subsidies and incentives that will encourage clean technologies and would like to see strict liability applied to hazardous waste generators"

**DUDLEY MOLOI**
**— New Ground**

**POISONED: Peter Cele's last days**

# Rackets that make drug prices rocket

CT 16/10/93 (183)

**The cost of medicine in South Africa is astronomical Behind the high prices stands the pharmaceutical industry, one of the most complex and confusing in the country. Weekend Argus Correspondent DAVID ROBBINS discovers it's also an industry wide open to abuse.**

THE pharmaceutical industry is one of the most complex and confusing in the country

There are more than 6 000 product items from at least 120 individual manufacturers, about 60 pharmaceutical wholesalers and just under 3 000 pharmacies, 3 500 dispensing doctors and 2 000 other distribution points

The industry is worth a lot of money Nearly R4 billion in 1991, the latest year for which figures are available

Before looking at some of the problems, it's worth understanding how the system is supposed to work and how in fact it did work until around a decade ago

A manufacturer would sell to a wholesaler at a price which can be conveniently expressed as 100 The wholesaler would add a 21 percent mark-up (121) which provided him with 17,5 percent gross profit, while the retailer would add a further 50 percent (181) yielding 33 percent gross profit

Two points to note first, wholesalers have survived in the pharmaceutical business because they perform storage and distribution functions which would otherwise have to be provided and costed for by the manufacturers, second, the mark-ups shown above are generally higher than those enjoyed in pharmaceutical industries in other parts of the world, and they have certainly played their part in adding to high costs in South Africa (see accompanying story)

What happened in the early 1980s to change the situation was that doctors took to dispensing their own prescriptions in a much bigger way than before

Dispensing doctors have traditionally provided a valuable service, especially in the rural areas where pharmacies are often not available Many dispensing doctors still provide excellent value for money

But the new development was indoctors who took to dispensing as a means of by-passing pharmacies and also to cross-subsidise scale-of-benefit payments from medical aids

As the struggle for survival in a declining economy intensified, several dubious practices have emerged Receiving discounts of up to 40 percent from manufacturers anxious to establish their products on prescribing lists, some dispensing doctors have been tempted to charge market or near-market prices to their medical aid patients, thereby gaining enormous profits for themselves

Even more disturbing is the dispensing doctor who is tempted to buy more than he needs Bulk often equals bigger discounts, which inevitably equals more profits But what is the doctor to do with the drugs which are excess to his requirements?

He marks them up and feeds them back into the pharmaceutical market in a process known as "round-tripping"

Here they are bought by wholesalers and pharmacies who, caught in a ruthless market, based these days on discounting, are always on the lookout for a bargain

This is illegal in terms of the doctors' own ethical code It is also *laissez-faire* of the sweetest order Yet two areas of concern loom far larger than the complaints of the wholesalers about unfair competition

The first is the problem of storage of large quantities of sensitive drugs

The South African Pharmacy Council lays down stringent minimum standards for the distribution and storage of drugs One of the most essential standards concerns temperature control

So concerned did the National Association of Pharmaceutical Wholesalers become about the situation that its member companies decided to buy only from manufacturers

But not all wholesalers are members of the association The result for association members was disastrous

"We got clobbered in the marketplace," said one "We had to go back to the free-for-all"

This is where the second area of concern comes in The "free-for-all" of the South African pharmaceutical market encourages the distribution of stolen goods Theft is big business today

The recent Steinmetz Report into the rationalisation of the country's health services estimates that R500 million worth of pharmaceuticals are stolen each year from the state alone

What about theft from private hospitals, wholesalers' warehouses and so on? And all these products are finding their way back into the "free-for-all" market place

That course of antibiotics you've just paid through the nose for Has it been "round-tripped" by a dispensing doctor, stolen from a provincial hospital, stored in uncontrolled temperatures, or even had the expiry date tampered with? It seems an intolerable state of affairs

Legislation has been prepared to tidy up the situation Amendments to the Maintenance and Promotion of Competition Act would have made discriminatory selling and discounting to dispensing doctors and others an offence They were due to become law on August 10, but at the last moment five multinational drugs manufacturers appealed

The companies concerned are Glaxo, Pfizer, Rhone-Poulenc Rorer, Smithkline Beecham and Wellcome

The problem, according to these multinationals, is that the wording of the legislation is loose, providing possible loopholes

They ask who will police the new regulations and question whether it is fair to take away an individual manufacturer's right to use discounting to increase his share of a highly competitive market

# The skin cream, the consumer and the high cost of drugs

CT 16/10/93 (183)

Weekend Argus Correspondent

A FRIEND of mine had a cream prescribed for a skin disorder He paid R48 for 30g

The British price for the identical product — same manufacturer, same packaging, same mass — about R7 Why the difference?

Here are some of the most basic reasons

■ The majority of active ingredients used in drug manufacture must be imported, a process which subjects them to international tariffs and adverse exchange rates

■ The multinational manufacturers also tend to buy from their parent companies, and sometimes at inflated prices through the so-called "transfer pricing" procedure

■ The South African distribution chain adds, officially at any rate, wholesale and retail profits of 17 and 33 percent respectively Overseas, due no doubt to economies of scale and greater efficiency, these rake-offs are much lower, varying between seven and 11 percent.

The result is that medicine costing 100 units in America sells to the end-user for 125 units In the United Kingdom, it sells for 113 But in South Africa the retail price could be as high as 205

■ Selling pharmaceuticals to the public sector is done on a tender system In this way manufacturing profits are held to a minimum, but the effect is that prices to the private sector, through the pharmacies and dispensing doctors, are loaded to balance the books

It's a case of the private sector (individuals, medical aids) being used to subsidise state spending to a colossal tune

In 1991, for example, the state spent R684 million, only 18 percent of total pharmaceutical spending which amounted to R3,8 billion For this they took close to 70 percent of the product

Remember the cream for my friend's skin? The state is probably paying far less than R7 a tube According to figures released recently by the Competition Board, chemist prices range from between 260 percent and 1 276 percent higher than prices to the state

■ It is obvious, too, that the uncontrolled (lawless?) state of the market, with the possibility of up to R500million worth of stolen drugs in circulation each year and many more millions being "round-tripped" by dispensing doctors, will be highly inflationary, with manufacturers and wholesalers increasing prices to cover the losses

# 'Nationalising won't cut cost'

CT 16/10/93 (183) (232)

Staff Reporter

PHARMACEUTICAL industry spokesmen said yesterday that nationalising the industry would not reduce the high price of medicines.

They were reacting to ANC national executive member Mr Jay Naidoo's statement that the high cost of medicine in South Africa could lead to the ANC nationalising the pharmaceutical industry when it came to power

He said pharmaceutical companies were making medicines unaffordable to the man in the street and that the government had the right to intervene to either make it a competitive industry or nationalise it.

The price of medicine in South Africa was higher than other Western countries, he said

## Low rand pushes up drug prices

Ciba-Geigy Pharmaceutical company spokeswoman Mrs Suzette Plantema said nationalising the industry could lead to multinational companies pulling out of South Africa.

Medicine was expensive because of the poor exchange rate and the high cost of technology used in producing new drugs

Pharmaceutical Society of South Africa spokesman Mr Raymond Pogir said nationalising the industry had not worked anywhere else in the world and would not bring down prices

"Most of the medicines are imported from overseas, and a drop in the value of the rand pushes up the prices," he said

Registrar of the SA Pharmacy Council Mr Chris van Niekerk said the private sector paid more for its medicines than the government paid for health care medicines.

Costs were high because the private sector subsidised the state.

Nationalising the pharmaceutical industry was not the answer to the problem and alternative measures would have to be looked at

It was up to the state to provide essential clinical services, he said

# 'Public pays Mossgas bill'

By MELANIE GOSLING

THE taxpayer footed a R1 million bill this year to clean more than 100 tons of marine fouling from the Mossgas rig — and will probably have to do so again next year CT 16/10/93

Dr Peter Cook of the University of Cape Town's Zoology Department said at the Barologia conference at UCT yesterday this could have been avoided had Mossgas adopted anti-fouling precautions initially (183)

He said Mossgas' insurance cover allowed for only 100mm of marine fouling on the rig But after only two years, the thickness of marine fouling — mainly mussels and barnacles — had exceeded this

This meant Mossgas was operating outside the conditions laid down in their operating licence

By the time the marine fouling was cleared away in April this year, the layer was nearly 300mm

**BIG BUSINESS:** *Distribution of stolen drugs – R500-m from the State alone each year – is encouraged on the local market*

Star 16/10/93

# Dispensing with ethics

(183)

**THE cost of medicine in South Africa is astronomical. Behind the high prices stands the pharmaceuticals industry, one of the most complex and confusing in the country. Health Writer DAVID ROBBINS discovers that it is also an industry wide open to abuse.**

THE complexity in the pharmaceuticals industry is easy to see There are more than 6 000 products from at least 120 manufacturers, about 60 pharmaceutical wholesalers and about 3 000 pharmacies, 3 500 dispensing doctors and 2 000 other distribution points The industry is worth a lot of money — almost R4 billion in 1991 (the latest year for which figures are available)

Before looking at some of the problems, it is worth understanding how the system is supposed to work, and how in fact it did work until about a decade ago

A manufacturer would sell to a wholesaler at a price which could be expressed conveniently as 100 The wholesaler would add a 21 percent mark-up (121) which provided him with 17,5 percent gross profit.

THE retailer would add a further 50 percent (181), yielding 33 percent gross profit

Two points to note First, wholesalers have survived in the pharmaceutical business because they perform storage and distribution functions which would otherwise have to be provided (and costed for) by the manufacturers, second, the mark-ups shown above are generally higher than those enjoyed in pharmaceutical industries in other parts of the world, and they have certainly played their part in adding to high costs in South Africa

What happened in the early 1980s to change the situation was that doctors took to dispensing their own prescriptions in a much bigger way than before

Dispensing doctors have traditionally provided a valuable service, especially in rural areas where there are no ot[illegible]

**FIRST CONCERN:** Pharmacists fear incorrect storage of large quantities of sensitive drugs. The National Association of Pharmaceutical Wholesalers became so worried about the situation that its member companies decided to buy only from manufacturers.

# The individual is subsidising the (183) manufacturer

DAVID ROBBINS

A FRIEND of mine was prescribed a cream to deal with a skin disorder. He paid R48 for 30 g. The British price for the identical product — same manufacturer, same packaging, same mass — was £1,40 (about R7).

Why the difference?

□ Most of the active ingredients used in drug manufacture must be imported, a process which subjects them to international tariffs and adverse exchange rates.

□ The multinational manufacturers tend to buy from their parent companies, sometimes at inflated prices, through the so-called "transfer pricing" procedure.

□ The South African distribution chain adds — officially, at any rate — wholesale and retail profits of 17 and 33 percent respectively.

Abroad, no doubt because of economies of scale and greater efficiency, these rake-offs are much lower, varying between 7 and 11 percent. The result is that medicine costing 100 units in the US sells to the end-user for 125 units. In Britain it sells for 113. But in South Africa the retail price can be as high as 205.

□ Pharmaceuticals are sold to the public sector on a tender system. In this way manufacturing profits are held to a minimum, but the effect is that prices to the private sector (through the pharmacies and dispensing doctors) are loaded to balance the books. It is a case of the private sector (individuals and medical aids) being used to subsidise State spending.

In 1991, for example, the State spent R684 million, or 18 percent of total pharmaceutical spending (R3,8 billion) in SA. For this it took close to 70 percent of the product.

Remember the cream for my friend's skin? The State is probably paying far less than R7 a tube. According to figures released recently by the Competition Board, chemists' prices are between 260 and 1 276 percent higher than prices paid by the State on the tender system.

Some observers claim that what is happening is not so much a matter of subsidising the State — the State is paying a fair price — but subsidising manufacturers' profits.

□ It is obvious, too, that the uncontrolled (lawless?) state of the market, with stolen drugs worth up to R500 million in circulation each year and many more millions being "round-tripped" by dispensing doctors, will be highly inflationary, with manufacturers and wholesalers increasing prices to cover the losses.

AT BASE: Manufacturers, stalling "loosely worded" amendments to legislation, feel it is unfair to take away their right to use discounting to increase market share.

c es w any c spens ıg ɩoctors s... provide excellent value for money

The new development was doctors taking to dispensing as a means of bypassing pharmacies and also to cross-subsidise scale-of-benefit payments from medical aids

As the struggle for survival in a declining economy intensified, several dubious practices have emerged Receiving discounts of up to 40 percent from manufacturers anxious to establish their products on prescribing lists, some dispensing doctors have been tempted to charge market or near-market prices to their medical aid patients, gaining enormous profits for themselves

EVEN more disturbing is the dispensing doctor who is tempted into buying more than he needs Bulk often equals bigger discounts, which inevitably equals more profits But what is the doctor to do with the drugs which are excess to his requirements?

He marks them up and feeds them back on to the pharmaceutical market (a process known as "round-tripping")

Here they are bought by wholesalers and pharmacies which, caught in a ruthless market based these days on discounting, are always on the lookout for a bargain

This is illegal in terms of doctors' own ethical code It is also *laissez-faire* of the sweetest order Yet two areas of concern loom far larger than wholesalers' complaints about unfair competition

The first is the problem of storage of large quantities of sensitive drugs The South African Pharmacy Council lays down stringent minimum standards for the distribution and storage of drugs One of the most essential standards concerns temperature control

So concerned did the National Association of Pharmaceutical Wholesalers become about the situation that its member companies decided to buy only from manufacturers

However, not all wholesalers were members of the association The result for association members was disastrous "We got clobbered in the marketplace," said one "We had to go back to the free-for-all"

This is the second area of concern The "free-for-all" of the South African pharmaceutical market encourages the distribution of stolen goods Theft is big business

The recent Steinmetz report on rationalisation of the country's health services estimates that pharmaceuticals worth R500 million are stolen each year from the State alone What about theft from private hospitals, wholesalers' warehouses and so on? And all these products are finding their way back into the "free-for-all" marketplace

That course of antibiotics you have just paid for through the nose has it been "round-tripped" by a dispensing doctor; stolen from a provincial hospital, stored at uncontrolled temperatures, or had its expiry date tampered with?

Legislation has been prepared to tidy up the situation

Amendments to the Maintenance and Promotion of Competition Act, scheduled to become law on August 10, would have made discriminatory selling (discounting to dispensing doctors and others) an offence However, at the last moment five multinational drugs manufacturers appealed against the legislation

The companies concerned were Glaxo, Pfizer, Rhone-Poulenc Rorer, Smithkline Beecham and Wellcome

The problem, according to these multinationals, was that there could be loopholes in the legislation because its wording was loose

They asked who would police the new regulations and questioned whether it was fair to take away an individual manufacturer's right to use discounting to increase his share of a highly competitive market

The effect of the appeal was to create a delay of up to two years before the amendments would be implemented or scrapped

By then, there will be a new government, new civil servants perhaps, new ideas and new imperatives Only the end users — those of you on antibiotics and other courses of drugs — will have remained the same

# Cosatu 'to blockade city and airport'

(183) (3444)

CT 18/10/93

By PETER DENNEHY

COSATU in the Western Cape announced plans yesterday to blockade the city, the waterfront and the airport separately over three days — starting today — in protest against the petrol price hike.

Mr Xolile Nxu, leader of Cosatu in the Western Cape and a co-chairman of the Western Cape Fuel Crisis Forum, announced this yesterday at a "mass meeting" attended by about 400 people at Athlone Stadium.

"We are going to blockade town, and see what Keegan is going to do," said Mr Nxu, referring to a remark by the mayor of Cape Town, Mr Clive Keegan, that anyone engaging in a blockade of the city could expect the full force of the law to be used against them.

"On Tuesday (tomorrow) we will be blockading all the oil industries, and also the beautiful harbour," Mr Nxu continued.

"On Wednesday there will not be any 'planes flying, because we will be blockading the airport. This is the programme of action."

He stressed that no stayaway from work had been called

In a blow to the fuel crisis forum, however, the township taxi association Codeta stayed away from yesterday's meeting altogether, and did not ferry anyone to it either

A man at the meeting who declined to be named but who said he was from the Bellville Taxi Association, said he would report back to his organisation, which would then decide whether to take part in the proposed action.

Asked if the poor attendance did not reflect community disapproval of proposed taxi protest action, Mr Nxu said there had been problems with transport to the meeting, which had not been well publicised.

Mr Nxu said a motorcade would start from 10am in Wetton Road, Wetton, and drive slowly into Cape Town's central business district, where the taxis would conduct a "rolling blockade" by driving slowly around the city centre.

The general secretary of the ANC in the Western Cape, Mr Tony Yengeni, referred in his speech to the absence of "one of the taxi associations", and added that "we don't know why. We hope that in the forum meetings that will take place, we will get an explanation about their reservations about this rally today."

Mr Morris Nomala, general secretary of Codeta, said earlier this month his organisation wanted whatever action was decided on to cause "minimal disruption to the community".

Apart from Codeta, the taxi associations that belong to the Western Cape Fuel Crisis Forum are: The Mitchells Plain transport forum, Wynberg Interchange, Bellville, and Belhar/Delft. Representatives of Mitchells Plain and Bellville were the only taxi leaders who spoke at the meeting.

● A national spokesman for Cosatu could not be reached last night for comment.

# Pharmacist criticises govt, quits

(183)

CT 18/10/93

PRETORIA — A government-appointed member of the Pharmacy Council has quit in protest against the government's handling of the Pharmacy Amendment Bill and its failure to act on exorbitant medicine prices

Announcing his resignation yesterday, Pretoria pharmacist Mr Neels de Bruin questioned the government's motives in riding roughshod over the Pharmacy Council, the Competitions Board and the ANC Drug Policy Commission, all of whom had opposed the blanket deregulation of pharmacists' services

The proposed changes to the Pharmacy Act, to be tabled in Parliament in November, make it possible for the National Health Department to allow retailers, including supermarkets, hospitals and medical aid schemes to sell drugs

Mr De Bruin accused National Health Minister Dr Rina Venter of robbing the Pharmacy Council of its powers by handing control of pharmacy ownership to a single official, the director-general of health, when it had been agreed control would remain vested in the council

"This is in direct conflict with the agreements reached earlier and is a breach of faith by Minister Venter," he said

Mr De Bruin demanded that Mrs Venter have the proposed legislation referred back to the Joint Parliamentary Committee when it is tabled

He also blamed the state tender system for a distorted drug market

The pioneer of discount medicine-by-mail in South Africa, Mr De Bruin said "I hope to continue my campaign for affordable medicines under a new government that really cares about the health of all its people"

The Pharmacy Council will hold an extraordinary meeting today to discuss the changes made to the proposed legislation — Sapa

# Taxi drivers boycott threatened blockade

(183) APCT 18/10/93

**Staff Reporters**

THE major blockade of Cape Town threatened by irate minibus taxi drivers did not materialise today

It appeared only some taxi drivers were taking part in the action announced at a rally at Athlone Stadium yesterday, and the Strand Street taxi rank appeared to be as busy as normal.

Members of the largely black Convention for a Democratic Taxi Association (Codeta), who did not attend yesterday's meeting, were also plying their trade

By 10 am, when taxi drivers were supposed to have met in Wetton Road, they were still operating in Mitchell's Plain

At 10 15 some drivers in the area met to form a convoy and drove to Wetton Road where they were due to link up with colleagues from other townships

Members of the Internal Stability Unit (ISU) put up a roadblock in Wetton Road near Kenilworth

Fifteen vehicles from the Hanover Park-based Park City Taxi Association were parked nearby and drivers said they were waiting for colleagues to join them

But at 11 15 the convoy returned to Hanover Park after negotiations with ISU officer Colonel Nel, who said "They have given us an undertaking that they are returning to work"

Former mayor Frank van der Velde, chairman of the city council's taxi liaison committee, confirmed that a meeting had been held with taxi organisations today

But their agenda had been routine and today's protest had not been discussed, he said.

The taxi drivers' action was part of a planned three-day protest from today, which included threats to blockade D F Malan Airport, Table Bay docks and oil industry installations.

● See page 6

Plan to avert protest action

# Govt set to act on petrol price crisis

B/Day 19/10/93

TIM COHEN

THERE were strong indications that the petrol price formula would be changed soon, either leading to a cut in the petrol price or averting another increase, government and industry sources said yesterday.

An intensified review process had taken place since government's rejection of a National Economic Forum proposal to suspend last month's 7c/l petrol price increase, a government source said.

Although the proposed forum to review the price mechanism had not formally been established, intense discussions were taking place These were aimed mainly at averting protest action by trade unions and taxi federations, which are due to meet on Thursday to finalise their plans.

183

The formal process of discussions on the regulatory framework of the petroleum industry and the price mechanisms had broken down, but the Energy Affairs Department was nevertheless examining the issue "with gusto", the source said.

The Finance Department was also involved because adjusting the regulatory framework could involve changing the taxation component of the petrol price.

Although the subsidisation of Mossgas did not form part of the recent price hike, this component was also being discussed

The source emphasised that Energy Affairs had not formalised its recommendations yet, but would do so soon

An additional factor was the industry's offer to the forum to forgo its 0,5c/l retail margin and its 0,5c/l wholesale margin, which formed part of the price rise It is understood that this offer still stands, even though the forum's package was rejected

The restructuring process and industry's offer might allow government to decrease the petrol price by between 2c/l to 4c/l.

However, Energy Affairs pointed out that crude oil and international petroleum products prices had increased significantly since last month, while the rand/dollar exchange rate had continued to worsen until the Reserve Bank intervened

This might result in government being unable to reduce the price, although another increase might be averted

Another aspect of government's plan to defuse the crisis was to give urgent attention to the taxi industry's problems Subsidies had not been ruled out by the Transport Department, which was studying the matter, the source said

☐ Our Cape Town correspondent reports that a planned three-day protest, which was to have started with a motorcade through the city centre yesterday, proved to be a damp squib when only 15 taxis turned out They were dispersed by police The blockade was called by the Western Cape Fuel Crisis Forum

# New petrol price protest peters out

CT 19/10/93

183

**Staff Reporter**

A PLANNED three-day petrol price protest, which was to have been kick-started by a motorcade through the city centre yesterday proved to be a damp squib when only 15 taxis turned out

Western Cape Fuel Crisis Forum co-chairman Mr Joe Sineke yesterday ascribed the failure to a lack of support from Codeta (Congress for a Democratic Taxi Association), Golden Arrow Bus Services (Gabs) and other taxi groupings

The Forum, which consists of 13 taxi associations and political organisations, including Cosatu, was formed to fight the 7c/litre fuel price increase

Mr Sineke stressed that the aim of the three-day campaign was not to disrupt commuters and that no action had been planned for peak traffic hours

Codeta, which represents 3 000 township taxi drivers, refused to attend a mass rally in Athlone Stadium on Sunday, where only 400 of an expected audience of 10 000 turned up

The township taxi association also failed to attend a Crisis Forum meeting yesterday

Codeta secretary Mr Morris Nomala yesterday dismissed the mass action campaign as "counter-productive and disruptive to the very communities we seek to serve"

**DAMP SQUIB** ... Only a handful of Hanover Park taxi drivers responded to the call by the Western Cape Fuel Crisis Forum for a motorcade through the city centre yesterday to protest against the petrol price. They were stopped by police on Wetton Road and finally returned to work.

Picture CLIVE SMITH

He said Codeta was prepared to undertake protest action targeted at the government and was trying to decide on alternative forms of protest.

In a statement, Gabs said they had made it clear to the Crisis Forum that they would not be party to any illegal or destructive action and denied that they were supposed to supply buses for the motorcade

● Seventeen minibus taxi operators appeared briefly in the Cape Town Magistrate's Court yesterday in connection with blockading city streets last month in a protest at the petrol price increase

No charges were put to the 17, who included a 16-year-old youth, and they were not asked to plead

Magistrate Mr W J Faught issued warrants of arrest for five other operators who failed to appear, and he postponed the matter to November 18 The 17 accused were released with a warning

Mr L Ackermann prosecuted None of the accused was represented

# State acts to avert further rise

Own Correspondent 244 183

JOHANNESBURG. — There were strong indications that the petrol price formula would be changed soon, either leading to a cut in the petrol price or averting another increase, government and industry sources said yesterday. CT 19/10/93

An intensified review process had taken place since the government's rejection of a National Economic Forum proposal to suspend last month's 7c/litre fuel price increase, a government source said.

Although the proposed forum to review the price mechanism had not formally been established, intense discussions were taking place. These were aimed mainly at averting protest action by trade unions and taxi federations, which are due to meet on Thursday to finalise their plans.

Although the subsidisation of Mossgas did not form part of the recent price hike, this component was also being discussed.

An additional factor was the industry's offer to the forum to forgo its 0,5c/litre retail margin and its 0,5c/litre wholesale margin, which formed part of the price rise.

The restructuring process and industry's offer might allow government to decrease the petrol price by between 2c and 4c/litre.

Increased crude oil prices and a weakened rand might result in the government being unable to reduce the price, although another increase might be averted.

# Talks on plan to strike

~~(152)~~ ~~(244)~~ (183)

CT 19/10/93

HIGH-LEVEL but inconclusive discussions took place between ANC, SACP and Cosatu leaders yesterday as divisions between the alliance partners emerged over the union federation's proposed national strike next month

In a terse statement after the meeting, the ANC said only that it had been agreed to refer the matters discussed to the broader tripartite alliance leadership.

But an SACP leader who was at the meeting said Cosatu appeared to have "misunderstood" the implications of certain clauses in the draft constitution put forward as the reason for the strike

Cosatu objected to the inclusion of an employer right to lock-out and security of tenure for civil servants.

The SACP source said both ANC and SACP negotiators had stressed in the negotiating council that they would not agree to any clauses which precluded restructuring of the public service and affirmative action

He said that once negotiators had met Cosatu leadership for further discussions, the problem "would be resolved quite easily"

# Druggists' earnings leap 84% to R65m

B/Day 20/10/93

MARCIA KLEIN

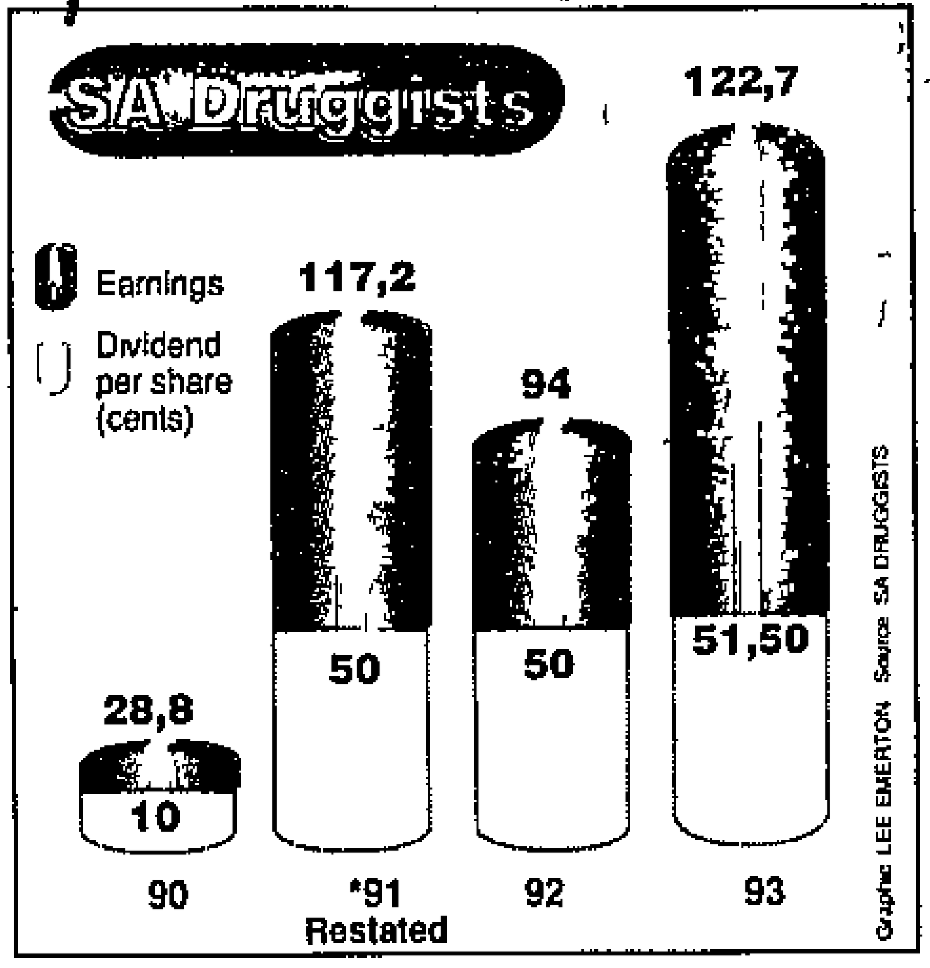
HEALTH care group SA Druggists' (SAD) attributable earnings jumped 84,2% to R65,2m (R35,4m) in the year to end-August on the back of a significant rise in turnover, a reduction in debt and a vigorous marketing drive.

But an increase in the number of shares in issue, resulting from its R200m rights issue in April, saw earnings rise only 30,5% to 122,7c (94c) a share

The group, in the Malbak stable, increased turnover 21,7% to R1,8bn (R1,5bn) and operating income 20,8% to R122,7m (R101,6m), with margins maintained at 6,7% CE Peter Beningfield said this was achieved despite price pressures in the health care market and a lower level of prescriptions (183)

The proceeds of the rights issue were used partly to repay debt Interest bearing debt was 79,3% lower at R29,6m (R143,2m), and gearing dropped to 5,1% (33,6%).

The 41,5% reduction in finance costs to R22,8m resulted in a 59,6% rise in pre-tax income to R100m (R62,6m). A lower rate of




taxation saw income after tax rise 82,4% to R65,6m (R36m)

Although earnings were significantly higher than the previous year, a final dividend of 27,75c a share brought the full year dividend up just 3% to 51,5c (50c) a share,

□ To Page 2

## SA Druggists

B/Day

□ From Page 1

covered 2,3 (1,8) times. Beningfield said this was in line with the group's objective of bringing the dividend cover up to between three and four times. 20/10/93

He said the health care market was affected by lower volumes and pressure on prices. The results were achieved on the back of a focus on working capital efficiency, productivity enhancement, containment of costs and improved customer service, supported by the debt reduction (183)

He said the R200m received from the rights offer was used to repay interest bearing debt, and build up cash reserves "with a view to future acquisitions" These would be in line with the core business.

The pharmaceutical division increased market share and sales because of the rationalisation of its product ranges, improved supply from the manufacturing operations, and a significant marketing effort It increased its contribution to operating income 42% to R85,5m.

The distribution division's results were disappointing. It gained market share, but reduced expenses could not compensate for declining revenue, and its contribution dropped 35% to R16,6m. Stock losses were "now within industry norms".

The chemical division improved its performance through better productivity and increased market share.

Beningfield said significant structural changes were taking place in the industry, "the effects of which are difficult to quantify", but SAD was expected to report continued real growth this year

# SA Druggists now on healthy growth path

Star 20/10/93

183

**GREATER use of generics could help contain increases in healthcare costs.**

**BY STEPHEN CRANSTON**

Increased market share and the proceeds from a R200 million rights issue enabled SA Druggists to increase attributable income by 84,2 percent to R65,2 million

The dilution resulting from increased shares in issue, however, led to a 30,5 percent increase in earnings per share to 122,7c, ahead of management's forecast that eps for the year would be between 110c and 120c

But because of SAD's determination to increase dividend cover, the dividend is up just three percent to 51,5c

Group CE Peter Beningfield says that the healthcare market was affected by pressure on prices and lower levels of patient visits and prescriptions, but SAD has increased market share every month since July 1992

This enabled the group to increase turnover by 21,7 percent to R1,836 billion

The only division to show a reduced contribution to the bottom line was distribution which saw its operating income fall by 35 percent to R16,6 million

The pharmaceutical division increased its operating income by 42 percent to R85,5 million


It rationalised its product ranges, revitalised its marketing effort and the manufacturing operations increased their supply.

SAD remains by far the biggest producer of generic drugs in the country and with drugs coming off patent was able to add 20 new drugs to its product range and intends to add 40 more this year

Changes in the healthcare market, such as the thrust towards primary healthcare and the introduction of managed healthcare groups will all increase the share of the market enjoyed by generics Generics still have a considerably lower share of the drug market in South Africa, than they do in the US or UK

Beningfield says the industry is moving into an era of bigger volumes and lower margins, but the margins of ethical drug suppliers will fall further than those of generic suppliers SAD manufactures a number of ethical medicines through Akromed and Continental Ethicals but remains predominantly a generic business

The industrial and speciality chemical division also had a good year, increasing operating income by 36 percent to R20,2 million

Beningfield says that this division fits into a focused pharmaceutical manufacturer as it has many common suppliers with the pharmaceutical division

Interest paid fell by 41,5 percent to R22,8 million and gearing was down from 38,6 percent to 5,1 percent.

Beningfield says there are a number of acquisition opportunities, and perhaps a joint venture with a multinational entering the South African market, but he says it was prudent to keep borrowings low in the current environment

He says that SAD has come a long way in its two years under Malbak management — in particular stocks and debtors are a lot cleaner — but the improvements from the computerisation of the wholesale division, and the benefits of recent research and development, have still got to work their way through to results

On the current share price SAD sits on a p e ratio of 21,2, which is in line with the high ratings in the pharmaceutical sector

# SA Druggists earnings in 84,2% jump

CT 20/10/93 (183)

JOHANNESBURG — Health care group SA Druggists' (SAD) attributable earnings jumped 84,2% to R65,2m (R35,4m) in the year to end-August on the back of a significant rise in turnover, a reduction in debt and a vigorous marketing drive.

But an increase in the number of shares in issue, resulting from its R200m rights issue in April, saw earnings rise only 30,5% to 122,7c (94c) a share

The group, in the Malbak stable, increased turnover 21,7% to R1,8bn (R1,5bn) and operating income 20,8% to R122,7m (R101,6m), with margins maintained at 6,7%. CE Peter Beningfield said this was achieved despite price pressures in the health care market and a lower level of prescriptions.

The proceeds of the rights issue were used partly to repay debt Interest bearing debt was 79,3% lower at R29,6m (R143,2m), and gearing dropped to 5,1% (38,6%).

The 41,5% reduction in finance costs to R22,8m resulted in a 59,6% rise in pre-tax income to R100m (R62,6m) A lower [illegible] income after tax rise 82,4% to R65,6m (R35,6m).

Although earnings were significantly higher than the previous year, a final dividend of 27,75c a share brought the full year dividend up just 3% to 51,5c (50c) a share, covered 2,3 (1,8) times Beningfield said this was in line with the group's objective of bringing the dividend cover up to between three and four times

He said the health care market was affected by lower volumes and pressure on prices The results were achieved on the back of a focus on working capital efficiency, productivity enhancement, containment of costs and improved customer service, supported by the debt reduction.

He said the R200m received from the rights offer was used to repay interest bearing debt, and build up cash reserves "with a view to future acquisitions".

The pharmaceutical division increased market share and sales because of the rationalisation of its product ranges, improved supply from the manufacturing operations, and a significant marketing effort. It increased its contribution to operating income 42% to R85,5m.

AECI FM 22/10/93

# New sense of purpose

(183)

**AECI, the** chemical giant in the Anglo American group, is set to acquire a new major shareholder in the next four to five years This follows the group's restructuring programme, accelerated last week with the announcement of a far-reaching re-organisation of its explosives business

ICI, the predominant player in the UK chemical industry, has watered down its equity holding in AECI to 13,3% (previously 38,5%) In a deal described by AECI finance director Neale Axelson as an asset swap which satisfies all parties, the value of the equity transfer is about R500m at current prices Anglo's industrial arm, Amic, becomes AECI's holding company with a beneficial stake of 39,5% (49,4% if AECI's own indirect holding through Afex is brought to account) FM 22/10/93

The deal involves an element of financial ingenuity which effectively enables AECI to own 25% of itself the group has taken a 50% stake in Afex, a private company which now owns 50% of the issued equity capital of AECI

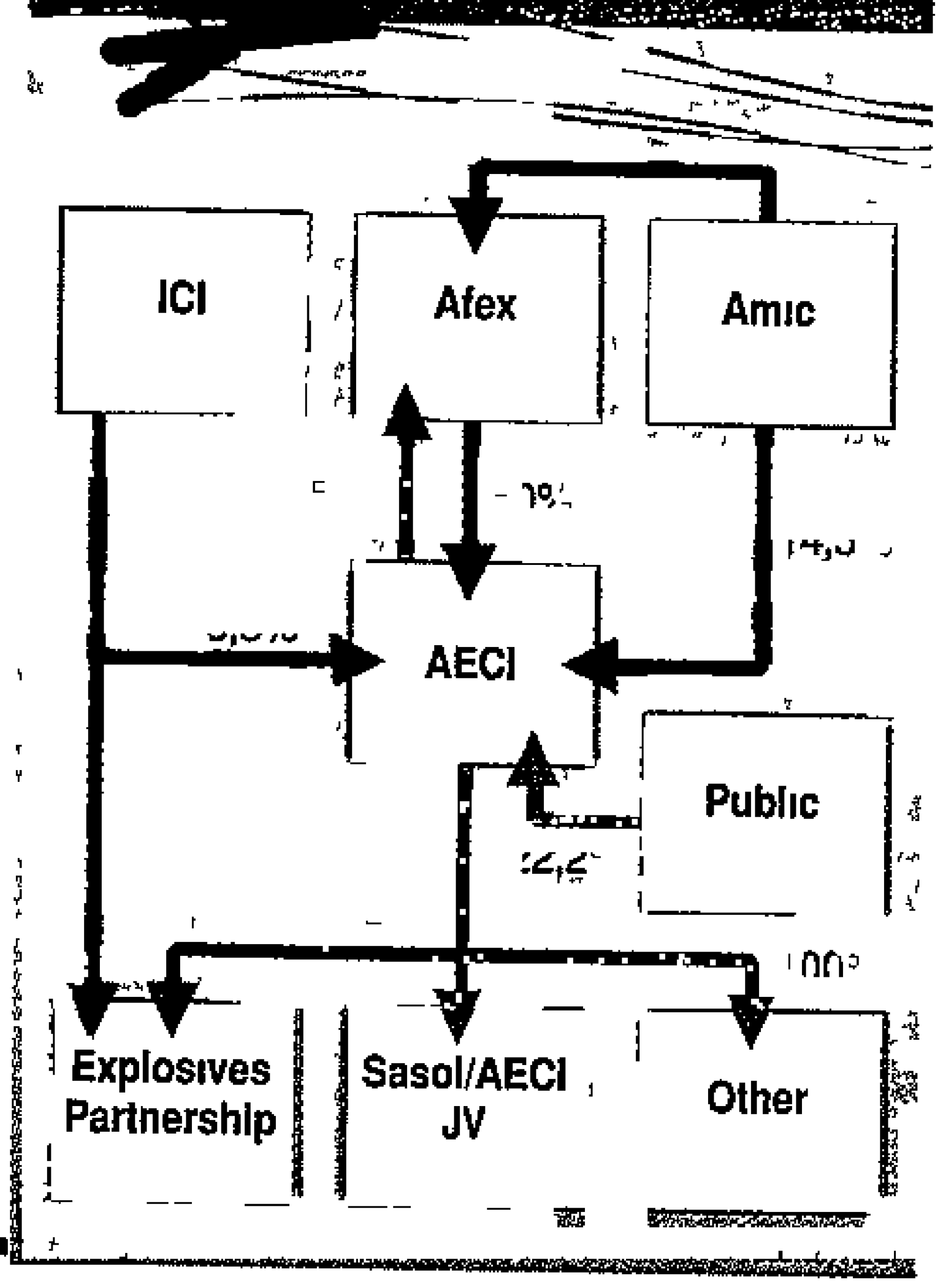
Immediately before the deal, Afex held 55,4% of AECI's share capital, the reduction in its stake and its removal as the holding company was necessary if AECI was to become an equal shareholder This means AECI's management has achieved a situation similar to that of companies elsewhere but not in SA — the right to hold its own shares (at least indirectly)

Axelson says AECI's intention is to hold its effective 25% stake in itself for a limited time only "It is important for us to develop a formal relationship with a solid international partner "

(183) cont→p107

## New lines of control

### After restructuring




However, he's adamant the company's holding in Afex will not be placed piecemeal Asked if likely partners have been identified, Axelson says the company doesn't expect to make progress ahead of an improvement in the world economy and a return to stability in SA It's believed, however, that Sander is already locked in discussion with potential partners able to give AECI access to new technology FM 22/10/93

Over the past year, the *FM* has been critical of AECI's perceived lack of momentum and direction This may be early days yet, but it seems the chemical group's managers have now put in train developments which will give the company a new sense of purpose and strategy

First came the announcement in August of the joint venture with Sasol to merge certain petrochemicals and plastics interests That goes some way to addressing the need for cost-effectiveness in chlor-alkali feedstocks

Now, AECI is attending to the need to come to grips with the changes in ICI's global strategy, announced a few years ago This encompasses significant changes in direction, with ICI withdrawing from fertilisers, plastics, fibres and chlor-alkalis and concentrating in areas in which it believes it could be dominant (paints, acrylics, explosives) (183)

ICI's assumption of a 51% undivided interest in AECI's explosives business is being done, says AECI MD Mike Sander, because it guarantees continued access to ICI's massive total annual research programme (about £700m) In addition, it will enable the explosives partnership to compete on an equal footing worldwide (if necessary, against other ICI facilities)

Amic chairman Leslie Boyd says he's encouraged that many of the issues which have bedevilled AECI for some years are being resolved "These are very positive developments They are certainly sufficiently encouraging to support Amic's increased holding in AECI "

After a long period of stagnation and an acknowledged inability to compete internationally, it may be that AECI is on the verge of a new-found resurgence On that basis, the share probably holds attractions for long-term investors — despite its strong performance recently

*David Gleason*

# 'We'll cut off petrol supplies'

## But discounter defies government threat and vows to

### State submits to protest pressure

PAUL BELL and
CHRIS WHITFIELD
Weekend Argus Political Staff

**THE growing muscle of the National Economic Forum in influencing economic policy was demonstrated when the government formally submitted to the NEF Liquid Fuel Task Force its proposal to drop the petrol price**

**The 2c/litre price cut, which includes diesel and illuminating paraffin, takes effect next Saturday The NEF has called on "all those who raised prices as a consequence of the fuel price increase on September 15", now to reduce prices accordingly**

**However, planned protests against the incease are to go ahead in spite of the cut.**

**Cosatu said it remained committed to the programme of action — including proposed fuel blockades — agreed at the Liquid Fuel Crisis Committee summit on Thursday.**

**"The action will maintain public vigilance to ensure that the negotiations process delivers in the interests of workers, commuters and consumers," the trade union federation said in a statement**

**NEF labour co-ordinator Jayendra Naidoo said public pressure would be kept up to ensure that negotiations on restructuring the price of petrol were in the interest of consumers.**

**He said that any protest actions undertaken during the course of the forum's task force investigation would fully conform to codes of conduct for peaceful protest and the Goldstone Commission recommendations.**

**Caltex corporate affairs spokesman Terry O'Donovan said the company was saddened by the approach of the Liquid Fuel Crisis Committee.**

**"We believe in negotiating in good faith.**

**"Any additional attempts to politicise the petrol price issue obviously have negative implications for business confidence in a very fragile economic upswing.**

**"This does not augur well."**

**The government responded rapidly to the demand by a crisis summit that by Monday it meet the NEF Task Force — whose original recommendations for a suspension of the increase it rejected — to agree to the cut and resume negotiations on a further one.**

**Cosatu said it welcomed the 2c/ℓ cut, the NEF's reviewing of all aspects of the liquid fuel industry, and the probe into the transport industry.**

*HENRI du PLESSIS*
Weekend Argus Reporter and Sapa

THE government has threatened to cut off petrol supplies to branches of supermarket giant Pick'n Pay who plan to sell fuel at the cheaper price four days ahead of the official date on Tuesday instead of Saturday.

A defiant Pick'n Pay has also pledged to sell petrol at even lower prices if a court decision on their coupon system was in their favour on Thursday

The dispute was sparked by the Hypermarket in Brackenfell which cut the petrol price by 2c a litre yesterday after hearing Minister George Bartlett's announcement of a 2c a litre reduction in the price, without waiting for the official date of October 30

The pump prices of petrol, diesel and illuminating paraffin will drop by 2c a litre from October 30 following Cabinet approval, Mr Bartlett announced yesterday

A letter faxed to the Hypermarket by Director-General of Mineral and Energy Affairs P J Hugo said Pick'n Pay managing director Gareth Ackerman should provide reasons before 6pm yesterday why the department should not obtain a ministerial decree forcing oil companies to refrain from supplying Pick'n Pay with petrol and diesel

But it was an honest mistake which happened only at the Brackenfell Hypermarket, said manager Steven MacDonald

"We saw the report in the Press yesterday and, reacting to Mr Bartlett's call for business to pass the saving on to the consumer, immediately dropped the price by two cents," he said

"A bit later an official and police came to see me and told me to stop selling at the reduced price I did so immediately. Only after that did we get the fax

"Mr Ackerman told me his response was precisely what I had said It will be a bit harsh of them to cut the supply to the whole of Pick'n Pay simply because a mistake was made at one store"

Mr Ackerman could not be reached for comment and Mr MacDonald could not say whether the department had accepted the reasons given by Mr Ackerman yesterday

Meanwhile Mr Ackerman earlier yesterday announced Pick'n Pay would sell its petrol at the reduced price from October 26 and not from the October 30 date set by Mr Bartlett

Mr Ackerman said he welcomed the decrease as a "gesture"

To page 3

From page 1

## Govt threat to P 'n Pay

(183)

~~Of~~ all issues ~~this~~ was one which had attracted unanimous outrage among consumers, labour and business While this decrease represents at least some temporary relief, the problems and issues facing the oil industry have yet to be resolved" ARG 23/10/93

The decrease follows widespread protests against the seven-cents-a-litre petrol hike on September 15

Mr Bartlett said the two cents reduction consists of the 0,7c a litre synlevy paid to the oil industry and a decrease of 1,3c a litre in the tariff protection paid to Sasol

The minister said his department has since the release in May 1993 of its report on all aspects of government involvement in the oil industry continued with its critical scrutiny of all elements in the fuel price structure

Pick'n Pay's application to discount petrol below the regulated price by means of a coupon scheme is still to be heard by the Supreme Court on Thursday

**ff your**

**lies!'**

sell cheaper fuel

(183) ARG 23/10/93

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| | BROWER, K | REALMS OF THE SEA | | | |
| | ECHLIN, P | LOW-TEMPERATURE MICRO | | | |
| (HODG) | HODGKIN, A L | CHANCE AND DESIGN, RE | | | |
| | SIDES, C | HOW TO WRITE AND PRES | | | |
| | | ENGINEERING AS A SOCI | | | |
| | REKLAITIS, G V | ENGINEERING OPTIMIZAT | | | |
| | | CONTROL OF ENGINEERIN | | | |
| | FLUGGE, W | HANDBOOK OF ENGINEERI | | | |
| | | INNOVATIVE TEACHING I | | | |
| | | HANDBOOK OF FLOW VISU | | | |
| | | INTERNATIONAL CONFERE | | | |
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| | GALAN, A | COMBINED ULTRASOUND M | | | |
| | | OCEAN VARIABILITY AND | | | |
| IIT) | WHITE, P | THE IDEA FACTORY, LEA | | | |
| | | APPLIED RELIABILITY A | | | |
| | PADIYAR, K R | HVDC POWER TRANSMISSI | | | |
| | KOECHNER, W | SOLID-STATE LASER ENG | | | |
| | | INSTRUMENTATION AND A | | | |
| | DAS, P K | OPTICAL SIGNAL PROCESI | | | |
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| | | ANALOGUE INTEGRATED CIRCUIT DESIGN, THE CURRENT- | 1990 | | 1990056148 |
| | BROWN, R H | BOFFIN A PERSONAL STORY OF THE EARLY DAYS OF RADA | 1991 | | 1991047165 |
| | | INTERNATIONAL CONFERENCE, COMBUSTION IN ENGINES TE | 1992 | | 1992031794 |
| | | INTERNATIONAL CONFERENCE, THE MANAGEMENT OF IRRADI | 1992 | | 1992031818 |
| | CEREPNALKOVSKI, I | MODERN REFRIGERATING MACHINES | 1991 | | 1991045170 |
| | | COLLOID CHEMISTRY IN MINERAL PROCESSING | 1992 | | 1992029783 |
| | SAWYER, J | THE FIDIC DIGEST; CONTRACTUAL RELATIONSHIPS, RESPO | 1990 | | 1990055907 |
| | KAMINETZKY, D | DESIGN AND CONSTRUCTION FAILURES, LESSONS FROM FOR | 1991 | | 1991046924 |
| | MARSHALL, W T | MARSHALL AND NELSON'S STRUCTURES | 1990 | 3RD | 1990056295 |
| | | SOIL SETTLEMENT EFFECTS ON BUILDINGS | 1992 | | 1992029727 |
| | ALLGOOD, J | DESIGN OF FLEXURAL MEMBERS FOR STATIC AND BLAST LO | 1992 | | 1992029750 |

# Protest action now in doubt

CT 23/10/93 (183)

By ANTHONY JOHNSON
Political Correspondent

PLANS for mass country-wide protests waned last night after the government buckled to mounting pressure by announcing a 2c/litre cut in the price of petrol, diesel and illuminating paraffin from October 30

The climbdown was seen as a first step towards a further reduction which may follow the outcome of an investigation into the fuel pricing structure

Pick 'n Pay managing director Mr Gareth Ackerman told the Cape Times the government yesterday threatened to cut off petrol supplies to its Brackenfell hypermarket after the outlet instituted an immediate 2c/litre cut in its pump price

The outlet yesterday complied with the order but would resume this practice next week, "because we have already got the petrol in our tanks and have chosen to take a cut in our retail price," he said

## Hopes rise for further fuel cuts after probe

Announcing the cut, Mineral and Energy Affairs Minister Mr George Bartlett said the reduction consisted of the 0,7c/litre synthetic fuels levy paid to the oil industry and a downward adjustment of 1,3c/litre in the tariff protection paid to Sasol

He also said that should any further price reductions be identified during a reactivated investigation by the National Energy Forum's Liquid Fuel Task Force into the fuel price structure, they would immediately be passed on to consumers

However, he cautioned that these possible reductions could be used to avoid further price increases

The Automobile Association welcomed the cut, saying this was the first step towards possible further reduction

The SA Chamber of Business called it a positive step to defuse the controversy surrounding last month's 7c/litre hike

Plans for widespread protests next week against the price increase may be revised following yesterday's announcement

The Liquid Fuel Crisis Committee — which has led demands for a complete roll-back of the September 17 increases — may revise its decision on mass protest actions, committee member and Cosatu campaigns coordinator Ms Lisa Seftel told Sapa

NEF labour co-ordinator Mr Jayendra Naidoo said public pressure would be kept up to ensure negotiations on restructuring the price of petrol were in the interest of consumers

The task force probing the restructuring of the fuel price should report back to the NEF on December 15

## DIAGONAL STREET

# Healthy amid the sick

ST Times (Buss) 24/10/93

NEARLY half the over-the-counter medicines used by South Africans fall under schedules 1 and 2 not requiring a prescription, yet they are prescribed by doctors.

Furthermore, opinion is that nearly a quarter of all medical-aid claims are fraudulent

SA Druggists chief executive Peter Beningfield believes that community pharmacists can increase their role in basic health care not only by diagnosing and treating minor illnesses, but by being allowed to substitute cheaper generic medicines for those prescribed by doctors

SA Druggists owns Lennons, SA's largest generics manufacturer.

Mr Beningfield spoke at a presentation of his company's results to members of the Investment Analysts' Society in Johannesburg this week. (183)

Measures to be introduced from January are aimed at eliminating fraud and reducing costs. He estimates that the use of generics could have knocked R1-billion off the 1992 private-sector drugs bill of R3,3-billion There is a generic substitute for 70% of prescribed drugs

SA health care will change radically in terms of a bill before Parliament. It will allow supermarkets and discounters to sell medicines The pharmacist's traditional 50% mark-up could become a thing of the past. Medical aids receive discounts of 20% to 30% from pharmacists

Independent practitioners' associations and group practices have grown in number from nil to 93 in 18 months to become a buying force

Mr Beningfield is disappointed that five multinational companies objected to the introduction of single-exit pricing of drugs. The status quo is that pharmaceutical wholesalers pay list price less 17,5% for their supplies, whereas dispensing doctors receive up to 50% discount.

More than 80% of all drugs claimed on medical aids are dispensed through pharmacists, and single-exit pricing — where customers must be offered the same terms for the same volume — would doubtless have cut costs

SA Druggists withdrew from the Pharmaceutical Manufacturers Association, saying its policies militate against cost-cutting measures It supports the rival National Association of Pharmaceutical Manufacturers

SA Druggists is a different animal from the moribund one hauled out of delisted Federale Volksbeleggings two years ago

Recapitalised and revamped, with 64% of its employees owning shares in the group, it is ready to expand in pharmaceutical manufacture and distribution, chemicals and exports

In the year to August 1993, turnover jumped 22% to R1,83-billion The fact that distribution turnover of R750-million was unchanged shows how much growth took place in pharmaceuticals

SA Druggists almost maintained margins and operating income rose 21% to R123-million Proceeds from the rights issue and better controls allowed a 42% drop in interest to R23-million, and pre-tax profit hit R100-million

Although tax went up, the rate came down as a result of R59-million exports Mr Beningfield says that even without general export incentives, SA Druggists can sell abroad at a profit In fact, export margins are better than domestic ones

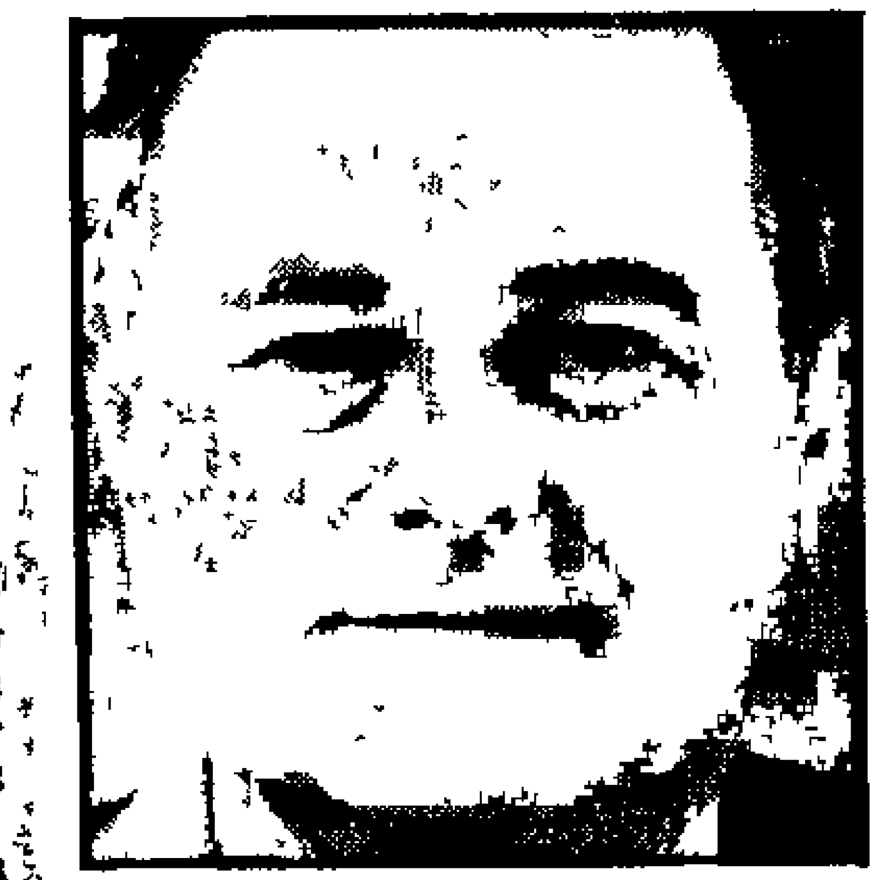
Earnings a share were 59% higher at 123c and the dividend was raised to 41,5c

The group is building a factory to make basic medicines in Malawi Mr Beningfield believes that international Aids relief agencies will be keen to obtain supplies for Central Africa from a local site

SA Druggists improved its milk powders for infants in the past year and launched 23 products The Link pharmacy chain was revitalised

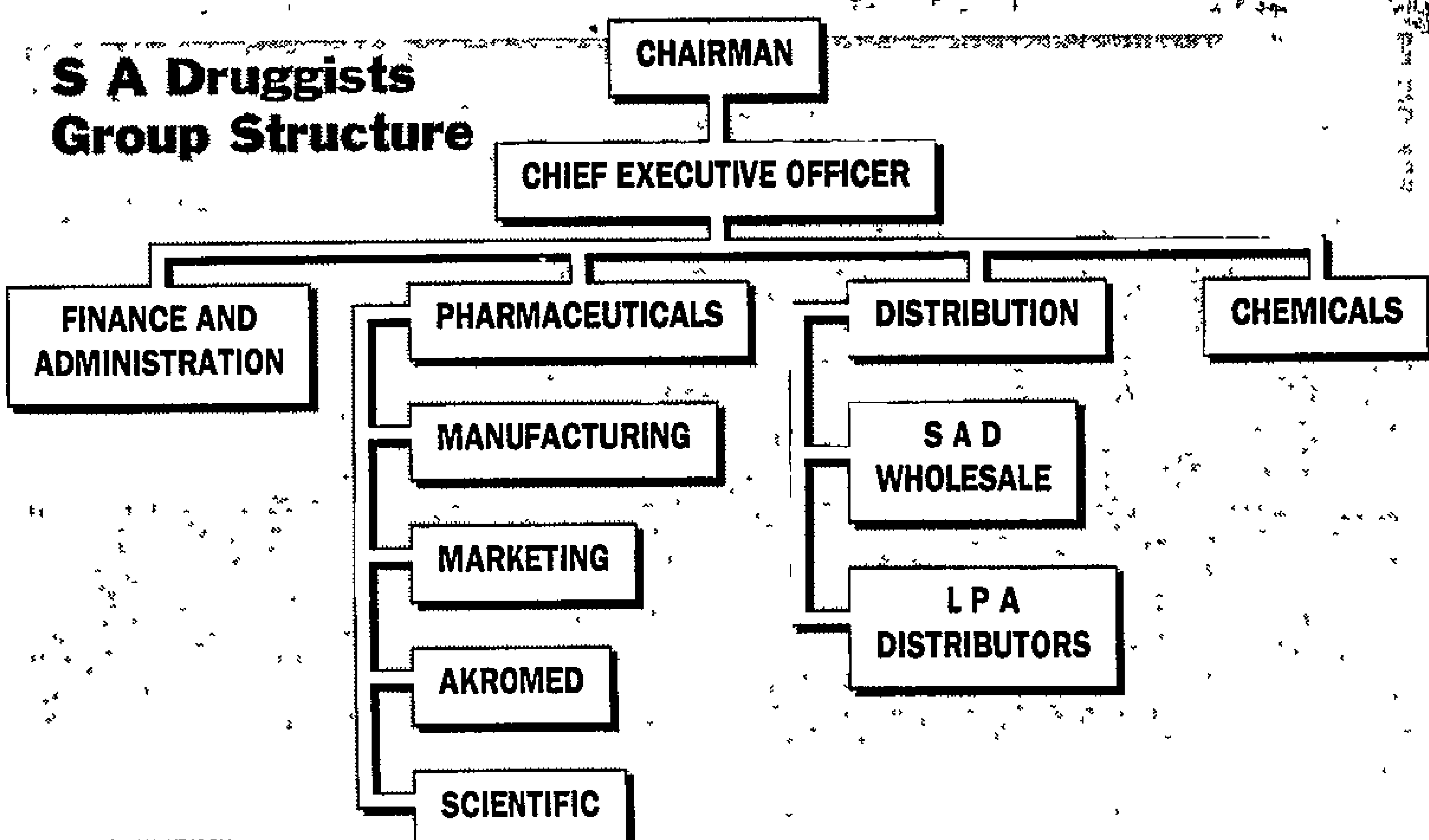
Another 41 products are ready for launch this year Continuing improvements in the businesses in spite of fierce competition and the arrival of parallel imports tempt Mr Beningfield conditionally to forecast more real growth in earnings

The share price was unchanged at R27 after the results, 22 times 1993 earnings The market has reserved judgment until news of what SA Druggists competitor Adcock Ingram has to say to investment analysts two weeks hence



PETER BENINGFIELD

## S A Druggists Group Structure




Graphic FIONA KRISCH

BUSINESS DAY, Tuesday, October 26 1993 3

# Keep petrol price protests peaceful — Business Forum

ERICA JANKOWITZ

THE Business Forum called on opponents of the fuel price increase to protest peacefully and not to interfere with the rights of citizens to "proceed with their normal activities" when pressing government to reduce the petrol price further.

BDay 26/10/93

The forum, made up of major employer federations including Seifsa, Fabcos and Sacob, in the past expressed solidarity with groupings which urged government to rescind the price rise.

The forum said that at a recent National Economic Forum meeting, all parties committed themselves to codes of conduct for peaceful protest.

"There can be no need for disruptive pressure tactics in regard to any part of business. The only pressure required now for the liquid fuel industry task force to complete its work is the pressure of facts and reasons produced around the table," the forum said. Also, the oil and synfuel industries had been constructive participants in negotiations which had made the recently announced 2c/l price cut possible.

183

The forum would seek urgent meetings with labour and taxi organisations to convey these sentiments.

Sapa reports that taxi drivers in the Border/Kei region are to embark on a week-long slowdown protest action against the petrol price from today.

Border/Kei Taxi Forum chairman Sunday Sotyelelo said taxis would travel at 10km/h below normal speed limits, with 100km/h the maximum speed.

He said the action was aimed at drawing attention to the call for a further drop of 5c/l in the petrol price, and at conserving fuel.

Meanwhile, Mineral and Energy Affairs Minister George Bartlett yesterday officially announced that the fuel price would be reduced by 2c/l from midnight on October 30. The new prices for petrol, diesel and illuminating paraffin would be published in the Government Gazette on October 29.

He appealed to the business sector to pass on to consumers any savings made possible by the price reductions.

# Chain cuts 2c off petrol price

ARG 26/10/93 (183)

SHARON SOROUR, Staff Reporter

SUPERMARKET giant Pick 'n Pay defiantly cut the petrol price by 2c a litre at its auto-centres in Ottery and Brackenfell today, four days ahead of the date set by the government

Pick 'n Pay has also pledged to sell petrol at even lower prices if a court decision on its coupon system is in its favour on Thursday

General manager Gareth Ackerman said the decision to cut the price from today was in keeping with the way his company had always operated

"For the past 25 years, we have reacted immediately to government announcements of price cuts Similarly we have reacted to price hikes by keeping our prices down for as long as possible"

He acknowledged the situation was "slightly more sensitive" this time, but said his company should not be forced to make extra profit if it did not want to do so

Mineral and Energy Affairs Minister George Bartlett announced last week the pump prices of petrol, diesel and illuminating paraffin would drop by 2c a litre from October 30

Department of Mineral and Energy Affairs Director-General P J Hugo was not available for comment Department spokesman Dr G Venter said the department would comment at a later stage

# Cosatu, taxi industry discuss protest plans

(14 OA) (3330 644) (183)

The Argus Correspondent

JOHANNESBURG — Cosatu is meeting the taxi industry today to discuss action to press the government to withdraw the remainder of the 7c/litre petrol price rise

ARG 26/10/93

The government's decision last week to reduce the increase by 2c/litre comes into effect at midnight on Saturday, but it has failed to silence the taxi industry and Cosatu affiliates.

Cape Town taxi organisations did not implement planned blockades of petrol stations yesterday

Cosatu assistant general secretary Zwelinzima Vavi said the federation would accept no less than the withdrawal of the whole 7c/litre increase, and would continue preparing for protests until the government acceded to this demand

Plans included taxi blockades, pickets, sit-ins and the occupation of government buildings

Cosatu is also organising protests from Thursday as a build-up to the November 15 strike to demand the withdrawal of the clause in the draft Bill of Rights which entitles employers to lock out striking workers

# Fuel price will drop by 2c a litre this Sunday

(183) (2##)

PRETORIA — Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday that the fuel price would be reduced by 2c/litre from midnight on Saturday CT 26/10/93

The reduction comprises the 0,7c/l "syn levy" paid to the oil industry and an adjustment of 1,3c/l in the tariff protection paid to Sasol

Mr Bartlett said that analysis of the composition of the Equalisation Fund levy of 7c, together with other insights had enabled the department to identify areas of potential relief — Sapa

# Sasol, Mitsui in chemicals marketing link

CT 27/10/93 (183)

JOHANNESBURG — Sasol has formed an alliance with Japan-based Mitsui & Company to market chemicals produced at a new R370m Sasol plant due to be commissioned in February

The chemicals are hexene and pentene, used in the production of polyethylene plastics The export of these products is expected to increase Sasol's exports of about R600m a year by nearly 50%

Sasol Chemical Industries MD Harry Hyatt said the alliance was formed to market and distribute Sasol's hexene and pentene in Japan and Korea Sasol would increase hexene production to meet rising demand, and Mitsui would be responsible for marketing and distribution The alliance would provide continuity of supply well into the 21st century

Pentene, currently unavailable at competitive prices, would be supplied by Sasol for copolymer production of polyethylene plastics Mitsui would work with Japanese suppliers to develop a market for pentene to produce polyethylene and other speciality chemical products in Japan and Korea

Sasol's R370m alpha olefins plant to produce hexene and pentene would initially produce about 100 000 tons of alpha olefins a year, with about 90% exported to European, Asian and other markets

● The establishment of NST Ferrochrome, a multimillion-rand joint venture between ferroalloy producer Samancor and Japanese metal trading house Nippon Denko Corporation (NDC), was a small but significant sign of firming business ties between SA and Japan NDC president Kazuzo Kobayashi said yesterday

Speaking at the joint venture inauguration ceremony at the ferrochrome plant near Steelpoort, Kobayashi said the venture would ensure a stable and competitive supply of ferrochrome to Nippon

# Adcock Ingram earnings leap ahead of turnover rise

BDay 27/10/93

ROBYN CHALMERS

PHARMACEUTICAL group Adcock Ingram increased attributable earnings by a third to R98m (R76m) on a 6% rise in turnover to R971m (R915m) for the year ended September 30

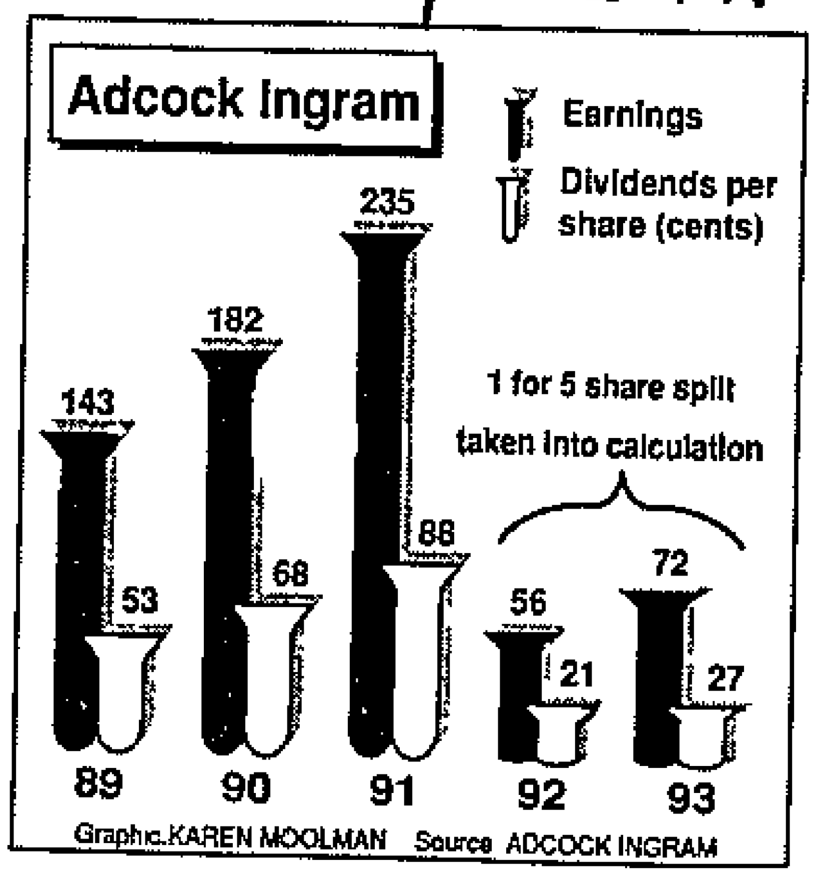
Operating income before interest grew 12% to R157m (R141m) on the back of better production efficiencies and cost containment Higher interest income of R2m helped boost operating income 18% to R160m (R135m)

Earnings a share rose 29% to 72c (56c) Last month shareholders approved the group's proposed one-for-five share split to increase marketability, which raised the number of shares in issue from 27 384 to 137 490

The board declared a final dividend of 18,6c a share which, with the interim dividend of 8,4c, made a total dividend for the year of 27c (21c)

Group CE Don Bodley said the increase in sales was affected by reduced turnover in the wholesale division after rationalisation of its distribution activities

In addition, Bodley said the poor



Graphic KAREN MOOLMAN Source ADCOCK INGRAM

economic climate and cost containment policies of medical aid schemes had resulted in fewer patients visiting doctors and fewer prescriptions.

However, new product introductions and market share gains resulted in volume increases in the consumer, self-medication, generic and critical care business units

Cash generated by operations rose by almost a third to R200m (R154m), which Bodley attributed to continuing attention to asset management

He noted that the group continued to invest in plant, facilities and information technology to increase capacity, improve flexibility and ensure the cost-effective manufacture of quality products Capital expenditure in 1993 totalled R44m (183)

"Considerable progress was made in research and development. For example, the pharmaceuticals business unit has concluded three agreements with local and international organisations for the joint development of new products for which the company will have world or regional marketing rights," Bodley said

"Four SA provisional patents and one international patent have been lodged as a result of local and international colloborative research"

He said an international division had been created to improve the group's focus on exports and generate incremental income in the short term as well as to position it in niche markets internationally in the medium term.

Bodley was confident earnings would grow in real terms next year, although the pharmaceutical industry worldwide was under pressure

# Petrol decision undercuts NEF

WM 8-14/10/93 (183)

**The government's hardheaded move over the petrol price rise could lead to mass protests and undermines the National Economic Forum, reports Reg Rumney**

THE cabinet decision not to "roll back" the fuel price hike is a grave blow to the emerging consensus politics that the National Economic Forum (NEF) represents

And it could lead to a renewal of damaging mass action by the labour movement The African National Congress and the Congress of South African Trade Unions have already intimated that mass action in reaction to the decision is on the cards

The decision, announced by President FW de Klerk himself on Wednesday night, to stick to the unpopular fuel price hike was clearly designed to signal to the electorate that the government still holds the reins of power.

But to do so, the government had to undermine the NEF, alienate the two biggest private power blocs in the country, organised business and labour, and risk the economic damage that accompanies mass action

Given the widespread unpopularity of the fuel price hike, the decision is a strategic gamble

Centre for Policy Studies director Steven Friedman notes that choosing this particular terrain for a showdown raises doubts about the government's strategic competence

"They seem to believe their constituency wants them to be in charge at all costs"

The government reversal comes a week after the NEF recommendations on the government's submission to the General Agreement on Tariffs and Trade was accepted without question

An examination of what was actually proposed by the NEF on the fuel price shows the cabinet decision was not, as De Klerk claimed, motivated by a desire to protect consumers

The NEF proposed a temporary roll-back of the fuel price from October 14 to December 15 while an NEF task force examined the structure of the fuel price — not a permanent halt to the price increase

George Bartlett ... Unpopular decision

It was agreed that an outcome of the NEF task force investigation could be an increase or a decrease in the price of fuel

The NEF did not propose, as the government has made out, to deplete oil reserves permanently

It proposed to pay back the money derived from the sale of strategic oil reserves to replenish them, through a 1,5c levy added to the fuel price on January 14 — all other things being equal

The signs that the government did not consider the NEF proposal binding — even though it had been hammered out by representatives of business, labour and government — began to emerge at the NEF fuel price summit on Monday Mineral and Energy Affairs Minister George Bartlett was equivocal on whether he supported the recommendation as it stood, reiterating that the cabinet had the final decision

He also seemed to be suggesting last minute changes to the proposal Among other things, Bartlett said the government would need to know to what extent a price increase has already worked its way through to commodities He gave the example of a newspaper having announced an increase due to the increased price of distribution

He said the roll-back could not be done on October 14 and that it should remain in place until January 14

Delegates, including Cosatu president Sam Shilowa, were insistent that the proposal be taken as it stood to the cabinet Bartlett then claimed he had merely raised questions that the cabinet would ask him

Taxi industry delegates were particularly aggressive in their assertions that the fuel price hike should be reversed, and seemed to understand the NEF proposal as binding This means their disappointment at the cabinet decision is likely to be channelled into renewed protests

Taxi industry delegates said their protests had been merely suspended and not called off

NEF co-ordinator Debra Marsden notes that during the negotiations the government representatives of the task force were emphatic that the proposal would be taken back to its principal, the cabinet While she regards the move as purely political, she considers it a matter of different negotiating style that the government went back on what seemed to other delegates like a foregone conclusion

On previous occasions the NEF's proposals were accepted, notably the recent GATT offer But from the beginning of the NEF it has been unclear whether its decisions are binding on the parties, or whether it is an advisory body

The government from the start regarded it as an advisory body Cosatu has insisted it is a negotiating body and not an advisory body

# Adcock lifts earnings, dividend 29%

Star 27/10/93

**BY STEPHEN CRANSTON**

Adcock Ingram has lifted attributable earnings by 29 percent to R98 million and earnings per share by the same percentage to 72c, despite modest sales growth of 6 percent to R971 million

The dividend was has been raised by 29 percent to 27c

Like competitor SA Druggists, Adcock has been rationalising wholesaling activities, which reduced sales

But a continuing emphasis on new products along with market share gains resulted in volume increases in the consumer, self-medication, generic and critical care divisions

Although market share of leading ethical prescription products was maintained, pharmaceuticals had lower growth, mainly as a result of the general slow-down in the ethical prescription market

Group CE Don Bodley is satisfied with the results achieved off a high base in a difficult environment

Operating margins improved thanks to better production efficiency and cost containment, resulting in a rise in operating income before interest of 12 percent

The group continued to invest in plant, facilities and information technology to increase capacity, improve flexibility and ensure the cost-effective manufacture of quality products Capital expenditure in 1993 was R44 million

The pharmaceuticals division has made three agreements with local and international organisations for the collaborative development of new products

The group is developing products to cater for primary health care.

Towards year-end the group acquired the rights to V-Med (cold medication) and Supafruit (vitamin/calcium-enriched lozenges) from Permark International

An international division has been created to improve focus on exports and generate incremental income in the short term and position the group in niche markets internationally in the medium term

"Worldwide, the pharmaceutical industry is under pressure It is therefore unrealistic to expect the same growth rates as in the late 1980s and early 1990s — especially in view of the expected lower inflation rates," says Bodley (183)

"However, we have a broad, balanced and strongly branded product portfolio catering for all sectors of the health care market

"Therefore, we are still placed to capitalise on opportunities in a new health care system and expect real growth next year"

Adcock Ingram continues to justify its premium rating At its share price of R15, it sits on a relatively modest P/E of 20,8 and offers a 1,8 percent dividend yield

# Threat to cut petrol supplies

183

BT 27/10/93

**DURBAN** — Petrol supplies to defiant Pick 'n Pay boss Mr Raymond Ackerman will be cut off today if he persists in his campaign to sell cut price petrol before the official 2c/litre price drop comes into effect on Saturday.

This warning was given by energy minister Mr George Bartlett last night, following Pick 'n Pay's advertising campaign announcing an immediate 2c/litre drop in petrol prices at its garages throughout the country.

Mr Bartlett said if Mr Ackerman continued to break the law, the government would instruct fuel companies to stop his supplies for a week.

"Until the national economic forum makes recommendations that the pricing structure should be changed, I have to uphold the law," he said.

Last night a defiant Pick 'n Pay joint managing director Mr Gareth Ackerman called the government a "playground bully" and said his company would not back down.

IN BRIEF

## Sasol worker 'torn to shreds' by pump

183

PRG 27/10/93

JOHANNESBURG — The Chemical Workers Industrial Union has called for an inquiry into safety at Sasol installations after one of its members was "torn to shreds" by a large pump when he fell into a cooling pool at Sasol 3 yesterday. All that could be found of William Mafokong's remains was shredded clothing, said CWIU secretary-general Rod Crompton.

# Healthy earnings growth from Adcock Ingram

CT 27/10/93

183

**Own Correspondent**

JOHANNESBURG — Pharmaceutical group Adcock Ingram increased attributable earnings by a third to R98m (R76m) on a 6% rise in turnover to R971m (R915m) for the year ended September 30.

Operating income before interest grew 12% to R157m (R141m) on the back of better production efficiencies and cost containment. Higher interest income of R2m helped boost operating income 18% to R160m (R135m).

Earnings a share rose 29% to 72c (56c). Last month shareholders approved the group's proposed one-for-five share split to increase marketability, which raised the number of shares in issue from 27 384 to 137 490.

The board declared a final dividend of 18,6c a share which, with the interim dividend of 8,4c, made a total dividend for the year of 27c (21c).

Group CE Don Bodley said the increase in sales was affected by reduced turnover in the wholesale division after rationalisation of its distribution activities.

Cash generated by operations rose by almost a third to R200m (R154m), which Bodley attributed to continuing attention to asset management.

Capital expenditure in 1993 totalled R44m.

Three agreements for the joint development of new pharmaceutical products for which the company would have regional or world rights were reached.

"Four SA provisional patents and one international patent have been lodged as a result of local and international collaborative research."

He said an international division had been created to improve the group's focus on exports.

# Pick 'n Pay vows to beat Bartlett fuel ban

(183) ARCT 27/10/93

## □ 2c price cut stays, says defiant Ackerman

**SHARON SOROUR**
**Staff Reporter**

DEFIANT retail giant Pick 'n Pay will continue selling cut-price petrol nationwide today in spite of a government edict forcing oil companies to cut its fuel supplies for a week

The company yesterday trimmed the petrol price at its 14 auto centres, including Brackenfell and Ottery, by 2c a litre — five days ahead of the October 30 date set by the government

Joint managing director Gareth Ackerman said Pick 'n Pay would sell petrol at the lower price, "certainly until midnight"

He said he would contact Minister of Mineral and Energy Affairs George Bartlett today to arrange a meeting, possibly on Friday

He "hoped" Pick 'n Pay had enough petrol in its tanks to last a week

The company faces the government in the Supreme Court tomorrow, when its bid to sell petrol at even lower prices via a coupon system will be heard

"The outcome will determine if Pick 'n Pay is able to continue to subsidise below the mandated retail price through the scheme, which the company believes to be within the constraints of prevailing legislation," said Mr Ackerman

In a letter to Mr Ackerman yesterday, Mr Bartlett said the company "wilfully disregarded regulations".

"Your company's actions harm your opponents, who abide by the law and compel me to take this step (of cutting supplies)"

Mr Bartlett said he was willing to reconsider if Pick 'n Pay gave him an "acceptable explanation" for its actions, or supplied "sufficient reasons" why its petrol supply should not be stopped for a week

However, Mr Ackerman said he did not expect the situation to change as Mr Bartlett had rejected compromises the company had proposed through Energy Affairs Department director-general P J Hugo

Mr Hugo yesterday gave the company one hour to conform to the fixed price or face a supply embargo of up to a month

Mr Ackerman said he had tried to negotiate a compromise based on the fact that the company had always passed on the benefit of any price cut immediately to consumers

Pick 'n Pay would still pay the full price for fuel, absorbing the 2c on behalf of consumers, until October 30

"What difference does it make to the government? They are not losing revenue, we are"

# Fuel price row opens before packed court

PATRICK FARRELL
and DAVID YUTAR
Staff Reporters ARG 28|10|93

A PACKED Supreme Court today heard the opening argument in a legal battle between retailer Pick 'n Pay and Minister of Mineral and Energy Affairs George Bartlett over the company's petrol pricing

A scheme, in operation at the Durban Hypermarket, entitled customers who spent more than R10 to coupons they could use at the Hypermarket's petrol station to get 7c off a litre of petrol.

The minister banned the scheme on September 21 in terms of the Petroleum Products Act.

Pick 'n Pay Retailers (Pty) and sister company Hypermarkets (Pty) have asked the Supreme Court to set aside the order.

Director Gareth Ackerman said in papers the price at which the petrol was sold at the Hypermarket filling station remained the full price prescribed by the Act

He said the minister was under the mistaken impression that the scheme involved the sale of petrol at less than the prescribed price

Bertrand Hoberman SC, for Pick n' Pay, argued that if the minister had based his opinion on a report that concluded the scheme could force other outlets to increase the petrol price and so influence the minister to increase the general prescribed price, then such a report should have been given to Pick 'n Pay.

The minister had not furnished Pick 'n Pay with the report and this was a breach of the court rule that both sides should be heard

Mr Hoberman said the minister had prohibited the scheme on the basis that it would affect the selling price of petrol. But in this scheme the selling price had not been affected because the price at which petrol had been sold to the consumer was the full retail price The only difference, said Mr Hoberman, was that Hypermarkets (Pty) had paid a portion of the price.

Chief executive Raymond Ackerman and his son Gareth Ackerman were in court.

The hearing is proceeding with argument by counsel.

Mr Justice Brand and Mr Justice Conradie are on the Bench Mr Hoberman and Willie Duminy appear for Pick 'n Pay and J van der Merwe SC and J A le Roux appear for the minister

# Supermarket ends fuel cut

183

CT29/10/93

**Staff Reporter**

PICK 'N PAY backed down under government pressure yesterday and announced it would discontinue the sale of discount petrol fearing "threatening and unspecified steps" beyond the fuel blockade imposed by the government.

Joint managing director Mr Gareth Ackerman said yesterday his petrol stations would cease their two cents a litre cheaper petrol from the start of business today "on the understanding that petrol supplies would be reinstated"

The Minister of Mineral and Energy Affairs, Mr George Bartlett, ordered a petrol blockade under the 1977 Petrol Products Act after Pick 'n Pay began sales of discount petrol ahead of tomorrow's deadline

"I would like to think that we have made the point that the legislation which exists belongs to the old days of 'grand apartheid' and sanctions and is no longer appropriate," Mr Ackerman said

"The laws governing the petrol industry have become dinosaurs that have outstayed their purpose in the greater scheme of things"

He charged that the laws governing liquid fuels were so draconian that the supermarket chain could be faced with even more severe penalties than the blockading of petrol suppplies

In a letter to Mr Bartlett, Mr Ackerman said it was inappropriate for the government to hold out on deregulation of the the oil industry

Those Pick 'n Pay outlets that sold petrol at a reduced rate in the past three days had enjoyed record turnovers and had run out of supplies

"The motoring public voted with its wheels," said Mr Ackerman

## Petrol ruling reserved

**Supreme Court Reporter**

TWO Supreme Court judges reserved judgment yesterday on Pick 'n Pay's application to have a notice by the Minister of Mineral and Energy Affairs, Mr George Bartlett, banning a discount of 7c a litre to customers set aside

Mr Justice J H Conradie and Mr Justice F D J Brand said they needed time to consider the application by Pick 'n Pay Retailers (Pty) Ltd and Hypermarkets (Pty) Ltd to set aside the notice by Mr Bartlett prohibiting the scheme

The scheme offered customers who bought Hypermarket goods worth more than R10 a discount of 7c a litre on petrol bought at Pick 'n Pay's adjacent petrol station

Mr Bertrand Hoberman, SC, counsel for Pick 'n Pay, argued that the scheme did not increase, nor was it likely to increase the price of petrol

The selling price was not less than the official selling price so there was no basis to prohibit it

Mr J L van der Merwe, SC, counsel for the minister, said the purpose of the scheme linking goods with petrol was to sell discounted petrol This was in effect being "partners in crime" He said as the minister had wide powers it was not for the court to decide he had misjudged the matter unless he had acted in bad faith

Mr Hoberman, with Mr W Duminy, instructed by Mr D Nurek of Sonnenberg Hoffman and Galombik, appeared for Pick 'n Pay Mr Van der Merwe, assisted by Mr J le Roux, appeared for the minister

Fraud

CT29/10/93

News in Brief

Dog ro

# Bartlett 'grossly unreasonable' on petrol discount

(183) ARG 29/10/93

**DAVID YUTAR, Staff Reporter**

THE conclusion of Minister of Mineral and Energy Affairs George Bartlett that Pick 'n Pay's petrol discount scheme was likely to affect the general retail price of petrol was "grossly unreasonable" it was argued in a packed Supreme Court

Bertrand Hoberman SC was arguing yesterday during the supermarket chain's application to set aside the notice served on it by Mr Bartlett on September 21 to stop its petrol discount scheme immediately or have its petrol supplies cut off

The scheme, in operation at the Durban Hypermarket, entitles customers of Pick 'n Pay who spend more than R10 at the store to a 7c a litre discount on petrol supplied by the hypermarket's petrol station

This discount is paid by Hypermarkets (Pty) Ltd, a wholly-owned subsidiary of Pick 'n Pay Stores

The minister's notice banning the scheme was issued in terms of a section of the 1977 Petroleum Products Act

Mr Hoberman said the minister had prohibited the scheme under the mistaken impression that it involved the sale of petrol at less than the prescribed [illegible] price

But, in ter[illegible] the scheme, the price at which petrol was sold t[illegible]he consumer was the full retail price The only difference was that the 7c discount was subsidised by Hypermarkets (Pty) Ltd

Mr Hoberman said the conclusion on which the minister based his banning was so "grossly unreasonable" that the court was entitled to infer that he had failed to "properly apply his mind to the matter at hand"

Mr Hoberman argued that the phrase used in the section of the Act — 'the selling price of petrol at any outlet" could only mean the price at which the outlet sold petrol to the consumer, not the price at which the supplier sold it to the outlet

He said the scheme's effect was not in any way to influence the selling price of petrol because the full selling price was received by the garage

Mr Hoberman said that, in deciding to ban the scheme, the minister had taken into account 'irrelevant considerations' including the view that as a result of the scheme law-abiding petrol outlets would suffer severe losses in turnover which would compel them to "revert to illegal and undesirable practices to offer cheaper petrol to customers'

Finally, he argued that the minister failed to give Pick 'n Pay a chance to see a report published recently by the Department of Mineral and Energy Affairs on government involvement in the oil industry on which the minister had based his banning action

J L van der Merwe SC, for the minister, argued that the discount scheme amounted to a "sham' by which Hypermarkets (Pty) Ltd and Pick n Pay colluded to sell petrol at 7c less than the prescribed price

"We submit that the court must look at the real intention of the parties concerned — in this case to sell petrol at the discounted price in order to gain more customers"

He described the scheme as a stratagem to get around the illegality of selling petrol at a reduced price by having Hypermarkets (Pty) Ltd "cover up the difference"

"This is equivalent to an offence being committed by two parties who share a common purpose

'The object is to do what the legislature prohibits (them) from doing"

Mr Van der Merwe said the legislature had given the minister wide powers to decide when a scheme of this sort was likely, directly or indirectly to affect the selling price of petrol

He said the aim of the Act was to "protect petrol outlets against competitors who deviated from the prescribed petrol selling price"

Mr Van der Merwe said that if the court ruled in favour of Pick 'n Pay, the company would lose no time in extending the scheme countrywide

Mr Justice J Conradie, sitting with Mr Justice F Brand, reserved judgment

Mr Hoberman was assisted by Willie Duminy and Mr Van der Merwe by J A le Roux

NATIONAL

# Chain store told to stop 2c/ℓ scheme

183 (~~244~~)

□ State 'like bullies'

ARG 29/10/93

DAVID YUTAR, Staff Reporter

PICK 'n PAY has been forced by the government to withdraw its 2c-a-litre petrol discount with immediate effect

In a letter sent to the company yesterday, Director-General of Mineral and Energy Affairs P J Hugo ordered it to stop the discount scheme which it began five days ahead of a government deadline

In an earlier letter to Pick 'n Pay chief Raymond Ackerman, Mineral and Energy Affairs Minister George Bartlett gave notice that he would prohibit the supply of petrol to the company for a week as he was "convinced" the company was "wilfully disregarding regulations"

Pick 'n Pay director Gareth Ackerman has said his company was being "treated like errant schoolchildren" and being "punished and scolded" in what was the "commercial equivalent of being gated"

He said that by constantly changing its mind, the government had "succeeded in alienating virtually every sector of society" and was "playing a local version of Russian roulette with the economy"

By its latest action it was "behaving like a playground bully", he said

Pick 'n Pay had asked Mr Bartlett for its petrol supply to be resumed in return for its compliance with the government ruling on the discount, Mr Ackerman said

ADCOCK INGRAM
FM 29/10/93

## Sales turning sluggish

**Conditions in** the ethical presciption market, the high-margin business dominated by pharmaceutical group Adcock Ingram, are patently tough That's the clear signal which emerges from the group's 6% growth in turnover for the year, which compares with 12% at the interim and 18% in the previous financial year (183)

There are other reasons besides the weak economy, visits to doctors decreasing and cost containment measures by medical aid schemes Group CE Don Bodley says sales were affected, particularly in the second half, by rationalisation of distribution activities in Adcock's Wholesale division, the biggest contributor to turnover

Besides slightly better margins, due to better efficiencies and cost savings, operating profit growth slowed to 12% from the interim's 21%.

Group financial executive Daryl Kronson says Adcock has been containing price increases, understandable with the growing pressure on health care costs in SA

The market is becoming increasingly fragmented and difficult to read with proposed changes to legislation. One change which would benefit Adcock would be the proposal to allow pharmacists to dispense higher schedule drugs But at the same time it's likely medical aid schemes will try and contain costs further and encourage generic substitution, which could affect Adcock's pharmaceutical business

Results have been helped by interest income of R2,5m (1992 payments of R5,7m) and the lower corporate tax rate, but at the bottom line Adcock continues with the strong earnings growth (an increase of 29%) investors have come to expect

FM 29/10/93

The trick will be sustaining that sort of growth in the coming year The company is in good shape and has great cash generating ability, which increased 30% to R200m It also continues to invest significantly in future production and research and development, with capex totalling R44m in financial 1993 (183)

### SALES SLUMP

| Year to September 30 | 1992 | 1993 |
|---|---|---|
| Turnover (Rm) | 915 | 971 |
| Operating income (Rm) | 141 | 157 |
| Attributable (Rm) | 76,5 | 98,3 |
| Earnings (c) | 56 | 72 |
| Dividends (c) | 21 | 27 |

The share remains one of the most highly rated in the sector, and at R15, after the recent subdivision, is expensive The strong EPS growth in latest results could push the price up a few rands, though the whole sector is starting to look overpriced *Shaun Harris*

# Fraud inquiry in Soekor

183

CT 29/10/93

**Staff Reporter**

OFFSHORE drilling giant Soekor has launched an investigation into internal irregularities involving millions of rands and has asked for assistance from the Office of Serious Economic Offences.

In a brief statement yesterday, Soekor confirmed that an internal investigation was under way and that one or more officials at the company were involved in the irregularities over contractual services

## Difficult

Soekor declined to comment further, saying details would be made known after the inquiry

At the Office of Serious Economic Offences in Cape Town a spokesman confirmed that million of rands were involved

The spokesman said a decision to investigate would still have to be made and could be a very difficult and technical procedure

*Manufacturers team up to cut costs*

# Drug companies form joint venture

Star 2/11/93

**BY MICHAEL SPARKS**

Four major drug manufacturers have formed a joint-venture distributing company to provide better controls over their drugs as well as reduce prices, it was announced at a Sandton press conference yesterday.

The new company, International Healthcare Distributors, will start to operate from the beginning of next month, said its chief executive Trevor Lauf

It has been formed by four competing multinational drug manufacturers — Roche, Ciba, Bayer and Boehringer Ingelheim — which together account for about 12 percent of South Africa's pharmaceutical market.

**FOUR pharmaceutical multinationals create a distribution network which could reduce the price of their products by about 5 percent**

183

Lauf estimated the new distribution company could result in a 5 percent drop in the price of pharmaceuticals, saving the consumer between R30 million and R40 million in the first year of distributing the companies' 350 products

International Healthcare chairman Johann Niehaus said one of the major benefits would be that the improved controls would prevent counterfeit products reaching the consumer, through careful control of batch numbers and other mechanisms.

He described an incident in Nigeria, where a counterfeit painkiller turned out to have been made with industrial solvent, killing 140 people

Niehaus estimated that between 5 and 7 percent of pharmaceutical products were counterfeit, placing the consumer at great risk. The new distribution system would make it far more difficult to introduce counterfeit products, while also making their detection much easier

BUSINESS DAY, Tuesday, November 2 1993

# Unleaded fuel boost

B/Day 2/11/93

EDWARD WEST

THE introduction of unleaded fuel in 1995 had the potential of creating a R200m a year domestic market for catalytic converters, said Delta Motor Corporation industrial and commercial holdings director Andre van Rooyen

Delta subsidiary Precision Exhaust Systems produced and exported catalytic converters which already had resulted in R160m foreign exchange earnings. New export opportunities had been created for related products, he added (183)

Van Rooyen said the introduction of unleaded fuel would result in cost savings for local vehicle manufacturers as engine technology from overseas source companies specified engine designs for unleaded fuel.

Local manufacturers had to re-engineer engine and engine management systems for leaded fuel, sometimes at substantial development costs, without the benefit of economies of scale because of low sales volumes in SA Catalytic converter exports allowed manufacturers to achieve economies of scale, he said.

BMW and Volkswagen said the use of catalytic converters locally after 1995 was dependent on whether legislation was introduced making it obligatory

# Pharmaceutical companies set up own wholesaler to combat thefts

BDay 2/11/93

KATHRYN STRACHAN

FOUR multinational pharmaceutical companies yesterday unveiled a plan to join forces and set up their own wholesaler in a bid to stem the R1bn-a-year losses to SA drug theft syndicates

Competitors Bayer, Boehringer Ingelheim, Ciba and Roche said International Healthcare Distributors would be the sole distributing agent for their products In a world first, the move aims to control the flow of medicines and cut costs It also bypasses the wholesaleing sector.

Ciba representative Johann Niehaus said the manufacturers were concerned about the questionable distribution of their drugs The progressively fragmenting distribution system was putting their products at risk and wholesalers were cashing in on the lack of effective controls

National Association of Pharmaceutical Wholesalers president Lex Tannenbaum attacked the move, saying the theft problem occurred throughout the pharmaceutical chain and was as prevalent at the manufacturing level as anywhere else.

The wholesale sector was trying to combat theft, and he criticised the companies for failing to co-ordinate a solution with the rest of the industry The four companies represented about 10% of industry turnover and the move would have a major effect on the wholesale sector

(183)

Consultant Len Keating, whose investigations into drug thefts have made him the target of death threats, said the international pharmaceutical industry had invested more than R10m in the venture and would observe the new plan closely to assess whether it could serve as a blueprint for the worldwide theft problem

Niehaus said the drug racket was responsible for escalating medicine prices, and counterfeit products had proved potentially dangerous Research had shown that one out of five products dispensed went through the grey market, which includes stolen products, counterfeit products, repackaging of outdated stock, recycled deals and export scams

The spotlight has fallen on government depots such as army, hospital and homeland stores The stolen medicine is offered to agents, some of whom purchase it at prices ranging from between 50% to 90% below cost, and it is then rerouted back into the distribution channel

Representatives said manufacturers were blamed for the unrealistically high prices of medicine, which was sold to consumers at 120% more than the ex-factory price By controlling the supply chain, they expected an initial saving to the country of about R40m in lowered medicine costs.

Although the representatives conceded that the manufacturing sector was not immune to thefts, they said the move would allow greater control of products

● Picture: Page 3

# Employers urged to change views

B/Day 3/11/93

ERICA JANKOWITZ

COSATU affiliates would be more likely to opt for union independence in a post-election SA if employers showed a willingness to adopt a co-determinate workplace philosphy, Southern African Clothing and Textile Workers' Union (Sactwu) general secretary John Copelyn said yesterday.

Speaking at an Innes Labour Brief seminar, Copely said Sactwu had called for a split in the ANC/SACP/Cosatu alliance directly after the election.

This was mirrored by the National Union of Metalworkers of SA (Numsa), but for different reasons. He said Numsa's position was adopted as a result of its perception that the ANC was not socialist enough in its approach to reconstruction and redistribution.

Copelyn said Numsa was therefore looking to establish a "conference of the left" co-sponsored by the SACP and incorporating all like-minded leftist organisations.

He described calls for nationalisation without compensation as "bankrupt" and not viable and suggested all affiliates would change their thinking soon away from a strongly socialist line.

# Bartlett suggests petrol plan for taxi groupings

CAPE TOWN — Taxi groups could be encouraged to take over existing service stations in order to provide cheap fuel to their members, Energy Affairs Minister George Bartlett suggested yesterday. BDay

Speaking at the Motor Industries Federation annual conference in Cape Town, he said he had resisted pressures to allow minibus taxi owners to operate consumer installations — outlets owned by consumers — and had imposed a moratorium on all consumer installations until the situation had been fully assessed. 3/11/93

These installations could have repercusssions for the retail margins of existing petrol sellers, negative implications for the petrol price and lead to the closure of many service stations. (183)

One solution might be for taxi groups to take over existing service stations and operate them with shareholders sharing the profits

Provision would have to be made for all oil industry marketing companies to become involved in such a scheme.

The argument against this proposal was that it had been tried in the past with limited success.

"Much experience has been gained and this option should again be productively explored."

Bartlett said he had been told the retail margin on petrol was under pressure from rising costs.

This issue could not be assessed in isolation, but would be addressed urgently as part of the current evaluation of the fuel price structure.

Bartlett said a factor the government had taken into account in retaining a higher fuel price was that the impact of the increase had already "worked its way through to the economy"

"It would have been very difficult to reverse these impacts and in the end the consumer would be placed in jeopardy should the price have to be raised again in December"

He was convinced that the decision not to accept the original proposal of the National Economic Forum — that the increase be held over to December — was the appropriate course of action.

Motor Industries Federation president Errol Richardson told the conference black petrol station owners would suffer the most if the fuel industry was deregulated

He said a structured industry was in the interests of the consumer. — Sapa

# Taxis 'should supply petrol'

TAXI groups should be encouraged to take over existing service stations to provide low-cost fuel to their members, Energy Affairs Minister Mr George Bartlett suggested yesterday.

Speaking at the Motor Industries Federation annual conference in Cape Town, he said he had resisted pressures to allow minibus taxi owners to operate petrol outlets and had, in fact, imposed a moratorium on all privately-owned installations until the situation was fully assessed.

These installations could have a negative effect on existing petrol outlets and lead to the closure of many service stations, he said. 2414

One solution might be for taxi groups to take over existing service stations. 183

Mr Bartlett said a factor the government had taken into account in retaining a higher fuel price was that the increase had already worked its way through the economy and affected the price of goods. CT 3/11/93

"It would have been very difficult, if not impossible, to reverse these impacts and in the end the consumer would be placed in double jeopardy should the price have to be raised again in December."

He said he was convinced that the decision not to accept the original proposal of the National Economic Forum — that the increase be held over to December — was the appropriate action and would be in the best long-term interests of the economy

# Fate of discount petrol plan to be decided today

(183) CT 4/11/93

Supreme Court Reporter

JUDGMENT will be given in the Supreme Court this morning in an application by Pick 'n Pay to have set aside a notice by Minister of Mineral and Energy Affairs Mr George Bartlett banning a petrol discount scheme

The scheme offers customers who have bought Hypermarket goods worth more than R10 a discount of 7c a litre on petrol bought at the adjacent petrol station operated by Pick 'n Pay Retailers

Pick 'n Pay counsel Mr Bertrand Hoberman, SC, argued last week that Mr Bartlett's decision had been "grossly unreasonable"

The Petroleum Products Act clearly distinguished between "purchase price" — which he contended was the price paid for petrol by the purchaser, in this case a Hypermarket customer — and "selling price", the price received by the seller or the Pick 'n Pay petrol station

The law appeared to provide for a scheme which could influence the price paid by the purchaser but not that received by the seller, Mr Hoberman said

Mr J L van der Merwe, SC, for the minister, argued the court should take into account that the real aim of the coupons were to sell petrol at a discounted price

Pick 'n Pay's motive was to attract more customers and by adding a condition that they must buy goods worth more than R10 to qualify for the coupons, customers ended up spending more, he said

# Chainstore loses petrol price feud

183 ARG 4/11/93

**PATRICK FARRELL**
**Supreme Court Reporter**

PICK'n Pay today lost its Supreme Court battle with Minister of Mineral and Energy Affairs George Bartlett to sell petrol at a discount

The scheme, in operation at the Durban Hypermarket, entitled customers who spent more than R10 to coupons giving them a 7c-a-litre discount for petrol bought at the Hypermarket's petrol station

The minister banned the scheme on September 21 in terms of the Petroleum Products Act

Pick'n Pay Retailers (Pty) Ltd and sister company Hypermarkets (Pty) Ltd applied to the Supreme Court for an order setting aside the ban

Today Mr Justice Brand, with Mr Justice Conradie concurring, dismissed the application with costs, including the cost of two counsel

Mr Justice Brand said Pick'n Pay had argued that the ban should be set aside for three reasons

- That the decision behind the prohibition was so manifestly wrong and grossly unreasonable as to warrant the inference that the minister had failed to apply his mind
- That the minister took into account irrelevant considerations when coming to his decision
- That the decision was not taken in accordance with the tenets of natural justice in that Pick'n Pay was not given an opportunity for its side to be heard

Mr Justice Brand found he could not agree with the argument advanced by Pick'n Pay's counsel Bertram Hoberman SC on these points

The judge found the version by J van der Merwe SC, for the minister, was more acceptable

"It is apparent from the minister's papers that in his view a scheme which allows a customer to purchase petrol at a discount in fact allows the customer to purchase petrol at less than the prescribed selling price and therefore falls within the ambit of the relevant section of the act which he used to justify banning the scheme

"This line of reasoning can, in my view, hardly be described as being unreasonable"

The judge said that even if the minister's reasoning could be faulted, it was not so unreasonable as to warrant the reference that he did not apply his mind

Mr Hoberman and Willie Duminy appeared for Pick'n Pay Mr Van der Merwe and J A le Roux appeared for the minister

# Decision on sale of fuel 'disappointing'

**THE Supreme Court's decision to uphold the government ban on Pick 'n Pay's discount petrol scheme was very disappointing, joint managing director of the Pick 'n Pay group Gareth Ackerman said today.**

**Outside court soon after judgment, he said Pick 'n Pay would study the judgment before deciding whether to appeal.**

**"We are very upset, disappointed, we think we've been robbed," he said.**

**"We knew from the start the whole thing was based on what's in the minister's mind, and whatever's in his mind, he can do. We thought our legal arguments were good enough to get round the minister's mind."**

**Pick 'n Pay would be "totally unable" to continue the discount scheme at its Durban hypermarket.**

**"We're going to have to wait for another round before we can do something else," he said.**

**Mr Ackerman described the Petroleum Products Act, under which Energy Affairs Minister George Bartlett issued the prohibition, as "extremely tight and very draconian".**

**However, the court case had been another nail in the coffin of petrol regulation — Sapa**

# Pick 'n Pay loses court contest with Bartlett

BiDay 5/11/93

LINDA ENSOR

CAPE TOWN — Two Pick 'n Pay companies yesterday lost their urgent court application to have a ministerial ban on their petrol discount scheme overturned

The application, brought in the Cape Town Supreme Court by Pick 'n Pay Retailers and Hypermarkets (Pty) Ltd against Mineral and Energy Affairs Minister George Bartlett, was dismissed with costs by Judge F D J Brand, with Judge J H Conradie concurring (183)

In terms of the scheme, customers at Pick 'n Pay's Durban outlet received coupons which entitled them to a 7c discount on petrol bought there

The judge said the question was not whether, objectively speaking, the Minister's decision to prohibit the scheme was right or wrong, as the Petroleum Products Act gave him wide discretion to decide The question related instead to the exercise of this discretion

Pick 'n Pay argued that Barlett had failed to apply his mind to the "manifestly wrong" decision, took into account irrelevant considerations and had not made a decision in accordance with the tenets of natural justice

It argued that the scheme did not affect the selling price of petrol at the outlet, as claimed by Bartlett, as the outlet sold the petrol at the prescribed price. Pick 'n Pay argued that the law allowed for a scheme which affected the purchase price but not the selling price

However, the judge found the selling price referred to in legislation referred not only to the price received by the outlet but also to the price paid by the customer

"It is therefore almost inconceivable that the legislature intended to draw a distinction between the 'purchase price' and the 'selling price' in terms of one sale." The judge said the scheme did affect the selling price as it enabled the customer to purchase petrol at a discount.

The judge found that Bartlett's view that the scheme would affect not only the selling price at the particular outlet but also the selling price of petrol at other outlets was correct

Pick 'n Pay joint MD Gareth Ackerman said afterwards the judgment highlighted the "all-encompassing and absolute nature of the laws protecting the oil industry"

# Health care division gives a boost to Afrox results

B/Day 5/11/93

EDWARD WEST

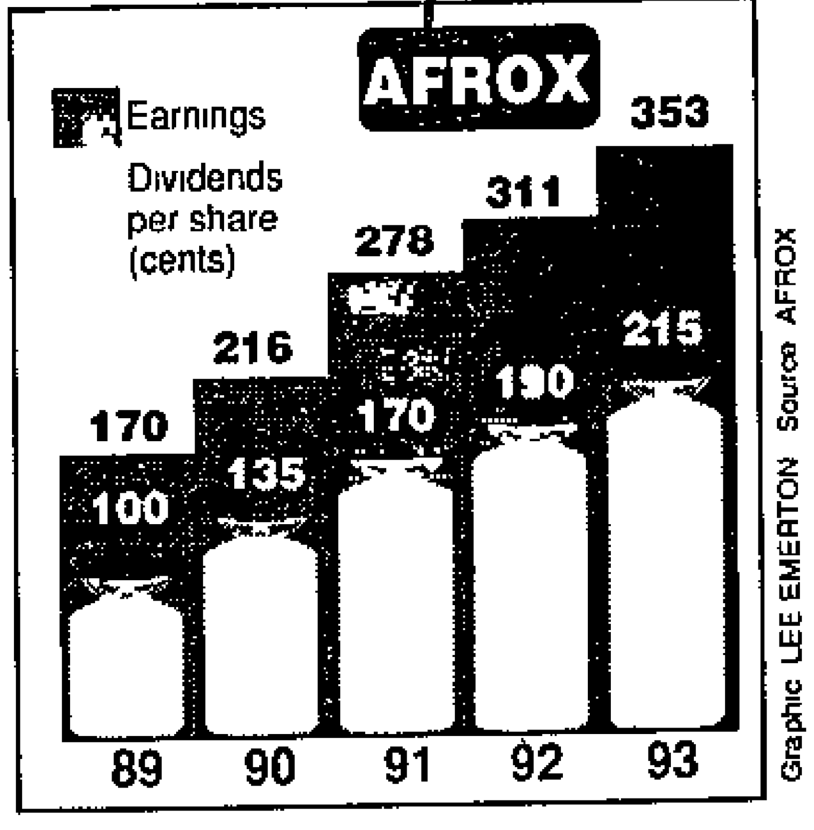
AFROX lifted inflation accounted earnings 13% to 353c (311c) after a profitable year to end-September 1993 for its health care division This was despite falling demand for industrial gases and welding products.

Turnover was nearly a tenth higher at R1,21bn (R1,11bn).

Operating profit was 5% higher at R227,4m (R217m). Gross margins fell to 18,8% (19,5%) (183)

Interest charges fell to R32,7m (R35,2m), resulting in a 7% increase in pre-tax profit of R194,7m (181,9m) Tax of R87m (R84,7m) excluded the deferred tax release of R11m which was brought to account in the R9,8m extraordinary item.

Attributable income was 13% higher at R105,8m (R93,2m) Earnings a share were adversely affected by charging earnings with additional depreciation of R15,6m, which was further compounded by the Receiver of Revenue not recognising such depreciation for tax purposes, said MD Royden Vice.




A final dividend of 135c (119c) was declared, lifting the dividend for the year to 215c (190c). Gearing improved to 21,4% (23,8%)

Vice said demand for industrial gases among many traditional customers dropped as they struggled to retain markets in an environment of stayaways and recession in the gross domestic fixed investment sector.

However, the gases division maintained its resilience. This was because of its many long-term supply contracts and because its customers were spread in industries ranging from mining and heavy engineering to food processing and beverages

The division strengthened its supply sources by commissioning a 60-ton-a-day argon plant and now also had access to five alternative sources for atmospheric gases on the Reef Increased demand for carbon dioxide led to the commissioning of a plant which would take up streams from the Mossgas installation.

The welding business suffered from the recession, but major projects such as Alusaf and the Columbus stainless steel project would mean increased activity and sales for industrial gases and the welding business in financial 1994.

The health care division refocused its hospitals on their primary markets The Princess in Hillbrow was closed and the Springs Parkland Hospital on the East Rand was acquired as part of this rationalisation

The Anneron Clinic in Klerksdorp was bought and a management contract signed for Vosloorus hospital Botshelong-Empilweni.

Vice said it was difficult to make a forecast for the 1994 financial year

*US giant buys controlling stake in Permark*

# Proctor & Gamble on the way back

Star 5/11/93

**BUSINESS STAFF**

Multinational pharmaceuticals and consumer goods group Proctor & Gamble is reinvesting in SA with the purchase of a controlling interest in Johannesburg-based Permark International.

Confirming the purchase, P&G's manager of development markets with the Middle East and Africa division, Colin Webster, said from Geneva yesterday that the US giant was exercising the option to buy back the controlling stake it sold when it disinvested in 1986 from Permark's predecessor, Richardson & Vicks.

Permark, which has a factory at Spartan, Transvaal, makes health-care and cosmetic products such as Oil of Olay, Vicks, Clearasil, Everysun and Milton. It has a workforce of 280.

A number of other P&G products are made and distributed under licence by other producers.

**THE P&G name will probably be reinstated at a later date**

183

Webster declined to disclose the purchase price or the financial performance of Permark, but said a look at its spread of products on supermarket and pharmacy shelves would give some indication of its status.

Permark would continue to be run by the local management as a subsidiary of P&G

"In time, we will probably reinstate the Proctor & Gamble name, but that is purely an administrative matter"

Webster would not be drawn on plans for further acquisitions or the introduction of new products.

"We have no experience in SA worth speaking of and obviously we are going to make use of this (acquisition) to understand the market and business conditions better. We will continually reassess our plans."

P&G is believed to be the world's 35th-largest company.

Paul Kinsley, chief executive of Permark, said the move was exciting because it would boost the company's competitiveness and growth potential.

P&G operates in 54 countries. Among its other products available worldwide are Ariel detergents, Pampers nappies, Old Spice toiletries and Crest toothpaste.

Kinsley said plans had not yet been finalised, but that P&G would probably put one or two of its managers in th South African operatior learn about local markets

# Afrox pumps up earnings 13 percent

183

MARC HASENFUSS, Business Staff

AG 5/11/93

AFRICAN Oxygen (Afrox) pumped up earnings 13 percent to R106 million in the year ended September — thanks mainly to solid showings from the Gas and Healthcare divisions

Directors attributed the inflation-beating performance to management's strict control over costs and capital expenditure

The dividend payout was increased proportionately to 215c a share, covered a generous 1,8 times

Turnover was up 9 percent to R1,2 billion — but squeezed margins restricted the gain in operating profits to 5 percent at R227 million in the period under review

Bottom line, however, was bolstered by lower interest payments, a reduced tax rate and a drop in payouts to outside shareholders

Directors said the Gas division continued to perform steadily, mainly as a result of long term contracts and stable revenue flow from fixed facility charges and rentals

Overall utilisation of services was maintained in the Healthcare division, with sustained attention to costs lifting the division's performance

The Healthcare division expanded in the period under review via the acquisition of Springs Parkland Clinic and Anncron Clinic.

The Welding division, operating in the depressed engineering sector, felt the full brunt of the weak economy

Looking ahead, directors warned of uncertainty in the new year — but ultimately their assessment of 1994 was bullish "We have a stable, widely spread business with a large fixed revenue element and expect a further improvement in business"

The group's balance sheet vindicates the director's confidence for the year ahead Gearing stands at a healthy 21,4 percent and the interest cover at an acceptable 7,4 times

■ The move by small engineering listing **Clyde Industrial** into mining orientated business paid dividends in the six months to end August

The group managed a 20 percent increase in attributable income to R1,1 million, from which a dividend of 1,25c a share was declared

Directors said fierce competition in the mining sector eroded margins severely, cutting operating profits down by 34 percent to R1,6 million

However, a marked drop in interest paid to R465 000 and a low tax bill propped up bottom line

The R67 000 tax bill (previously R778 000) was owing to profits being made in mining-orientated companies, which were not yet in a tax-paying position

■ Bophuthatswana-based investment holding company **Yabeng** increased attributable earnings by 8 percent to R10,6 milion in the half year ended September

Directors said some investments performed well in trying circumstances in the period under review

They predicted that full-year earnings would match those of the previous year

Yabeng does not control any of the companies in which it holds investments

■ **African Cables** reported net income down by half to R10 million in the year ended September on the back of weak demand for power cable by the mining industry and the low level of infrastructural development

However, the figures are not really comparable because the previous reporting period was for the 15 months ended September

The final dividend was slashed to 4c (previously 15c) a share, making for a much lower 12c payout for the full year.

Directors pointed out that the cost of further reducing manpower levels and adopting a more conservative approach to slow moving stock provisions reduced operating income by R7 million in the period under review

# World group exercises option on stake in SA

(183) ARG 5/11/93

The Argus Correspondent

DURBAN — Multinational pharmaceuticals and consumer goods group Proctor and Gamble is reinvesting in South Africa — and buying a controlling interest in Johannesburg-based Permark International.

Confirming the purchase, P and G's manager of development markets with the Middle East and Africa division, Colin Webster, said from Geneva the United States giant was exercising the option to buy back its controlling stake taken when it disinvested in 1986 from Permark's predecessor, Richardson and Vicks.

Permark, which had a factory at Spartan in the Transvaal, manufactured several leading health-care and cosmetic products, such as Oil of Olay, Vicks, Clearasil, Everysun and Milton. It employed about 280 people.

Other P and G products were manufactured and distributed under licence in South Africa by other producers.

Permark would continue to be run by the "outstanding" local management as a subsidiary of the P and G group.

Julie Walker

# Gas good for Afrox as welding loses its crackle

S Times (Buss) 7/11/93

GAS business soared, hospitals thrived, but welding weakened for Afrox in the year to September 1993.

The group, 57%-owned by British multinational BOC has been a consistent performer throughout the recession because of its spread of interests and long-term contracts to supply gases.

It is also one of the few groups to use current-cost accounting in its figures. The effect is that the 13% growth in earnings a share is real after taking out inflation.

Afrox lifted turnover by 9% to R1,2-billion in the year to September. Profit margins were almost maintained. A lower interest bill led to a pre-tax climb of 7% to R195-million.

Ever conservative, the group took lower corporate tax below the line. Had it taken it above, as many companies have done, earnings would have been up by 25% a share.

(183)

Earnings and dividends increased by 13% respectively to 353c and 215c a share.

Managing director Royden Vice says the gas business grew in real terms in spite of the poor performance of the welding industry, which accounts for more than half of Afrox's business.

Mr Vice says Afrox can meet increasing SA demand for carbon dioxide through the commissioning of a plant at Mossgas, taking the number of sources to seven. A 60-ton-a-day argon plant was opened in the past year.

Welding had another tough year because there was little infrastructural spending. But projects such as the Alusaf aluminium smelter, Columbus stainless steel and Iscor's potential Saldanha Bay development among others should improve demand.

Although these projects are likely to attract foreign competition, Mr Vice believes Afrox's distribution network is a core strength.

Mr Vice says Afrox is about to buy the Gaborone Private Hospital in Botswana. The Princess Hospital in Hillbrow, Johannesburg, has been closed at a loss.

Afrox estimates it has a 17% share of the private hospital market. It is developing Medimo, a managed health-care scheme.

It manages pharmacies at other private hospitals.

Mr Vice expects another year of real returns for shareholders, a view few would challenge. The shares are R94.

# More pharmaceutical dirty tricks

KATHRYN STRACHAN

REPORTS of dirty tricks in the pharmaceutical industry have intensified in the wake of last week's announcement by four manufacturers that they would distribute their own products in an effort to curb the R1bn-a-year medicine theft racket

The move could cost wholesalers up to 12% of their business. B/Day

A female marketing manager at one of the manufacturing companies concerned had received calls from an anonymous wholesaler threatening her with rape if the move went ahead. And an industry source said some wholesalers had threatened to take legal action and to boycott the four manufacturers' products. 8|11|93

The four multinational companies — Bayer, Boehringer Ingelheim, Ciba and Roche — have joined forces to create International Healthcare Distributors (IHD) (183) the sole distributing agent for their products They said concern that widespread theft and counterfeit operations, which compromised the safety of their products and pushed up prices, had forced them to take this step A central distributor would give them greater control over the flow of their medicines

In public confrontations last week, representatives from the two sectors traded accusations

Boehringer Ingelheim MD Paul Stewart said 500 counterfeit copies of heart medication had been sold by a wholesaler last week The consequences could be fatal, he said.

IHD spokesman Nic Brummer said the

☐ To Page 2

# Pharmaceuticals

☐ From Page 1

wholesaling sector opened itself to theft and fraud by failing to adopt a code of practice that prohibited it from buying from any source other than the legitimate manufacturer. By trading through agents rather than manufacturers they were susceptible to fraud, he said. B/Day

Brummer said the four manufacturing companies had taken action to fight theft because "after years and years of talking about it, nothing has happened". He claimed that despite extensive files on the subject, police investigators had failed to make headway. (183)

But state investigators say their probes have been confounded by the lack of orderly account-keeping in the industry. 8|11|93

And the wholesaling sector has criticised manufacturers for not joining other industry efforts to fight crime.

National Association of Pharmaceutical Wholesalers (NAPW) executive director Trevor Phillips said a firm of international security experts, Hamilton Whitton, had been hired in an attempt to clean up the industry. Hamilton Whitton spokesman Lee Dutton said the association had taken the lead in the fight against theft by launching a reward system. In the past few weeks the reward system had already uncovered five operations, he said.

Dutton said a concerted effort would be made at the association's AGM today to encourage manufacturers to join the reward system. "We hope that, instead of turning into a mud-slinging episode, this unifies the industry against the problem."

# Concern for the economy prevails

THEO RAWANA

CONSIDERATION for SA's economy had outweighed public wrath and the threat of taxi blockades against the recent petrol price rise, a fuel industry leader said at the weekend. B/Day 8/11/93

In reaction to government's refusal to roll over the 7c price increase, a Liquid Fuel Price Summit decided last month that pickets, protests and taxi blockades would begin in the eastern Cape on October 24, move to the Free State the following week, then to the Transvaal (this week) and to Natal after that. (183)

But at least one major taxi organisation, the National Federated Transport Organisation (Nafto), has come out in favour of holding fire until the liquid fuel task force of the National Economic Forum (NEF), whose proposal to suspend the price increase was initially rejected by government, reports to the forum in December

Protest action in the eastern Cape was confined to reducing speed to conserve fuel. The Free State reported no action.

In line with the NEF decision that government's 2c reduction in the fuel price served to reopen discussions, Nafto national vice-chairman Simon Mathysen said his organisation felt it should contribute to the task force rather than embark on action, "We have no doubt such action would harm the economy."

Cosatu and Nactu spokesmen could not be reached on Friday.

# SA faces fake drugs threat

183

**Health Reporter**

SOUTH Africa could be the target for counterfeit pharmaceuticals unless action is taken to stop their import

This was said at a national conference of pharmaceutical wholesalers in Thaba 'Nchu

ARGT 10/11/93

Fake pharmaceuticals were easily imported because they were light and valuable and easily hidden during transport, said Lloyd Rowcroft, a senior consultant for a corporation specialising in industrial theft

Unlike some counterfeit products, the introduction of fake pharmaceuticals into a package could injure or kill

Countries from which pharmaceutical wholesalers might expect serious counterfeiting problems were Brazil, India, Mexico, the Peoples' Republic of China, Saudi Arabia, the Republic of Korea, Taiwan and Thailand

Anyone offered pharmaceutical products from a questionable source should call the toll-free number ☎0800-11-95-59

# Fake medicines on market posing a 'great danger' 183

The Argus Correspondent ARGT 12/11/93

DURBAN. — Defective or fake medicines which can harm or even kill patients rather than heal them are circulating on the South African market.

And there are claims that some doctors may knowingly, or unwittingly, be helping to spread the threat through a process called "round-tripping".

The public furore surrounding rising theft, counterfeiting and illegal trading in the pharmaceutical industry has led worried wholesalers to call for measures to stamp out this practice

Trevor Phillips, executive-director of the National Association of Pharmaceutical Wholesalers (NAPW), said round-tripping was triggered by manufacturers giving trading doctors and clinics unusually large discounts to which wholesalers did not have access

The temptation was for doctors to sell back excess stock to wholesalers and others at attractive discounts.

Addressing NAPW members at the association's national conference at Thaba Nchu, Lesotho, this week, Mr Phillips warned of the "great danger" posed to patients by round-tripping.

Drugs were often stored incorrectly during the circuitous route and this could lead to nasty side effects and even death

Stolen and counterfeit drugs were often introduced at this stage and were almost impossible to identify, he said.

Delegates at the conference also heard that South Africa was already a target for international pharmaceutical counterfeiters.

Unless concerted action was taken immediately, the trickle of fakes entering the country would become a flood, said Lloyd Rowcroft, a senior consultant for Hamilton Whitton (SA).

# Tough year ahead, but Engen goes for profits

MARC HASENFUSS (183)
Business Staff

ARGT 12/11/93

ENGEN anticipates a difficult year ahead but is forecasting at least maintained profits — thanks to steps taken to position the energy group in a rapidly changing environment

Chief executive Rob Angel said in his annual review that the past year had seen Engen complete several significant investments and structural changes to prepare for what undoubtedly will be a difficult and uncertain future

"Flexibility in both facilities and management to adapt to this environment has been the cornerstone of gearing Engen to meet the challenges ahead"

In the year just past Engen lifted net income by 13,2 percent to R480 million and earnings a share by 12,4 percent to 309c

Looking at the domestic martket, Mr Angel said that petrol and diesel sales volumes were only a disappointing 1 percent ahead of the previous year

However, he noted that the demand for illuminating kerosene was firmer in line with increased urbanisation In addition, jet fuel sales rose a strong 6 percent with the growth in the number of international airlines serving South Africa

He added that the weak performance in the domestic diesel and gasoline market coincided with a 15 percent increase in South African refinery capacity

"All the country's refineries are in the process of de-mothballing and expanding capacity to meet the anticipated growth in demand in both South Africa and further afield"

When the process has been completed in 1995, Mr Angel said the incremental capacity of 178 000 barrels a day (an increase of 34 percent) would bring total capacity to 658 000 barrels a day.

This was adequate — on current projections — to supply domestic demand until around 1998

Mr Angel said local supply currently exceeded demand and had resulted in strong competition in those markets not subject to government price regulation and an increased emphasis on export markets

Analysing the past year he says that the main factor contributing to Engen's improved results was the increase in refinery througput following the successful completion of the first phase of the Engen refinery expansion

The group's second phase of the refinery expansion and upgrading programme, costing an approximate R800 million, is currently underway and should come on stream in early 1995

Mr Angel explained that the upgrade was aimed at improving Engen's production of the high value white products and enabling the refinery to process heavier and cheaper crudes

"This will lead to a significant improvement in unit production costs and will position the company to meet the future demand for more stringent environmental specifications for low sulphur diesel and unleaded gasoline"

FM 12/11/93

SENTRACHEM FM 12/11/93

# Strategic change

**Activities:** *Makes and trades in chemical and related products* (183)
**Control:** *Sankorp 37%*
**Chairman:** *D N A Hunt-Davis; MD: J L Job*
**Capital structure:** *115m ords Market capitalisation. R1bn.*
**Share market:** *Price. 875c Yields. 2,7% on dividend; 8,6% on earnings, p.e ratio, 11,6, cover, 3,1 12-month high, 875c, low, 535c Trading volume last quarter, 230 000 shares*

| Year to August 31 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 114 | 135 | 102 | 181 |
| LT debt (Rm) | 497 | 475 | 366 | 360 |
| Debt:equity ratio | 0,71 | 0,63 | 0,49 | 0,43 |
| Shareholders' interest | 0,34 | 0,33 | 0,38 | 0,39 |
| Int & leasing cover | 2,1 | 1,6 | 2,9 | 2,5 |
| Return on cap (%) | 12,3 | 11,7 | 10,5 | 9,3 |
| Turnover (Rbn) | 2,16 | 2,28 | 2,43 | 2,62 |
| Pre-int profit (Rm) | 245 | 235 | 220 | 212 |
| Pre-int margin (%) | 11,4 | 10,3 | 9,0 | 8,0 |
| Earnings (c) | 66,1 | 53,8 | 62,0 | 75,3 |
| Dividends (c) | 24 | 18 | 20 | 24 |
| Tangible NAV (c) | 480 | 499 | 521 | 605 |

**Weak markets,** particularly in the second half, slowed Sentrachem's growth after the 8% gain in turnover and 26% increase in earnings at the interim The effect is apparent at pre-interest level, where profit dropped about R8m to R212m

Still, a longer view shows the strong recovery the chemical & plastics group has been making over the past three years, under a strategy which chairman Derek Hunt-Davis describes as a reorientation "from import-replacement to outward-looking world competitiveness."

Faced with depressed international chemical prices, increased overseas competition through reduced tariffs and import controls, and little growth in the domestic market, Sentrachem is focusing on two areas. exports, which grew 29% in financial 1993 to contribute 13% of turnover, and a move from commodity chemicals to higher value-added chemicals.

In the first area joint venture Sanachem, which makes and distributes agricultural chemicals, proved to be the star performer It increased its exports, which go to more than 80 countries, by 42%. Together with the Agrihold businesses, the division accounts for nearly a fifth of Sentrachem's sales It's also notable that while the division tends to encompass high-volume, low-margin business, the pre-tax margin firmed from 1,7% in 1992 to 2,4%

An even better improvement in margins was recorded by Mega Plastics, increasing from 1,5% to 3,9% on sales of R466m. MD John Job notes that export prospects for Mega Plastics look encouraging for the year

FM 12/11/93

ahead, after a joint venture in packaging was formed with Delta Corp of Zimbabwe

Depressed automative sales, reduced beer and soft drink demand, and poor agricultural conditions hampered growth Despite this, pre-tax profit increased from R7m to R18m, and with a new contract to replace SA Breweries' crates for smaller bottles, growth prospects look good

Growing exports, however, particularly at Sanachem, required working capital and partly frustrated Sentrachem's debt reduction programme Still, a more than doubling of cash holdings, to R161m, took just more than R10m off net borrowings (183)

The move upstream into value-added chemicals is mainly taking place at Sanachem, speciality plastics conversion at Mega Plastics, and has been boosted by the acquisition of Delta G, which includes chemical laboratories, and the acquisition of AECI's carbide furnace by Karbochem.

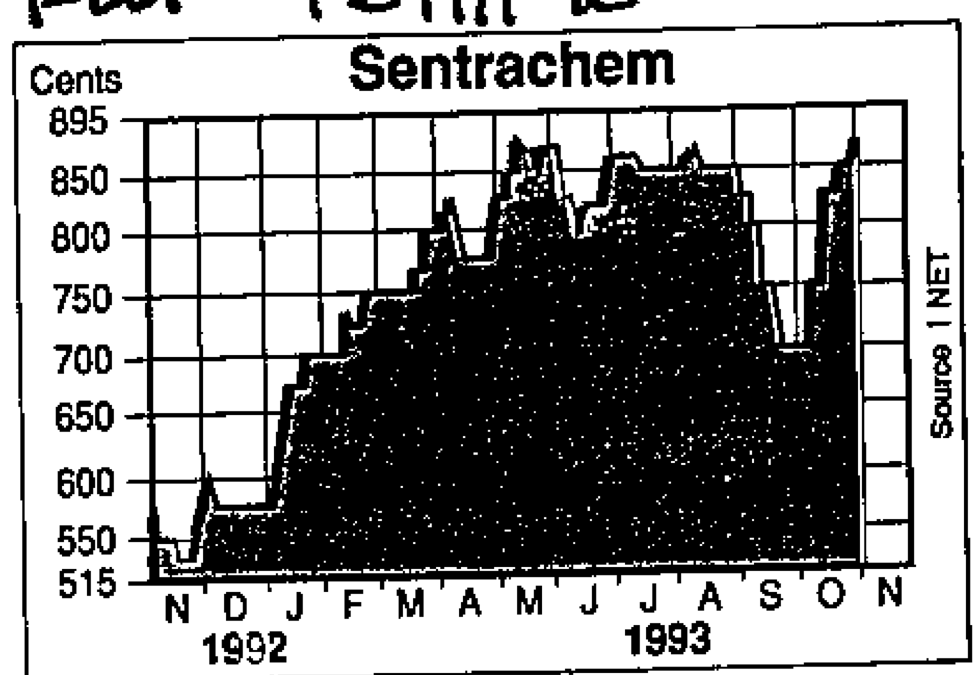
After earlier fears that Sasol's and AECI's chlor-alkali and plastics joint venture would threaten Safripol's access to feedstocks, Job says the outcome of the Competition Board hearing, which assures Safripol of full and equal access to monomer sources, makes him confident the joint venture with Hoechst will continue to grow unimpeded

When the 1992 annual report was reviewed, Sentrachem was close to holding a rights issue to fund its acquisition of Australian group Chemplex That deal fell through but a year later Sentrachem is still considering a rights issue, and has accordingly increased its authorised share capital Job won't specify when the issue will be held, or the likely target for the cash call, but he says Sentrachem remains interested in the right-sized offshore acquisition

The share price is co-operating, appreciating more than R3 over the year, and 75c since preliminary results were released, to equal its annual high of 875c Ratings have firmed, to the point where Sentrachem has the lowest dividend yield in the sector, and a p.e ratio not far off AECI and Chemical Services

**Sentrachem's Job** . *export prospects encouraging*

FM 12/11/93




(183)

That's starting to make the share look expensive, though the prospect of a rights issue in the coming year, as well as reasonable growth prospects, could sustain the upward trend in the price *Shaun Harris*

# Engen spells out vision of a deregulated industry

B/Day 15/11/93

**MATTHEW CURTIN**

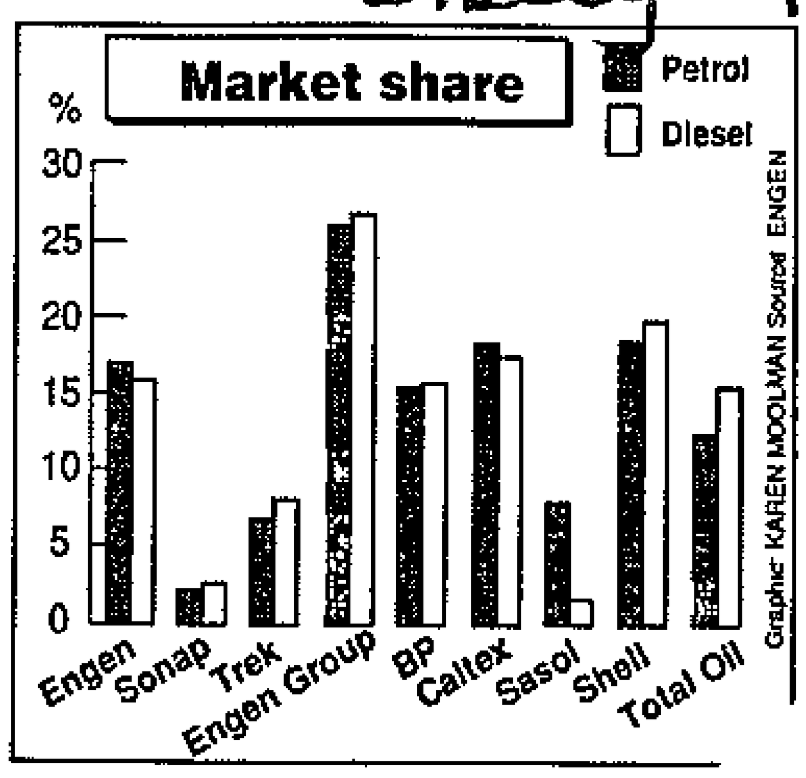
ENGEN, the former Gencor-owned fuels group, has spelt out its vision of a deregulated oil industry, repeating its appeal to government to scrap subsidies to the synfuel industry, phase out petrol price regulation and dump the Ratplan. (183)

MD Rob Angel said at the weekend that "the total regulatory mechanism" had to be dismantled if the oil industry was to embrace deregulation and free market principles.

Chairman Bernard Smith singled out the contribution Transnet could make to ensuring the oil industry remained "competitive in world terms".

He called on the transport group's harbour subsidiary, Portnet, to waive the multimillion-rand wharfage charges imposed on refining companies landing crude oil in Durban. Petronet, which managed the oil pipelines connecting the PWV area to the coast, should reduce its excessively high tariffs

Smith said in his yearly review of Engen's results. "The changes to the oil industry we have outlined cannot be implemented piecemeal but may need phasing in. If this period were to coincide with a period of economic




growth and increased employment, then it could be relatively painless"

He reiterated Engen's observation that regulated petrol prices provided a barely acceptable return on the group's capital investment, while there were too many service stations in SA for all to be economically viable even with the Ratplan, which restricts the number and ownership of retail petrol outlets.

The possibility that as many as half of the country's 45 000 forecourt attendants could lose their jobs if self-service was introduced to make petrol stations viable in a deregulated environment was cause for concern.

Overall, the changes Engen wanted provided "a balance between the needs of our customers for quality products at low prices and the national interest in limiting foreign exchange expenditure, maximising employment, supporting small business, minimising government expenditures and providing low cost fuel for growth".

Smith also turned his attention to Engen's unlisted rivals, suggesting a future government "might even require private oil companies to publish their annual accounts in the same way Engen does, in order to provide even more transparency as happens in other countries".

He was confident Engen would thrive in a deregulated environment. Benefits were also likely to flow to the group from rapid growth in its exports to Africa and considerable exploration opportunities

However, Engen would have to review its dividend policy to ensure it had the resources to meet these challenges, he said

"We will therefore seek to gradually increase the dividend cover over a number of years to thrice covered, and in addition will consider using scrip dividends."

In the current financial year, Engen would match attributable earnings of R480m (R429m), equivalent to 309c (275c) a share, on which it declared a 154c (137,5c) total dividend

# Affirmative action snags

B/Day 15/11/93

KATHRYN STRACHAN

THERE was commitment to introducing affirmative action in the pharmaceutical industry, but it was difficult to create opportunities for black advancement in a depressed economy, labour expert Duncan Innes said at the weekend.

Innes told the National Association for Pharmaceutical Wholesalers' annual conference, the economy would have to grow to increase the demand for skills and for effective progress to be made.

He said an assessment of wholesalers indicated affirmative action should be part of business strategy rather than as philanthropic posturing, thus adjusting the direction of a company to operate successfully in a restructured SA.

Despite the acute shortage of blacks with adequate training, wholesalers believed that paying abnormally high salaries to the few available would, in the end, be counterproductive.

Innes said selection of candidates for promotion should be made by consensus between management, trade unions and other worker groups — avoiding the old style management-only selection.

183

Blacks in senior positions could be targets for corruption by external criminal elements. This was true wherever extreme poverty lived cheek-by-jowl with wealth and affluence.

# Drugs group to spend R73-m

MARC HASENFUSS (183)
Business Staff ARGT 15/11/93

PHARMACEUTICAL group Adcock Ingram will increase capital expenditure significantly to R73 million in the year ahead, chief executive Don Bodley said in an interview in Cape Town today

The spending — which is up 66 percent percent on last year's R44 million — would be funded internally

The biggest slice will be earmarked for the group's critical care division — a strong export performer

The group is looking to boost total exports to 10 percent of turnover in the next few years Currently exports make up about 4,5 percent of total sales

Mr Bodley pointed out that Adcock Ingram needed to invest consistently in order to stay in touch with new technology

In light of it's ungeared position, Adcock Ingram is also in a strong position for acquisitions

However, Mr Bodley said that no acquisitions were presently under consideration

Looking at prospects for the year ahead, Mr Bodley predicted another inflation beating performance "The first month of trading since year end (October) was fairly good"

# Bartlett hints at lower fuel price before polls

TIM COHEN

MINERAL and Energy Affairs Minister George Bartlett hinted yesterday that the petrol price could come down before the elections. B/Day

Bartlett said that declines in the price of crude oil usually took a few months to work their way through the system. 16/11/93

Since the price of crude had recently declined and assuming SA's currency maintained its current position, the formula which determined SA's petrol price might dictate a price decrease in a few months.

This could take place without adjusting the in-bonded landed cost formula, in terms of which SA's petrol price is determined with reference to the amount paid by a selection of foreign refineries.

The National Economic Forum task group was still studying other aspects of the composition of the petrol price and was expected to report its findings by mid-December, he said. (183)

The task group was re-examining whether the petrol price would be affected if a different set of refineries was used as a reference to establishing the SA petrol price.

The group was also "having another look" at the wholesale margin to see whether savings could be achieved.

Bartlett said the retail margin was being examined, but anticipated that little or no saving could be achieved on the retail side.

He said the amount of crude that could be bought directly by local refineries had been reduced to ensure that SA's recently released stockpile would be absorbed.

But this was only a temporary measure, and the amount local refineries would be permitted to buy directly would again be increased to 80% of their total requirements.

# Plastics company lands big export order

B/Day 16/11/93

Business Day Reporter

AN SA plastics company has landed a major order to supply conveying equipment to the European poultry industry.

Technoplastics converter ExactoCraft had been awarded a five-year contract to supply trolleys to the leading distributor of conveyor equipment in Europe's poultry industry, with several more orders pending, marketing manager Cedric Parker said.

(183)

"We won the contract because we were the only company in the world able to match the stringent quality standards.

"Our products have proved themselves on the domestic market, thanks largely to us maintaining our policy of manufacturing to world-class standards. This meant we did not have much of a gap to close when sanctions fell away."

# Afrox: More than just a lot of hot air

(183) WM 19-25/11/93

**Mondli waka Makhanya** reports on contradictions within South Africa's biggest gas company

A CASUAL visitor to African Oxygen's head office on the edge of Johannesburg's central business district would need hard convincing that the tenants of these premises run South Africa's biggest gas company, second-biggest private hospital chain as well as the biggest manufacturer of welding material

For the modest 60-year old double-storey building contrasts starkly with the size and performance of Afrox — as this company is commonly known

Having achieved 23 percent earnings growth in the past decade — against an average inflation rate of 15 percent — Afrox is the darling of the Johannesburg Stock Exchange's engineering board One might expect a company with an asset base of more than R1,3-billion to have an exalted headquarters replete with landscaped gardens and sparkling fountains

But Afrox is not without contradictions While having an advanced social investment programme and employee share scheme, it is also the scourge of trade unions, who accuse it of union bashing.

On performance, however, Afrox is highly regarded by both competition and investors.

"It is one of the most highly rated shares on the exchange," says Simpson McKie analyst Heidi Volmer "It's earnings record over the past decade has been consistent and you have to take into account that this included four years of recession."

The company's results for the year ended September bear testimony to this consistency It reported a 13 percent growth in earnings a share Had it not been for Afrox's conservative accounting practice — which makes it one of the few companies that take inflation into account — this figure would have been closer to 25 percent Profit was up five percent to R227-million as result of nine percent increase in turnover to R1,2-billion

Part of Afrox's ability to weather storms and perform excellently when conditions allow is that its diversified interests balance each other out For instance, the poor performance of the welding division, which took a knock from the slump in the engineering and manufacturing sectors, was offset by the gas and health care divisions

Managing director Royden Vice sees a slight pickup in the welding division's activity, which he reckons is symptomatic of an economic recovery and an increase in fixed investment "The farming sector is starting up, mines are doing some repairs because of the higher gold price and there has been an announcement of large fixed investment projects such as Alusaf and Columbus stainless steel. This is all helping," says Vice

The gas division, Afrox's main business, was stagnant this year reflecting flat growth in demand for industrial and medical gases But this division pulled through because the customer base is large and well spread across the economy Customers range from potato farmers to giant steel producers They are also tied to long-term contracts — some as long as 15 years

This division has been at the cutting edge of technological innovation and is constantly developing new products An example of this is a farming instrument called Carbogro Carbogro injects carbon dioxide into plant roots thereby improving the water and soil quality so that the size and quality of produce is enhanced

Vice attributes the ability to innovate to Afrox's ties to the British-based BOC group which has a 57 percent stake in the company BOC is the world's largest gas producer and one of the biggest spenders on research and development, with an R&D budget of $130-million a year

"The greatest benefit of the British link is that it gives us access to new gas technology and new distribution systems," comments Vice.

The health care division shone this year Afrox has 12 private hospitals, two day clinics and six other hospitals in which it has either a minority holding or a management contract With almost 3 000 beds, Afrox has 17 percent of this R2,3-billion industry Afrox's HHD pharmaceutical division operates dispensaries in private hospitals and Medimo facilitates bulk buying from manufacturers on behalf of medical practitioners

Vice is optimistic about the health care division since medical aids — who pay 24 percent of their benefits to private hospitals — are gaining membership and the increasing crowdedness of public hospitals is likely to drive people to private care

Like most companies with British links, Afrox has not quite succeeded in endearing itself to unions The company has minimal unionisation and unionists accuse it of obstructing their organising efforts with strong-arm tactics The Chemical Workers' Industrial Union (CWIU), the National Union of Metalworkers of South Africa (Numsa) and the National Education, Health and Allied Workers' Union (Nehawu) have all tried to organise among Afrox's 7 000 employees but so far only Nehawu has had measured success

Says a Numsa official "Management victimises any employees who try to organise there They threaten them with dismissal and as a result no union has a significant presence there So we've decided that any organising drive has to come from the outside"

Nehawu assistant general secretary Neil Thobejane maintains Afrox has employed delaying tactics in recognising the union, saying it must first achieve national majority At the same time, he alleges, the company has deliberately retrenched workers at unionised hospitals

"They pay the lowest wages in the private hospital sector," claims Thobejane "There's lot of imbalance between them and Clinic Holdings (the industry leader) We want to go all out to eliminate this imbalance"

Afrox attributes the low level of unionisation to employee disinterest

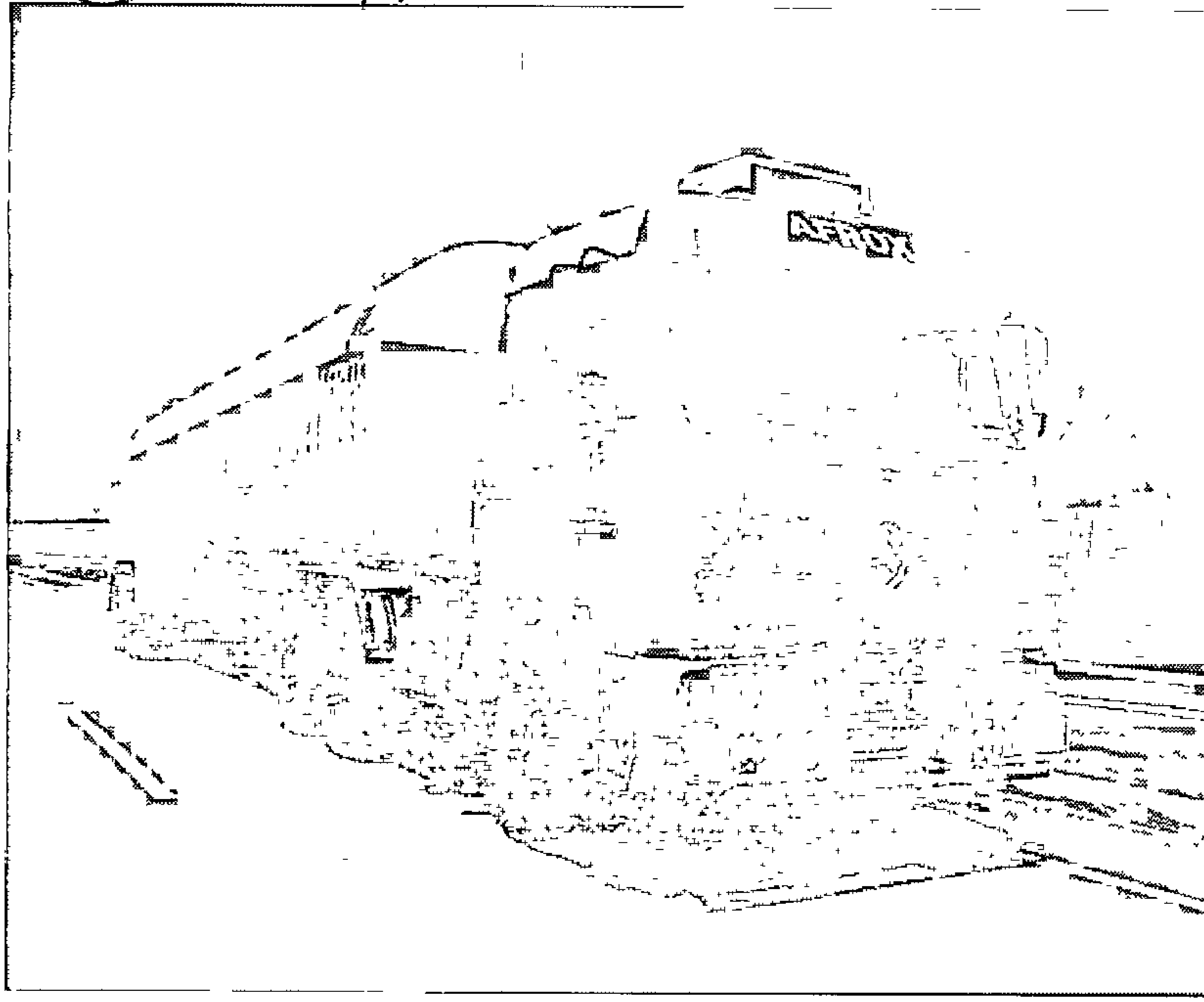
"The company has gone out of its way to communicate directly with employees who are well supplied with financial information and we negotiate with their representative bodies Maybe they just don't see the need to have an outside force doing this for them," said an Afrox spokesman

Unions also resent what they see as Afrox's attempt to buy off workers with benefits Afrox has a social investment programme focused mainly on its employees

In addition to giving workers a five percent stake in the company through a share trust, it offers full university bursaries to employees' children at a cost of more than R2-million a year and a housing scheme It will soon open a welding school It also has an affirmative action programme, which Vice describes as "identifying people with potential and trying to move them up two levels

"There's no point in recruiting people from outside because that often leads to tokenism and companies poaching each other's employees In the end nothing is achieved," he says

Like most people in business, Afrox is refusing to comment of prospects for 1994 "It's going to be difficult to say until after the elections," says Vice




On the road ... Although the gases division did not perform as well as other divisions this year, it remains Afrox's core business

SOURCE AFROX CORPORATE PROFILE

(183) WM 19-25/11/93

# Motorists top up Mossgas

S Times (Buss)

By KEVIN DAVIE

OIL companies are buying Mossgas fuel at a 10c/l discount subsidised by the motorist.

The subsidy, which is yet to be paid to Mossgas, amounted to R84-million between January and September. 21/11/93

Further subsidised payments from the equalisation fund to Mossgas took effect from October but the exact amount, which could be worth several hundred million rand annually, is still to be determined.

The R84-million owing to Mossgas from the Department of Mineral and Energy Affairs arises from the fact that Mossgas fuel has caused an oversupply on the SA market.

SA oil companies market this fuel in SA but are compensated by 9,8c/l for displaced fuel which is exported to Africa

The ongoing payment of subsidies to the synthetic fuel industry has been criticised by Engen in its annual report.

Chairman Bernard Smith said the time was appropriate to review the R1-billion support for the synthetic fuels industry

Mossgas has begun an investigation into the possible construction of a tank farm to import gas and/or condensate

This has led to speculation that its gas reserves are less than what has been officially stated.

But Mossgas says estimates for the FA field reserves are still the same as published in the recent Auditor-General's report, namely 11 years

"We also remain confident in the viability of the EM field which will add a further five to six years to the reserves available to Mossgas"

Mossgas says the possibility of building a tank farm is being investigated in accordance with the Cabinet's brief to management to develop and optimise the Mossgas operation to its fullest potential

"The study, including cost estimates, has however not been concluded yet

"All future projects at Mossgas will be evaluated in terms of normal commercial considerations and, according to a Cabinet decision, be verified independently," Mossgas says. (183)

Mossgas says that when the project was orginally conceived the intention was that it would receive tariff protection similar to that which is paid to Sasol

"The Minister has announced that tariff protection would be paid to Mossgas as from October, 1993," Mossgas says.

"The exact amount to be paid is dependent on the final formula resulting from the recently announced petrol price decrease of 2c/l and is still to be advised," says Mossgas

# Sasol has a treasure-chest of opportunities, says MD

B/Day 24/11/93

MATTHEW CURTIN

SASOL and SA were yet to maximise the opportunities for making petrochemicals from the group's oil-from-coal process, presenting foreign companies with opportunities for investment or joint ventures, MD Paul Kruger said yesterday

Addressing the Financial Times Business Conference in London, Kruger said competitiveness of Sasol's petrochemical output remained dependent on the competitivess of the oil-from-coal process.

"If synfuels cannot be produced at a positive net margin in competition with fuel derived from crude oil, it will erode the competitive position of petrochemicals derived from the process," he said

Sasol had "a treasure-chest" of unexploited petrochemicals available from its synfuel refineries, in addition to R1,5bn worth of new or upgrading projects in process, with a range of further projects earmarked for development

Kruger set out Sasol's assessment of the viability for the synthetic fuel industry, bringing the strongly-worded debate — in which fuels group Engen has been Sasol's keenest sparring partner — about controversial synfuel subsidies and possible deregulation to an international audience

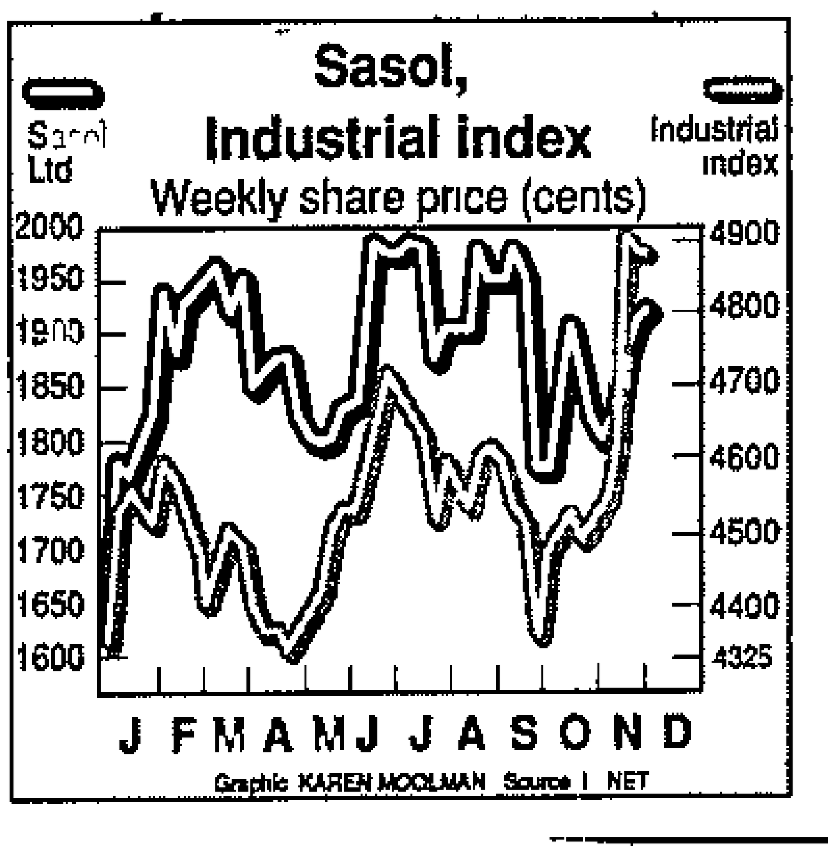
Kruger said that judged on "the hard economic criteria" of Sasol's contribution to the SA economy or the pockets of its shareholders, the group "unequivocally" made SA wealthier and provided investors with a satisfactory return (183)

Sasol added more than R5bn to the SA economy in the past year through converting 40-million tons of low grade coal into chemicals and fuels for sale in domestic and foreign markets Kruger said tariff protection for the industry had on average been "an extremely modest 12,5%"

While real oil prices had tumbled 70% since 1980, "the real level of protection for the synfuels industry was reduced by nearly 60%". Less protection had been matched by the improved productivity of Sasol's mines and plant, in addition to improvements to coal gasification and synthesis technology

Kruger said the source of Sasol's competitive advantage in petrochemical manufacture derived from its pioneering "one-step high-temperature Fischer Tropsch synthesis technology" which provided basic and intermediate petrochemicals without the need for large investment in naphtha crackers and downstream processing plants

The competitive edge could be found in the difference between the opportunity cost of a synfuel and petrochemical at much higher prices



# Forim squeezed

BiDay 25/11/98

ROBYN CHALMERS

PROPERTY and pharmaceutical group Forum Holdings lifted turnover to R20m (R18,9m) for the six months ended August (183)

But a squeeze on margins saw operating profit dip to R1,4m (R1,5m) and interest payments rose to R587 000 (R389 000) which left pre-tax profit sharply down at [illegible]5 000 (R1,2m)

# Sentrachem buys out partner Imic

EDWARD WEST

CHEMICALS group Sentrachem had bought out its 50% partner in the $100m-a-year UK chemical distributor Imichem, group MD John Job said yesterday. B1D94

The shareholding was bought for an undisclosed sum from European chemical trading group Imic Holdings through offshore arm, Sentrachem International. Imichem was originally a joint venture between Imic and the SA group. 25/11/93

Job said the deal would broaden the group's overseas representation and that an office would be opened in the Far East. The majority of the bulk petrochemicals distributed by Imichem were sourced from Sentrachem's local manufacturing operations, he added. (183)

A 29% increase in exports, accounting for $100m or 13% of group turnover, contributed to the 21% rise in earnings for the year to October. Sentrachem intended to increase exports to 25% of turnover, Job said.

The Far East office would complement existing offices in Houston and London and facilitate activities to the Pacific Rim.

# Farm-Ag declares first dividend in four years

BIDAY 26/11/93

**CHARLOTTE MATHEWS**

CHEMICALS group Farm-Ag has declared its first dividend since 1989, as lower interest payments and improved earnings by 50%-held agricultural chemical manufacturer Sanachem lifted its performance for the year to August (183)

The 40c payout comes despite a fall in turnoverto R7,1m, against R29,4m in the eighteen months to August 1992, following the closure of loss-making subsidiary Harvest Chemicals.

Farm-Ag also sustained a net operating loss of R1,3m (R2,1m loss), which increased to a R4,2m loss (R15,7m loss) after interest expenses of R2,9m (R13,6m). No tax was payable

But the group's income from associated companies rose to R18,7m from R14,1m and net income after extraordinary items was R8,4m (R10,1m loss). An extraordinary charge of R4,3m was incurred on Harvest Chemicals' closure. Earnings a share was 87,5c (10,3c loss)

Farm-Ag cut debt to R800 000, against R19,8m in August 1992. In the past four years interest-bearing debt has been reduced from R139m through the asset sales.

Farm-Ag's significant investments are its 50% holding in Sanachem and 40% holding in Glenmore Textiles.

Sanachem's earnings in the year to August 1993 were R34m — 70% up on the previous year — boosted by continued growth in export sales. Although Glenmore Textiles' results showed a slight improvement, Farm-Ag still plans to sell its stake.

Farm-Ag will become a cash shell from February 28, 1995, when Sentrachem has agreed to take over Farm-Ag's holding in Sanachem. The price will be the greater of half Sanachem's net asset value in 1995 and the average valuation of Sanachem at February 28 1993, 1994 and 1995.

Farm-Ag financial director Richard McElligott said the portion of the payment attributable to the 1993 valuation was about R55m and Sanachem was budgeting to at least double its profit in the year to February 1994, when export sales were budgeted to reach R250m

"Further growth in earnings is expected in the 1995 year from new plants which are due to come on stream in the next few months. In the event of Sanachem achieving its budgets in the current and forthcoming years, the payment to be received in 1995 should exceed R250m."

The group's major asset in 1995 will be cash. Divided among Farm-Ag's 14,5-million shareholders, McElligott expects this would equate to about R20 a share

Farm-Ag shares closed unchanged at R13,25 on the JSE yesterday, 25c below the 12-month high of R13,50 on November 17, and nearly double the 12-month low of R7,25 last December

Rale Holdings, whose only investment is 66,2% of Farm-Ag, reported a dividend of 33c a share for the year to August 1993 on attributable earnings after extraordinary items of R5,6m, compared with a R8,5m loss in the eighteen months to August 1992 Attributable income to shareholders was R4,4m (R8,6m loss) after preference dividends, translating to earnings a share of 103c (22c loss).

ENGEN

Fm 26/11/93

# Expanding in a stodgy market

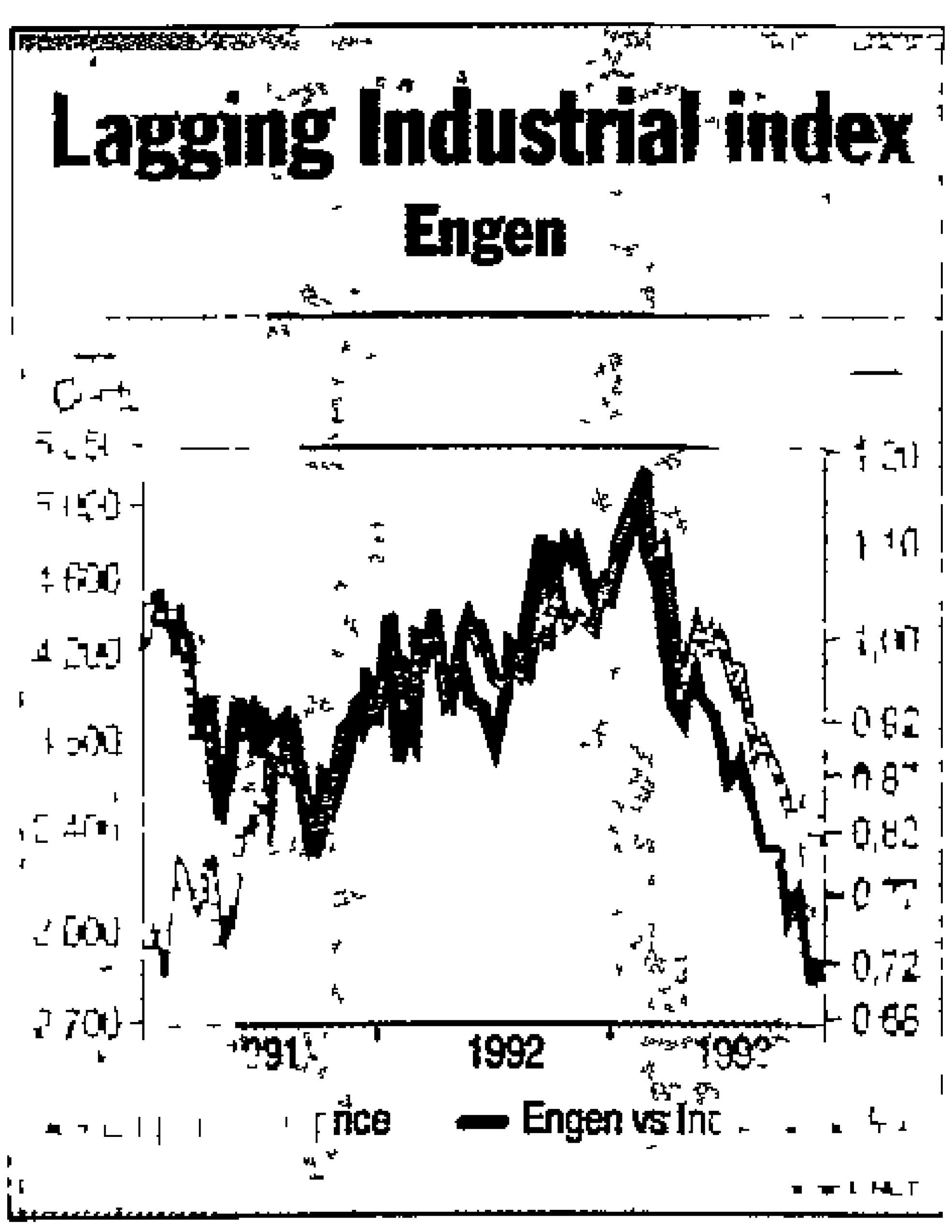
(183)

**Activities:** *Exploration, production, marketing and distribution of petroleum products*
**Control:** *After Gencor unbundling, major shareholders are Sanlam (about 23%), Rembrandt, Genbel and Old Mutual (about 8% each)*
**Chairman:** *B A Smith, MD R J Angel*
**Capital structure:** *155,6m ords Market capitalisation R5,68bn*
**Share market:** *Price 3 650c Yields· 4,2% on dividend, 7,5% on earnings; p e ratio, 13,3; cover, 2,0 12-month high, 5 325c, low, 3 150c Trading volume last quarter, 1,5m shares.*

| Year to August 31 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 293 | 47 | 100 | 826 |
| LT debt (Rm) | 265 | 263 | 615 | 731 |
| Debt equity ratio | 0,12 | n/a | n/a | 11,5 |
| Shareholders' interest | 0,31 | 0,64 | 0,58 | 0,50 |
| Int & leasing cover | n/a | n/a | n/a | n/a |
| Return on cap (%) | 5,6 | 12,2 | 7,6 | 9,3 |
| Turnover (Rm) | 3 087 | 5 964 | 4 107 | 4 848 |
| Pre-int profit (Rm) | 198 | 463 | 349 | 538 |
| Pre-int margin (%) | 6,4 | 7,8 | 8,5 | 11,1 |
| Pre-tax profit (Rm) | 293 | 421 | 533 | 594 |
| Earnings (c) | 194 | 233 | 275 | 309 |
| Dividends (c) | 97 | 116 | 137,5 | 154 |
| Tangible NAV (c) | 1 003 | 1 565 | 1 720 | 1 879 |

**From being** a glamour stock for several years after the Mobil acquisition, the share's market rating has changed radically, its downrating being particularly marked since the first quarter of this year (see graph) Essentially, investor attitudes changed because it was recognised that performance could not meet earlier expectations and better earnings and dividend growth would be achieved elsewhere. Though still rising, earnings have been restrained by a slowdown in demand for petroleum products, as well as by the costs of Engen's investment programme

Fuel sales volumes are a critical factor affecting profits Marketing contributed 53,6% of 1993 operating profit (1992· 58,2%). The other big contributor was refining, with 40,7% (34,9%). The refining margin remained firm, but is down from the high levels seen around the time of the Gulf War and no longer rising as in the late Eighties




**Engen's Angel** .. *local supply exceeds demand*

Overlaying these weaker fundamentals is adverse sentiment about the uncertain effects of deregulation of the petroleum industry Deregulation is increasingly seen as inevitable though the approach and the results are difficult to predict

Like others in the oil industry (including Sasol), Engen has said it favours deregulation With the secrecy provisions of the Petroleum Products Act largely lifted, the 1993 annual report reveals much detail about the industry, including the regulatory structure, market shares and refining capacities both before and after current expansions

Chairman Bernard Smith cites a number of areas that could be changed in a deregulated environment These include·

- Instead of the support now given to the synfuel industry, which he estimates could exceed R1bn this year, Smith contends a solution for synfuel producers needs to be found within that industry Local marketing companies, he says, could then source their product from imports, local refineries or the synfuels plants, depending on economics, and
- Fuel prices could be depoliticised by allowing oil marketing companies or individual service stations to set prices in accordance with market forces This, he says, will probably lead to higher prices in rural areas and lower prices in the urban ones. Also, retail prices could be changed more often in line with international oil price movements

Smith adds such changes cannot be applied piecemeal, and may need phasing in, but he contends that Engen, because of its sophisticated refinery and major market share "would thrive in this new unregulated environment, as would most oil companies The public would gain from a free and transparent market where prices are based on commercial considerations "

Engen has easily the largest market share among the fuel marketers, with more than 25%; next is Shell with almost 20%

However, in the year to end-June petrol and diesel sales volumes were only 1% ahead of the previous year, owing to recession and the 15% increase in the petrol price over the period CE Rob Angel notes that the weak performance of the domestic diesel and petrol markets coincided with a 15% increase in SA refinery capacity

All the country's refineries are de-mothballing and expanding capacity to meet expected growth in demand in SA and abroad When the process has been completed in 1995, Angel says, incremental capacity of 178 000 barrels per day (BPD) or 34% will have been added, bringing total capacity to 658 000 BPD — adequate on current projections to supply domestic petrol demand until about 1998

Capacity of Engen's Genref refinery is being lifted from 65 000 BPD (13,5% of the total pre-expansion capacity) to 103 000 BPD (15,7% of the post-expansion total)

"Meanwhile, local supply exceeds demand and the result has been strong competition in those markets not subject to government price regulation and an increased emphasis on export markets," he says

With Engen's refining capacity rising as the Genref phase 1 expansion came on stream, and the local market in oversupply, exports absorbed nearly 20% of its refinery production and more than 13% of total 1993 sales But profitability on exports is only about half that achieved on local sales. Group secretary Abbas Gani says that as domestic demand improves, it's planned to market practically all the refinery output locally, though export momentum would be maintained through trading activities

Operating margin would also have been curbed by the teething problems encountered as Genref's phase 1 expansion began production This was related partly to disruptions in the external power supply Angel says the second half saw a substantial improvement in throughputs and yields

Largely because of the refinery expansion, full-year operating profit surged 54% However, interest income plunged from R140m to R16m, with phase 2 of the expansion — costing about R800m and due for completion in 1995 — continuing to absorb capital, pretax profit was up 13,3% and attributable earnings (before transfers from "equalisation reserves") rose 4,8%

Cont → P14



→ P.T.O.

# Adcock Ingram devotes its medicines to a higher cause

S1 Times (Buss) 28/11/93

By JULIE WALKER

EVEN when the lower margins of the wholesaling division are included, pharmaceutical and consumer group Adcock Ingram is showing a handsome operating margin at 16%

Asked what the margin is on pharmaceuticals alone, group chief executive Don Bodley says "The short answer is that it is higher"

The point of the question, raised at a recent presentation by Adcock Ingram to members of the Investment Analysts' Society, is that the pharmaceutical industry stands accused of making unacceptably high profits

Mr Bodley says the industry's margins are justifiable in the light of the high costs of research and development, and the risk that a product might have to be withdrawn should side-effects manifest themselves

He concedes that pharmaceutical groups will find it difficult to raise prices by more than the rate of inflation

"It would be naive to expect the same growth rates as in the past, but I am confident that Adcock Ingram will continue to provide real returns for shareholders," says Mr Bodley.

Adcock Ingram actually sells far more generic products than the stated 2% of its R971-million turnover for the year to September 1993 It attaches the "Adco" prefix to what it refers to as generics, but chooses not to count branded generics such as Stopayne — the most prescribed analgesic — and intravenous solutions such as dextrose (183)

When these products are included, generics' share of Adcock Ingram's total turnover is 21% — almost one third of its manufacturing business

Mr Bodley does not foresee many changes in the R3-billion private sector health care market, and points out that since a country as wealthy as Britain cannot really afford free care for all, there is little chance of its being affordable in SA where the tax base is so narrow

Generics' market share is expected to grow to 20% By contrast, generics' market share in Britain is 35% by value and 45% by quantity

Stiffer maximum medical aid pricing next year might change the nature of prescribing in SA, but Mr Bodley is confident that Adcock Ingram has a wide enough range of products to cope with change

"Our strategy is to cover different sectors of the market The barriers to entry in the bulk generics market are low, and there is a danger that it could become so competitive that it would not be cost-effective to produce them, as has begun to happen in England, he says

Adcock Ingram's business units are critical care, pharmaceuticals, generics, self-medication, consumer products and wholesaling It makes everything from tablets and creams to shampoo and Jeyes Fluid

Adcock Ingram has entered into joint ventures with two Swedish companies who wished to get into the SA market It previously had licensing agreements with both

Adcock Ingram itself also wants to export a select range of its products It has opened a branch in England and has appointed agents in the Far East and Africa Mr Bodley hopes to double exports to about 10% of turnover

The share price is R16, which is 22 times historic earnings The ratings of its competitors have almost caught up, albeit off lower bases There will be an interesting contest between the listed drug companies in the current year

# 'Oil firms squeeze small operators'

S Times 28/11/93

By CIARAN RYAN

PETROL companies have been accused of squeezing out small petrol stations in order to use their site quotas, allocated under the controversial Rationalisation Plan, for larger, more profitable petrol stations elsewhere.

Nearly 90 petrol stations were closed across the country during the last two years, and 131 new ones opened up There are 4 500 petrol stations in SA.

Rod Crompton of the liquid fuels task group of the National Economic Forum says the closure of petrol stations should stop "The Government should place a moratorium on these kinds of changes.

"There has been a chaotic expansion of refinery capacity in recent years, and petrol companies are doing all they can to get rid of fuel We believe petrol stations are an area where small business has a role to play. You don't need big business to run them."

Former Trek petrol station operator Moosa Desai of Richmond, Natal, says oil companies are trying to close down smaller petrol stations before the new Government is in place, when the so-called Rat Plan is likely to be reviewed.

"I know of four petrol stations that have been closed on the grounds that they were uneconomical," says Mr Desai. "These were all profitable family-owned businesses, the oil companies need their site allocations under the Rat Plan to open bigger stations elsewhere."

The Department of Mineral and Energy Affairs denies that there is a campaign to close down smaller stations "The decision to close a service station is taken on the basis of economic considerations by the oil company concerned," says Piet Hugo, director-general of the Department of Mineral and Energy Affairs. "We are not prescriptive in this regard.

"It is true that oil companies are allowed a limited number of opportunities to erect service stations, resulting from the closure of uneconomical sites. This, however, should not be interpreted as a policy for promoting the replacement of smaller stations, but rather as an endeavour to provide petrol reselling facilities in areas where the need arises due to changing circumstances."

Aimed at limiting the number of petrol station sites, the Rationalisation Plan is one of a battery of legislative tools used by the Government to regulate the industry Although oil companies are precluded from operating petrol stations, they control the allocation of sites Increasingly, the oil companies own the land, buildings and assets of petrol stations, but rent them to private operators

Miss Sylvia Nicholson of Nicholson's Garage in Port Edward, Natal, says Caltex stopped supplying her with petrol in July. (183)

"This is a family-owned business which was started 48 years ago Although we are not getting petrol supplies, we have kept the garage open, with other garages in the area helping us out. This has meant a tremendous loss of income Our petrol sales were only about R2 500 a month, but we need to sell petrol to attract other business, such as spares and workshop sales"

A Caltex spokesman denies that there is a campaign to build petrol stations as fast as possible in case the Rat Plan is changed next year.

# UK plunges into SA wine

S Times (Buss)

By DON ROBERTSON

28/11/93

BRITISH wine drinkers are clamouring for SA's wines Sales for the year are expected to rise by 50% compared with 1992 to about 1-million cases worth between R60-million and R75-million. Total exports from this country are expected to reach R100-million

Exports in the first six months at 3,8-million litres or 421 700 cases were barely changed from the 1992 second half, according to the SA Wine and Spirit Exporters' Association. But in June exports surged to over 1-million litres and that trend has continued.

KWV marketing executive Piet Momberg says exports to Britain continued to rise and reached 6,4-million tons by September, the latest figures available

He believes British sales this year will be a record, topping 9-million litres or 1-million cases The British market has traditionally been the most important for SA producers, taking about 50% of all exports.

Until 1990, KWV was the main exporter to the UK, but its products were largely restricted to the specialist trade It was excluded from most grocery stores, which sell about 60% of the wines in that country.

Although there were no formal sanctions against SA, most grocery owners declined to display SA wines, says Mr Momberg. Since 1991 and following a successful wine campaign, this distribution sector was opened up and sales have increased sharply.

As a result, all SA wine makers are enjoying increased export sales

A spokesman for Stellenbosch Farmers' Winery, Bennie Howard, says the group is extremely pleased with increased sales in Britain as well as in Germany, Belgium, the Netherlands and Switzerland.

The group has been supplying wines to Denmark for over a year, but is hampered in its efforts to increase sales in Sweden and Norway because of a State liquor monopoly in those countries New Zealand, a large importer in the past, has resumed sales of SA wine

Mr Howard says SA's wines are competitively priced, although there is stiff competition from Chile and Bulgaria. Wine

SA exports, however, are small in comparison with those from Australia, which sold 15-milion litres in Britain in the first six months of this year. This was followed by Bulgaria with 11,6-million litres, Hungary with 3,9-million litres and the US with a similar amount.

# 1 500 workers to strike

Sowetan 29/11/93

**By Ike Motsapi**

ABOUT 1 500 members of the Chemical Workers' Industrial Union are poised to go on strike over wages next week

The decision by the union was taken after months of campaigning that their dispute with management be taken to the Conciliation Board for a final determination

The workers, who are employed by Johnson and Johnson, won their battle for a CB hearing due to be held on December 8

This is the result of a strike by workers at Janssen Pharmaceutica, a subsidiary of Johnson and Johnson in Midrand, north of Johannesburg, about three months ago

Mr Meshack Ravuku, national company negotiator for CWIU said "The application for the CB hearing will take place on December 8 in Johannesburg

**Bargaining forum** (183)

"The companies that will be involved are Janssen Pharmaceutica (Midrand), Johnson and Johnson Professional Products (Midrand) and Johnson and Johnson (Pty) Limited (East London)

"We have won our battle that negotiations should be taken to a central bargaining forum

"The issues that gave rise to the dispute are wages The union demand a 13 percent monthly salary increase while the companies offered a mere eight and a half wage rises

"These companies had previously rejected the union's proposals that the matter be referred to mediation

"It is therefore very clear that the company did not wish to reach an amicable settlement with the union

"The company and its subsidiaries refused that the matter be referred to mediation," Ravuku said

A management spokesman promised to respond to the union's allegations today

# Fuel industry cuts staff ahead of deregulation

**MATTHEW CURTIN**

ENGEN and Shell SA have started pre-deregulation streamlining which could see the oil refining and fuels groups shedding 5% to 10% of their workforce.

Engen has earmarked 130 jobs which will be axed in coming weeks, with 200 to 300 likely to go by the end of 1994

Corporate relations CE Barrie Hurt said yesterday Engen, which employed 4 000 workers in SA, was "looking at rationalisation and restructuring" as industry deregulation became increasingly likely". Growth in Engen's markets had not materialised in the past two years. B/Day

Shell public affairs director Terry McCullough said the group had cut 100 to 120 jobs in the past year in an 18-month examination of its business operations.

McCullough said while management strove to minimise retrenchments, restructuring at Shell, which employed 2 600 staff in SA, was not complete. "We can't say how many more jobs will have to go."

Both spokesmen said management offered voluntary redundancy or retirement wherever possible. 30/11/93

McCullough said a more efficient Shell would help create jobs elsewhere in the sector, as had happened with the development of its Ultra City motorway service stations, the introduction of convenience stores to other outlets, and the upgrading of the Sapref refinery. (183)

Hurt said Engen's restructuring was also aimed at creating opportunities for black staff, as part of affirmative action, which had been made difficult in a recessionary environment. Turnover among Engen staff had fallen to 1%-3% this year from 10%-15% in 1990.

Rival oil companies British Petroleum (BP) and Caltex said they were planning no job cuts at their SA operations.

A BP spokesman said local operations

□ To Page 2

## Job cuts

B/Day 30/11/93

□ From Page 1

had shed hundreds of jobs in the past three years in line with the multinational's international restructuring, which cost 9 000 jobs in 1992/93. BP employed 1 684 people in SA, compared with 3 000 in 1983, and no new job losses were expected.

Caltex media manager Terry O'Donovan said the company, which employed 2 100 workers, planned no retrenchments as deregulation loomed closer Caltex was considering recruiting more staff as it weighed up export opportunities in Africa.

He said the company was "well-placed" to deal with deregulation, but would reassess the situation if and when changes in the oil industry took place.

# SA tipped as hub of world refining

B/Day 30/11/93

CAPE TOWN — SA could become the oil refining centre of the world, Engen CE Rob Angel said yesterday.

Speaking to delegates at the sub-Saharan oil and mineral conference, he said there was an increasing demand for oil products, and SA's refining capacity would rise to 450 000 barrels a day by 1996 from the current rate of 400 000

(183)

But there were a number of major obstacles ahead, Angel said

Deregulation and privatisation of the sub-Saharan oil industry was vital for its future growth and development.

This was already taking place in Mozambique, Tanzania and Zambia, he said, but he would like to see it happening "much quicker in SA".

Angel said there should be greater co-operation between oil industries in the region, with massive new investments possibly funded by asset and equity swaps to ensure regional ownership.

The SA industry should consider adapting its refineries to handle the heavier West African crude oils and "so generate a mutual reliance between SA and its neighbours," he said.

Also speaking at the conference, Kuwait Oil Minister Ali Ahmad Al-Baghli said he was optimistic about SA's future

"Just as the Kuwaitis had built up their oil production again to pre-Gulf War levels, Africa had the ability to perform a similiar economic miracle through the development of its mineral resources

He said Kuwait would like to be part of transforming Africa's oil and mineral potential into wealth. The resolution of the political impasse in SA could act as a catalyst, he added.

"I would like to return here in two-and-a-half years and see a similiar miracle. It happened in Kuwait, it happened in the Far East and I would like to see it happen in Africa."

Zimbabwean Mines Minister Eddison Zvobgo said investment in mining in Zimbabwe was taking off, especially in diamond exploration, after 10 years in the doldrums.

Investment in the sector had been low after independence in 1980 "because of the lack of investor confidence in the new black government I hope that will not happen here," Zvobgo said.

The number of exclusive prospecting orders granted had risen from nine in 1990 to 46 so far this year.

In addition, $24m had been spent by Mobil in geological mapping and seismic work in a search for oil in the Zambezi Valley, Zvobgo said.

A wide range of investment incentives had been introduced and government's attitude was to "interfere as little as possible in mining". — Sapa-Reuter.

that gathered to watch yesterday's mock rescue from the top of the library building. Picture: ROBERT BOTHA

managing the commercial use of game

# Drug price cuts 'will save R84m'

KATHRYN STRACHAN

FOUR major pharmaceutical manufacturers — who rocked the industry recently by setting up their own distribution company — last night announced price reductions they say could save SA at least R84m in medical expenses next year. BDay

However, the R84m saving will rely on dispensing doctors and pharmacists passing on the discount to the consumer.

The new distribution company formed by multinational competitors Bayer, Boehringer Ingelheim, Ciba and Roche said the companies had agreed to reduce all their product prices 5%. 30/11/93

Bayer had placed a further 13% discount on all but four of its products, Boehringer Ingelheim a further 15%, Ciba a further 10%, and Roche had made other price cuts ranging from 5% to 18%. (183)

The move to form their own wholesaler, International Healthcare Distributors (IHD), caused a stir in the wholesaling sector as the four firms' products made up 20% of national wholesale turnover.

IHD CEO Trevor Lauf said: "The cost reductions introduced to the retailer are in line with our commitment to the least-cost distributor for our principals, enabling them to see their discounts being fed through to the dispenser, and ultimately, we hope, to the consumer."

Growing concern over counterfeit products, repackaging of outdated stock and theft led to the formation of IHD.

# Govt keeps up hopes of drop in petrol price

BDay 30/11/93

TIM COHEN

CAPE TOWN — The Mineral and Energy Affairs Department kept open the possibility yesterday that a decrease in the petrol price could be imminent in the wake of plunging international oil prices.

There has been speculation recently that the petrol price could drop because of the oil price's collapse to a five-year low and a stable rand/dollar exchange rate. (183)

The department said the National Economic Forum's liquid fuel task force was considering the petrol price.

"Should any sustainable benefit to the consumer result from these deliberations, it will undoubtedly be passed on."

JOHN CAVILL reports from London that oil industry analysts warned of a possible repeat of the 1986 crisis when crude fell below $10/barrel.

The market benchmark crude, North Sea Brent blend, dropped a further $0,24 to $14,16/barrel for December delivery on the International Petroleum Exchange.

It has fallen 11% since last week's Opec summit meeting in Vienna decided against further cuts in the cartel's self-imposed production ceiling of 24,5-million barrels a day set in September. At that time the price was $16,55.

Oil analysts in London said that Opec needed to reduce its output by 500 000 to 750 000 barrels a day to stem the price fall and by more if it wanted to lift crude to its target level of $18 a barrel.

"Demand is simply too weak and non-Opec output is rising," said Sally Wilkinson of Morgan Grenfell.

British production of North Sea oil is running at 2,4-million barrels a day, about 23% up on last year's average.

Recession in Japan and western Europe, which together account for nearly 30% of global oil demand, has cut offtake and boosted stocks in tank terminals around the world.

In addition, consumption in eastern Europe and the Commonwealth of Independent States remains low after falling 14,5% last year as market reforms ended subsidies and cheap oil.

As a bloc these economies use about 13% of the world's oil.

Thus, while the Commonwealth of Independent States' output has fallen by more than 1-million barrels a day, it is exporting more to hard currency markets.

Slow economic recovery in north America (27,4% of demand) is sustaining offtake in the US and Canada, but the increased investment in energy conservation has meant oil consumption is still about 2% lower than three years ago.

ANC govt 'will retain Mossgas'

# West coast oil exploration in the pipeline

BIDay 30/11/93

OIL exploration licences off SA's west coast would probably be granted in the second half of next year, ANC president Nelson Mandela told a conference on sub-Saharan oil and minerals in Cape Town yesterday. (183)

He said it had been agreed in negotiations that the immediate granting of licences would be premature and they should be granted only after a government of national unity was elected.

ANC economics department head Trevor Manuel said state-owned oil exploration company Soekor had wanted exploration licences granted immediately

Mandela said "Soekor has spent billions of rands of government revenue in a desperate search for oil reserves to reduce dependence on imports. After 20 years all they have come up with is a small gas deposit off Mossel Bay.

"Nevertheless, we are informed by some of the major oil transnationals that there is a hydrocarbon potential off our west coast and a licensing round is provisionally planned for the second half of next year, which we hope will attract international investor interest."

Manuel said transparency was essential and the licences should be granted on an open tender basis which allow international oil companies the opportunity to bid.

EDWARD WEST

He also said the allocation of mineral rights should be freed up. Those wanting to obtain mineral rights should be allowed easier access to obtain rights not being used by other holders

A future government would be able to promote minerals investment by guaranteeing automatic repatriation of profits made by overseas investors and guaranteeing foreign exchange availability There should also be guarantees against expropriation without compensation

Mandela said about R50bn had been "wasted" on synfuels projects. If this had been spent on viable beneficiation projects such as Columbus, it would have replaced SA's gold exports The money could never be recovered and ANC policy would be to ensure that these companies could break even on costs and revenue

The conference was attended by local and international oil industry representatives, as well as oil ministers from Angola, Kuwait, Nigeria and Mali

However, SA's official representation was at a low-key departmental level. A Mineral and Energy Affairs spokesman denied Minister George Bartlett was snubbing the conference. The Minister planned to meet some delegates privately.

● See Pages 3 and 11

# 'SA could take lead in refining'

CT 30/11/93

Business Editor

SA could become the leading oil refining centre in the world, Engen CE Rob Angel told the international oil and mineral investment conference at the Cape Sun yesterday (183)

Stressing his confidence in Africa's future, Angel said the oil industry in Southern Africa had shown positive growth ahead of that in Europe and the US

Africa produced and refined more oil than was needed for its own requirements

And although SA refined and consumed more oil than any other country on the continent it did not dominate the industry West Africa was a major oil producer

# Cheaper oil may lead to fuel cut

CT 30/11/93 (183)

Political Staff

THE price of petrol may drop as a result of a decrease in the oil price, the Mineral and Energy Affairs department said yesterday

A collapse in the oil price which has seen it drop by more than a dollar to the barrel and the stable rand/dollar rate has fuelled speculation that a drop in the price of petrol is probable

The department said the Liquid Fuel Task Force of the National Economic Forum was considering all elements of the petrol price.

"Should any sustainable benefit to the consumer result from these deliberations, it will undoubtedly be passed on," the department said

## 'Not a snub'

Meanwhile, a department spokesman denied that Mineral and Energy Affairs Minister Mr George Bartlett was snubbing the international oil conference in Cape Town.

The minister would be attending various aspects of the function, and would be using the opportunity to speak privately to some of the delegates, the spokesman said

● Reports — Page 10

# Engen, Shell may slice workforce

183

**Own Correspondent**

JOHANNESBURG — Engen and Shell SA have started pre-deregulation streamlining which could see the oil refining and fuels groups shedding 5% to 10% of their workforce

Engen has earmarked 130 jobs which will be axed in coming weeks, with 200 to 300 likely to go by the end of 1994

CT 30/11/93

Corporate relations CE Barrie Hurt said yesterday Engen, which employed 4 000 workers in SA, was "looking at rationalisation and restructuring" as industry deregulation became increasingly likely"

Shell public affairs director Terry McCullough said the group had cut 100 to 120 jobs in the past year in an 18-month examination of its business operations

# SA oil offer to foreigners

CT 30/11/93 (183)

Staff Reporter

MR Nelson Mandela and Mr Trevor Manuel yesterday invited foreign investors to tender for licences for oil and mineral rights off the West Coast next year.

Opening the sub-Saharan Oil and Mineral Investment conference in the city, Mr Mandela said licences for mineral and energy rights would be offered on an open tender basis next year.

● Report — Page 10

# Funds needed to tap SA oil fields

CT 30/11/93 (183)

By AUDREY D'ANGELO
Business Editor

ANC president Nelson Mandela joined government ministers from other African countries in appealing for investment to develop the continent's oil and mineral resources, when he spoke to international oilmen and bankers at the Cape Sun yesterday

Specifically mentioning that worthwhile oil deposits might be found off SA's west coast, he said: "We are informed by some of the major oil trans-nationals that there is hydrocarbon potential off our west coast.

"A licensing round is provisionally planned for the second half of next year, which we hope will attract international investor interest."

Mandela — who received a standing ovation — was opening the first international sub-Saharan Oil and Minerals Investment conference, believed to be the largest gathering of African energy and mining cabinet ministers and other senior officials ever held.

He was introduced by Humphrey Harrison, MD of Europe Energy Environment Ltd, as "the next president of SA".

Discussing future co-operation with other African countries Mandela said: "I would like to appeal for investment in the mining, mineral beneficiation and oil industries, not only of SA but of the whole of the sub-continent

"We believe that there are many areas with exciting investment possibilities, and a democratic SA will finally have the legitimacy to secure the economic stability and security which are vital for investor confidence "

Mandela continued. "We are confident that democracy in SA will also open up new possibilities for co-operation with other African countries in mineral exploration and exploitation

"We invite their representatives here to communicate fully with the ANC delegation participating at this conference in this regard "

Discussing the domestic market for petroleum fuels, Mandela said: "There is currently a process of discussion under way, operating under the auspices of the National Economic Forum, to review the system of regulations affecting the oil industry.

"Ways are being sought to ensure the lowest possible product prices while retaining employment levels and the sustainability of the sector."

BUSINESS DAY, Wednesday, December 1 1993

# Pharmacists demand evidence for Masa's maltreatment claim

B/Day 1/12/93

KATHRYN STRACHAN

THE Pharmaceutical Society of SA (PSSA) has challenged the Medical Association of SA (Masa) to provide evidence for its accusation that misdiagnosis and maltreatment by pharmacists had caused permanent damage and in some cases was fatal.

PSSA spokesman Neville Lyne said the society had asked Masa to provide it with details of the allegations, but Masa had refused to comply and responded that the society was not entitled to the information.

The allegation was made in the November issue of the SA Medical Journal and has been reproduced in several publications. The article, "Keeping the prescribing pharmacist at bay", discusses proposed legislation which would enable pharmacists to provide medical care and prescribe scheduled medicines.

In the article Masa said some of the main criticisms of the proposed amendments to the Pharmacy Act related to the fact that it would have entitled pharmacists to diagnose and treat patients. (183)

Furthermore, vague and unspecific provisions were proposed to broaden the role of the pharmacist. This was totally unacceptable, as it would have created legal uncertainty and criminal offences, the article said.

Masa also argued that allowing pharmacists to render clinical health care would not alleviate the burden on the state and make health care more accessible, as more than 80% of pharmacists were in the private sector and there was no pharmacy in 24% of the magisterial districts.

Lyne said that in the article, Masa claimed it was in possession of "numerous examples of misdiagnoses and maltreatment by pharmacists that caused permanent damage and in some cases was fatal".

PSSA executive director Boet van der Merwe said the allegations were unjustified and without foundation.

"Masa's reported comments about pharmacists' treatment causing permanent damage and death are unacceptable to the PSSA.

"If the information was indeed available, formal complaints should have been lodged with the SA Pharmacy Council, as is customary," he said.

Masa chairman Bernard Mandell responded that the association did not believe it served any cause to discuss the matter "at any level other than the interprofessional level".

He hoped a meeting would take place early in the new year, but the PSSA said there had been no further communication between the two organisations on the issue.

# Cosatu accuses oilmen of stalling price report

Star 1/12/93

■ BY PAUL BELL
LABOUR CORRESPONDENT

Cosatu is getting impatient at the "slow progress" being made by the Liquid Fuels Task Force, due to report a fortnight from today on the restructuring of the fuel price, and has accused the oil industry of "stalling"

Negotiations co-ordinator Jayendra Naidoo said although Cosatu was sensitive to the complexities of the oil industry, and to the need possibly to wait until next month for a report, "we are very concerned with the slow progress in the committee" (183)

After January "the oil industry should expect a more aggressive response by the labour movement," said Naidoo

The Task Force was established after the 7c/l fuel price increase in September, which precipitated a consumer revolt led by taxi drivers

A month ago a Liquid Fuels Crisis Committee comprising labour, the taxi industry, consumer and a range of other organisations, forced the Government to reduce the fuel price by 2c/l while the Task Force looked at ways to restructure the price.

Naidoo said that while the issue had been on the boil, labour delegates to the Task Force had received access to a large amount of information on how the industry worked

"We thought that based on that, each constituency could make proposals that would lead to some serious debate But the oil industry is stalling," he said

# R1bn Sasol hand-out as oil prices dip

Own Correspondent

JOHANNESBURG. — Sasol could gain a R1bn hand-out from government in the year to June 1994 if the slide in world oil prices below the $15 a barrel level continues.

The record subsidy, outstripping last year's R670m hand-out, is the result of the synfuel protection formula

Goverment pays Sasol a floor dollar oil price of $21,84 a barrel for its 150 000 barrel a day synfuel output, irrespective of the level at which crude oil prices trade on world markets Oil prices are currently languishing at five-year lows.

The mounting synfuel subsidy will add to calls from the rest of the sector, most notably from rival fuels group Engen, that the protection Sasol receives must be eliminated in any attempt to deregulate

The liquid fuels task force investigating the industry is expected to deliver its first report to the National Economic Forum by the middle of this month.

Government pays for Sasol's subsidy through the equalisation fund, which derives its income from the equalisation levy on domestic petrol, diesel and paraffin sales.

The floor price was adjusted in October from $23 as Sasol undertook to absorb the 2c cut in the petrol price, mostly made up by Mineral and Energy Affairs Minister George Bartlett's decision to lop 1,3c off the 7c a litre equalisation levy.

The petrol price decrease followed public outrage at the unilateral 7c a litre increase announced by Bartlett the previous month

The equalisation fund and taxpayers meet the difference between the Sasol floor price and ruling world oil prices, now at their lowest level since late 1988.

183

January Brent crude was trading at $14,43 yesterday afternoon, with Dubai crude quoted at $12,78. It is understood government uses a world oil price roughly equivalent to Dubai plus a dollar in the synfuel formula.

CT 2/12/93

A Sasol official refused to detail the size of the subsidy the group would receive but confirmed the payment increased as oil prices declined.

*New Year gift for motorists on cards as Brent crude plummets to $13,23 a barrel*

# Fuel price expected to drop soon

Star 31/12/93

**BY NORMAN CHANDLER**
PRETORIA BUREAU

**A FURTHER 3c/litre cut in the fuel price is expected as oil hits rock-bottom**

The Government could be on the verge of giving the country a welcome New Year present — a possible 3c/litre drop in the price of petrol as well as cuts in diesel and paraffin costs.

The fuel price reduction may come into effect in the next two or three weeks as a result of crude oil prices dropping sharply on overseas markets this week

From a high of $20 a barrel for Brent crude, the price plummeted to a five-year low of $13,23 yesterday

Government sources were unclear yesterday as to when a decision would be taken, but indicated that the fuel price was under constant review and would be adjusted "soon"

Indications are that the petrol price cut could be as high as 3c/litre, but this could not be confirmed in Pretoria yesterday.

The possibility also exists that there will be further cuts over the next few months

The price of 93-octane petrol in the PWV area is currently standing at R1,78/litre after it was reduced by 2c/litre on December 16 (183)

The decision leading to that cut came after a decline in international prices

South Africa's petrol prices have been seesawing for months, with the price climbing steeply to R1,85/litre in August, and dropping in September, November and December

There were massive protests against the August increase, including blockades in city centres by taxi owners

South Africa currently has crude oil reserves of about 77 million barrels, worth about R3,25 billion and representing about eight months of oil requirements

In London yesterday, February futures for Brent — which is the international benchmark for oil prices — fell to their lowest level since November 1988

The international recession has limited demand for petroleum, traders say, adding that output from North Sea oilfields has hit a record 5 million barrels a day

# Mobil ends search for oil in Zambezi

B/D04 31/12/93

MICHAEL HARTNACK

HARARE — Mobil Exploration is to end its three-year search for oil in Zimbabwe's Zambezi Valley, to the relief of conservationists who feared a strike would devastate one of the earth's last wilderness areas, a haven for endangered species.

The technical risks were too high to justify the additional capital investment required to drill a well at Mobil's sole risk, said Mobil Exploration manager Scott Mulcany, announcing the end of operations this week.

A detailed seismological survey produced earlier this year showed there were no commercially viable deposits of oil in the Zambezi Valley, a branch of the Great African Rift Valley, but the search is continuing for natural gas which could alleviate Zimbabwe's R200m-a-year fuel import bill.

Before the Sudanese civil war brought an end to exploration, viable quantities of oil had been found in lake sediment systems there, giving rise to geologists' hopes — and environmentalists' fears — of similar strikes further south.

Zambia's Luangwa Valley suffered a poaching invasion after wildcatting teams cut a grid of access roads for "thumper trucks", exploring the geological substrata by vibration. The search, authorised by former Zambian President Kenneth Kaunda, was in vain, but all Luangwa's black rhino were shot out.

Under international pressure, Mobil and Zimbabwe agreed on a less damaging system of exploration with explosive charges, set by teams flown about by helicopter.

Within the exploration area was the unique Mana Pools game reserve of the middle Zambezi Valley, declared a world heritage site by the UN.

(182)

The $15m exploration programme funded by Mobil covered 30 120km², extending from the Botswana to the Mozambique borders, with data analysis at Mobil's technical centre in Dallas, Texas.

Mobil Exploration said the results showed "much lower probability of finding the large types of deposits than the oil company originally hoped to discover".

Although Mobil did not list the drop in oil prices as a factor in its decision to end the exploration, it is noteworthy that world crude oil prices reached a five-year low this week.

Sapa-Reuter reports that prices have fallen from about $20 this year to just over $13 a barrel for Brent crude February futures.

Allowing for inflation, they are scarcely higher than at the time of the 1973 Arab oil embargo. Recession has crimped demand while output from new fields in the Anglo-Norwegian North Sea has hit a record 5-million barrels a day.

Western analysts said Saudi Arabia was refusing to lead a new round of output cuts by Opec unless non-Opec producers also helped curb excess supply.

# Engen debunks myth

(183)
ARG 4/12/93

MARC HASENFUSS
Business Staff

THERE was a misconception in the market that Engen's profits were determined by crude oil prices, chairman Bernard Smith told shareholders at the annual meeting in Cape Town

He stressed that inventory profit was the only component of group profits determined by the change in oil price from one year to the next.

"Of course, once we have significant oil production then our upstream revenues will be very much a function of the crude price"

Under the present regulated environment, Engen's profits are largely affected by the refining margin — the difference between the price of refined petroleum products and the crude oil price.

Mr Smith pointed out that these margins had been "fairly strong" recently.

"We generally find that when the crude price drops, there is a time delay before product prices drop and so, for a few weeks, we enjoy even stronger refining margins."

However, he noted that the reverse was true when crude oil prices rose The crude oil price has dropped significantly over the last two weeks

In his review of business for the year to end August, Mr Smith said sales volumes were flat, with the exception of gasoline and illuminating kerosene

The group's Durban refinery continued to run well and the second phase of its expansion was on target

The Alba oil field in the North Sea — in which Engen holds a 2,2 percent stake — went into production yesterday

■ See **Sunday Money** tomorrow for Engen's views on the deregulation of the oil industry

# Engen to chop workforce 15%

(183) CT 4/12/93

By AUDREY D'ANGELO
Business Editor

ENGEN is retrenching between 10% and 15% of its workforce, chairman Bernard Smith said at the AGM yesterday

He said the company was "going through a major re-engineering of its management structure, including reviewing key business management processes to eliminate ineffective or unprofitable work and to refocus on key issues

"One essential result of this is the reduction of our workforce by some 10% to 15% I can assure shareholders and employees that the packages offered to retrenched employees are very attractive

"We envisage completing the process by March next year "

A spokesman said about 300 jobs around the country, including the Durban refinery, would go They would be at all levels including 53 at senior management level, 87 at middle management level and 77 supervisory staff

"Oil companies all over the world grew too fat in the days when prices were high This happened in other industries too — now everyone is becoming leaner "

Smith told the AGM that although Engen is operating in a difficult market environment and sales are flat, "with the exception of gasoline and illuminating kerosene, which are showing some growth," earnings in the current year will at least match those in the year to August 31

"If the economy improves our sales volumes will be positively affected and this will once again enable us to show robust earnings growth in 1994 "

He said lower crude oil prices would not affect earnings "Engen profits are affected much more, under the present regulated environment, by the refining margin — which is the difference between the price of refined petroleum products and the crude oil price

"These margins have been fairly strong of late We generally find that, when the crude price drops, there is a time delay before product prices drop and so, for a few weeks, we enjoy even stronger refining margins The reverse is usually true when crude prices rise "

Discussing the deregulation of the industry, Smith said "Engen's view is that change is inevitable and that we should seek an orderly movement to a system of minimum regulation "

● Meanwhile world oil prices dropped to a five-year low yesterday London January futures for Brent Blend of crude oil fell to $13,64 per barrel, their lowest since November 1988

# Gap opens for 6c petrol cut

S I Times [Buss] 5/12/93

By KEVIN DAVIE

THERE is scope for an immediate 6c/l to 8c/l cut in petrol prices

Transnet economist Mike Schussler estimates that falling world oil prices have led to a 6c/l reduction in the controversial In-bond landed cost (IBLC), the system the Government uses for determining SA's fuel price

Mr Schussler says oil prices have fallen in rand terms by 18% since Energy Minister George Bartlett hiked the fuel price in September.

The rand has also strengthened during this period from R3,44 to R3,37 to the dollar

"Money is pouring into the equalisation fund," says Mr Schussler Using the IBLC formula he calculates that the Government could cut petrol prices on the Reef to R1,72/l from R1,80.

Sasol says depressed oil prices should be good news as "the 4,5c/l over-recovery can now be passed on to the motorist"

The National Economic Forum's liquid fuels task group has a final meeting tomorrow ahead of its December 15 deadline for its examination of the SA fuel industry

The Department of Mineral and Energy Affairs is expected to brief task group members on international fuel prices and on the state of the equalisation fund (183)

Fuel prices worldwide have tumbled to five-year lows following the failure last week of the Organisation of Petroleum Exporting Countries to cut production

Reuter reports from New York that gasoline prices at five-year lows have given Americans extra pocket money for Christmas

Benchmark crude Brent was quoted at $13,75 on Friday Dubai was at $12,15

Sources indicate that the NEF is not yet ready to recommend changes to SA's pricing system

Chemical Workers' Industrial Union's Rod Crompton says the task group is unlikely to deliver anything by December 15

The CWIU has asked the Government and oil industry to declare a moratorium on the closure of small petrol garages pending the outcome of the NEF's inquiry

"Some of these garages are 40-year-old family businesses It is a great pity if they are closed now while in the near future changed regulations may enable them to survive," says Mr Crompton

He says the oil companies have agreed to take up the issue with the Government but questions who is player and who is referee

Falling oil pices have meant that SA motorists have to pay more to support synthetic fuel producers Sasol and Mossgas

Industry sources estimate that Sasol will get a R1-billion benefit from the equalisation fund at present oil prices Sasol says this amount is about R800-million

This is after its protection payments were reduced by 1,3c/l when Mr Bartlett announced the 2c/l drop in the petrol price from October 30

Sasol says the 1,3c/l cut means R154-million annually in lower revenues Sasol will pay R77-million less interest on its R1,35-billion Sasol 3 loan from the Central Energy Fund Interest payments were linked to Sasol receiving a $23,00 floor price

# Earnings rise from Premier Pharmaceutical

**CHARLOTTE MATHEWS**

PREMIER Pharmaceutical lifted attributable earnings in the six months to October by nearly a third to R49m from R38,3m in the same period in 1992, thanks to better performances by its pharmaceutical and animal health divisions, according to figures released today.

The company has restated the 1992 figures to reflect the lower tax rate applying in the year to April 1993 and the inclusion of depreciation on industrial buildings for the first time This is in line with Premier Group policy.

Premier acquired control of Premier Pharmaceutical, formerly Twins Pharmaceutical, in August 1992

6/12/93

Growth in turnover was only 5% to R245,3m (R234,7m) owing to the decline in consumer spending, but operating income rose by 15% to R69m (R60,1m). Interest received doubled to R6,6m while the tax rate eased to 35,2% from 39,6%.

(183)

On an increased number of shares in issue, earnings a share were 18% higher at 46,0c (39,0c). A dividend of 18c (13c) was declared.

The directors said the pharmaceutical division again produced record sales and profits.

The animal health division achieved a good profit increase as a result of improved agricultural conditions. However, the consumer and Visioncare divisions performed below expectations,

The company underwent a major restructuring earlier this year, buying and selling certain wholesale distribution businesses. These were merged with Medical Cash & Carry to form United Pharmaceutical Distributors, in which Premier Group has a major stake

Such restructuring left it cash flush, and the company also completed a rationalisation programme started in 1991

The company was upgrading its manufacturing facilities and planned to launch several pharmaceutical products soon.

The directors forecast real earnings growth despite difficult trading conditions, the political and economic uncertainties and changes within the industry

# Engen will soon have its own oil

**Business Day Reporter**

ENGEN would have its own crude oil for the first time when the North Sea Alba oilfield, in which Engen holds a 2,2% interest, went into production in the next few days, chairman Bernard Smith said at the AGM at the weekend.

He expected earnings for the current year at least to match those of the previous year. But if the economy improved Engen would show robust earnings growth in 1994.

B/Day

Engen was also refocusing on its core operations. This would result in the retrenchment of between 10% and 15% of its workforce

6/12/93

The latest drop in crude oil prices would not have much effect on earnings, he said.

"There is a perception in the market that Engen's profits are predicated on crude prices. I would like to correct this perception," he said.

The only component of profits affected was inventory profit, which was determined by the change in the oil price from one year to the next.

(183)

In the present regulated environment, Engen's profits were affected more by the refining margin — the difference between the price of refined petroleum products and the crude oil price. These margins had been "fairly strong" recently

On possible deregulation of the oil industry, Smith said Engen opposed changes aimed at achieving a short-term reduction in the petrol price by further eroding the

□ To Page 2

## Engen

B/Day 6/12/93

□ From Page 1

industry's profitability

Engen had pointed out that the temporary waiving of synlevy receipts until January 31 next year, which contributed 0,7c a litre to the recent 2c a litre price cut, was a concession aimed at getting the National Economic Forum talks back on track It had not been a forerunner to further arbitrary changes which would prejudice the company's profits

(183)

Talks were likely to extend beyond the mid-December deadline originally given to the forum

# Enlarged Fransaf to list on JSE

TIM MARSLAND

PETROCHEMICALS company Sentrachem is to sell its 35% interest in plastic furniture business Plastifurn to chemicals firm Fransaf, which in turn will list on the JSE on Friday B/Day 6/12/93

Fransaf has already made a bid for listed safety products company Safetec, and sources said most of Safetec shareholders had accepted the four-for-one share swap offer by the end of last week Safetec's shares closed at 20c on Friday (183)

Safetec MD Reuben Sacks will retain his position as MD

Fransaf will be listed in the chemicals, oil and plastics sector and is expected to make its debut at R1,20 a share, giving it an initial market capitalisation of R45m.

Sentrachem will take a 6,5% stake in Fransaf in exchange for its Plastifurn holding, with an option to raise it to 10%

Fransaf MD Denis Guerre-Genton said yesterday the company had decided to list to widen the shareholding base There was an offshore interest in the company, but details would be disclosed later

Funds raised in the listing would be used to pay back R2,5m in Safetec's debt as well as to buy new equipment for Safetec.

Meanwhile, agricultural insurance co-operative Sentraboer is also considering a JSE listing and will seek approval at a special meeting of members in February

Sentraboer MD Pierre Maritz said yesterday the co-operative was being restructured prior to its possible listing

It would be renamed Sentrasure, and initial capital of R50m would be raised from agriculture and outside interests. Maritz said about R30m was expected to be raised from members.

On the listing, he said Sentraboer would be registered as a central co-operative to handle Sentrasure's agricultural business

# Drop in petrol price looks likely

**BY ESTHER WAUGH**
POLITICAL CORRESPONDENT

Cape Town — South Africans could get an added Christmas bonus with a slight decrease in the petrol price. Star

A spokesman for the Ministry of Mineral and Energy Affairs said today the decrease could be announced after Wednesday's Cabinet meeting. 6/12/93

The ministry spokesman said the chances of a decrease in the petrol price were "more than reasonably good". (183)

But such a move is dependent on recommendations by the National Economic Forum's special task force which meets today.

The spokesman added that it was unlikely that the decrease could be as high as 6c or 8c per litre as has been speculated.

# Petrol price cut

## 'A definite scope for reduction,' says Bartlett

183

By EUNICE RIDER CT 6/12/93

**THE petrol price could be reduced before Christmas, but a cut of between 6c/litre and 8c/litre predicted by an economist would be "a little over-optimistic at this stage", Mr George Bartlett, the Minister of Mineral and Energy Affairs, said last night.**

SUN LOVERS Yesterday's warm weather drew crowds to Peninsula beaches, although law enforcement officials said there were fewer people than expected Here sun lovers are seen enjoying themselves at Fish Hoek Beach

Picture STEWART COLMAN

Mr Bartlett was responding to comments by Transnet economist Mr Mike Schussler in the Sunday Times that there was scope for an immediate 6c to 8c/litre cut in the petrol price because oil prices had fallen by 18% in rand terms since September's petrol price hike

George Bartlett

Mr Bartlett said there was "a definite scope for reduction" but disagreed with the suggested figure

"The tremendous overproduction of crude oil in the Organisation of Petroleum Exporting Countries, as well as the possibility of embargoes being lifted against Iraqi oil in the near future, have caused the price of petrol to tumble to a five-year international low over the past two weeks," Mr Bartlett said

Also, the rand had firmed against the dollar in recent weeks (from 3,44 to 3,37).

"Hopefully we will be able to announce a decrease in the petrol price before Christmas "

Mr Bartlett said he had discussed the possibility of a decrease with members of the National Economic Forum's task force on the fuel industry They would probably discuss local fuel pricing today

Mr Bartlett said he doubted the task group would be able to investigate all regulations surrounding the liquid fuel industry by the December 15 deadline

"However, progress has been made and my department will be able to make recommendations on pricing by the end of the week."

Mr Roger Hulley, DP energy spokesman and MP for Constantia, said he felt a decrease was "well overdue"

"The minister should restore the previous petrol price level as a matter of urgency," said Mr Hulley

"The price was decreased by two cents shortly after September's 7c/litre increase and so effectively he owes the public a decrease of at least 5c/litre "

# Closer links with Zim signalled by talks

CT 6/12/93

MESSINA, Far Northern Transvaal. — The first meeting in 13 years between top officials from South Africa and Zimbabwe ended here yesterday with both sides expressing satisfaction with the talks

Minister of Foreign Affairs Mr Pik Botha and African National Congress national chairman Mr Thabo Mbeki met Zimbabwe's Foreign Minister Mr Nathan Shamuyarira, paving the way for closer links between South Africa and its northern neighbour

The only concrete decision to come out of the talks was an agreement to immediately lengthen the hours at the Beit Bridge border post It will now be open from 5.30am to 10.30pm daily

Mr Botha described the meeting as "historic"

### 'New era'

"This is an indication of the normalisation process between Zimbabwe and South Africa it is the beginning of a totally new era in our relations "

He said he was pleased the days of being political antagonists were over

Mr Shamuyarira said Zimbabwe would like to share "good neighbo[u]rly

# Boycott: Crisis in drug industry

(183)

CT6/12/93

**Own Correspondent**

JOHANNESBURG — Emergency measures have been set up to dispense life-saving medicines during the pharmaceutical wholesale sector's boycott of four leading manufacturers who broke away to form their own distribution chain.

The four manufacturers — Roche, Ciba-Geigy, Bayer and Boehringer Ingelheim — announced their decision in early November but are not yet ready to handle distribution

Wholesalers responded last week by allegedly refusing to supply products and ordering large amounts of stock and refusing to pay

Mr Robert Appelbaum, legal representative for International Healthcare Distributors (IHD) — the wholesaler set up by the four — said employees were working "round the clock" to supply medicines

## Heart attacks

Boehringer Ingelheim managing director Mr Paul Stewart said the situation was critical as there were no substitutes for many of the products, including vital cardiovascular and anti-asthmatic products

All hospitals and clinics had been informed of a bleeper service for a unique drug that breaks down blood clots during heart attacks Unless administered within four hours a patient could die, he said

Mr Stewart said the boycott had begun at a critical time as the number of heart attacks over the Christmas period was about four times higher than usual

Mr Appelbaum said that while a backlash had been expected from wholesalers, who had lost 20% of turnover to IHD, a boycott of life-saving medicines was a serious indictment of the sector

The National Association of Pharmaceutical Wholesalers said at the weekend it was still compiling a statement responding to allegations made against it last week

# 'Good chance' that fuel price will drop soon

183

ARG 6/12/93

**TOS WENTZEL**
**Political Staff**

THERE is "a good chance" that the petrol price will come down soon, says Minister of Mineral and Energy Affairs George Bartlett

He said a reduction depended on a meeting today of a task force of the National Economic Forum

The task force was set up to deal with the oil price structure after the controversy over a 7c-a-litre increase, which was reduced to 5c

The Democratic Party spokesman on energy affairs, Roger Hulley, today urged the minister to restore the previous petrol price level

He said the sharp fall in crude oil prices due to overproduction made it possible

Mr Hulley said this should be done immediately as people were setting off on holiday

Some economists have suggested a decrease of 6c to 8c a litre but Mr Bartlett said this was "over-optimistic" at this stage He hoped a decrease could be announced before Christmas

Crude oil prices have fallen to a five-year international low The rand has also firmed against the dollar recently

A Department of Mineral and Energy Affairs spokesman said the in-bond landed cost of petrol had also come down This made a price decrease even more possible as the petrol price was based on this and not on the price of crude oil

A recommendation on a lower price may be submitted to the cabinet this week.

# Pharmaceutical wholesalers deny boycott

BDay 7.12.93

INGRID SALGADO

(183)

THE pharmaceutical wholesale sector yesterday denied boycotting distribution of the products of four manufacturers who recently formed their own distribution chain, International Healthcare Distributors (IHD).

Members of the National Association of Pharmaceutical Wholesalers were no longer distributing the manufacturers' products because IHD had decided not to use their services from December 1, association executive director Trevor Phillips said.

By withdrawing its services, the association was acceding to the manufacturers' wishes that IHD be their sole distributor

Phillips said association members would be happy to resume distribution of their products under the same conditions that had prevailed before.

IHD, which intends becoming the sole distributor of the four manufacturers' products, has so far been unable to establish the infrastructure to handle distribution for Roche, Boehringer Ingelheim, Bayer and Ciba

The four manufacturers have alleged that the wholesalers are refusing to supply hospitals and pharmacies with their products. They said IHD had set up emergency measures and employees were working overtime to supply and dispense life-saving medicines

Phillips said he was surprised IHD had not established its infrastructure It had guaranteed delivery of its products within 24 hours when it was launched last month.

# Fransaf hopes for overseas backing

BEATRIX PAYNE

PLASTICS company Fransaf — due to list on the JSE on Friday — hopes to gain financial and technological backing from a major European group by next February, director Denis Guerre-Genton says. BDay

The unnamed company also had interests in the US, and had exchanged technology with Fransaf for some time, Guerre-Genton said yesterday. 7/12/93

Fransaf is to buy a majority stake in Sentrachem's plastic furniture manufacturer Plastifurn. And it plans to manufacture road signs through its proposed acquisition of Safetec. (183)

The company wants to list on the JSE to repay Safetec's R2,5m debt. Guerre-Genton said Fransaf aimed to provide a secure medium- to long-term investment for shareholders. The share offer has been underwritten by Société Générale SA

Guerre-Genton wanted to see local investment in Fransaf increase and hoped this would match investment by the potential European backer.

The Brits-based company drew 5% of its sales from Malawi, Zambia and Zimbabwe

It had attempted exports to Europe, Guerre-Genton said.

It planned to export garden furniture to the US

The garden furniture market in SA was quite small, he added.

The company would diversify into other plastic applications and was investigating manufacturing bathroom accessories.

Fransaf was established by Guerre-Genton in 1968.

It has supplied moulded tables and seats to educational institutions and plastic pallets to the materials handling industry. It was one of the first local companies to manufacture wheeled refuse containers for municipalities.

# Chemical strike in fourth week

Star 8/12/93

A strike by more than 300 workers at the Rolfes chemical and pigments plants in Elandsfontein enters its fourth week tomorrow following a wage dispute between the company and members of the Chemical Workers' Industrial Union.

CWIU negotiator Beki Ntshalintshali said yesterday management had offered an increase at the lowest grade of 53c an hour — about 7 percent — from January 1 1994 The union is demanding 70c — about 12 percent — backdated to July 1

The CWIU also said management was now seeking to investigate the role of the shop stewards, to alter the recognition agreement, and did not intend to pay striking workers leave pay when the factory begins to scale down its operations over the holiday period. — Labour Correspondent (183) ~~(355)~~

# Sweden's Pharmacia in venture with Adcock

Star 9/12/93

**BY STEPHEN CRANSTON**

Pharmacia has become the first Swedish pharmaceutical company to invest in SA.

It has set up a joint venture with Adcock Ingram — Pharmacia Healthcare — with an estimated turnover of R41 million. (183)

Adcock has distributed Pharmacia's products on an agency basis for the last 25 years.

The venture will run until September 1999 and employ 47 people, with 26 in the field.

Pharmacia was formed out of a merger of the Swedish-based Kabi-Pharmacia and the Italian Farmitalia.

It is currently 53 percent-owned by the Swedish government, but it will be privatised next year.

Pharmacia focuses on oncology, peptide hormones for growth disorders, and opthalmology.

It has a dominant market share worldwide for products used in cataract surgery, allergy diagnostics and clinical nutrition.

Adcock Ingram will be contributing its expertise in manufacturing, packaging and distribution to the venture, while Pharmacia will focus on marketing, sales and administration of medicines, taking responsibility for registration.

As well as the joint venture, Pharmacia is setting up a subsidiary with a turnover of about R10 million to market products formerly sold by Farmitalia.

Pharmacia's best-known product, Nicorette chewing gum used to help people stop smoking, will continue to be distributed through Adcock's self-medication division.

The joint venture and the subsidiary will be integrated into one management structure operating out of the old Farmitalia offices in Ferndale, Randburg.

# Latest on petrol price

Star 9/12/93

**OWN CORRESPONDENT**

**Cape Town** — Motorists will have to wait until after Wednesday for a "slight" petrol price decrease, Minister of Mineral and Energy Affairs George Bartlett said today

He added that in future the price of petrol was likely to change every two or three months (183)(~~244~~)

The National Economic Forum's task group on petrol has compiled a report on the petrol price, guided by the over-recovery at the pumps of a few cents, and the 18 percent drop in the international crude oil price, now at its lowest mark in five years

Bartlett and his department are looking at the report, and will report to a Cabinet committee on Monday. The full Cabinet should discuss the petrol price on Wednesday.

Bartlett said that with the present "slight" over-recovery on petrol sold at the pumps, "we should be lowering the price of petrol".

The extra price paid at the pumps was not going into the coffers of petrol companies, Bartlett said, but on to a slate to offset any future increase.

With the lifting of oil restrictions, the price of petrol would go up and down much more frequently than in the past.

Under sanctions, the Government kept the pump price fairly stable because, Bartlett said, it did not want the world to know too much about the country's oil position.

"The price of petrol at the pumps did not reflect the frequent variations occurring in the market, which we would have had if there was a totally free market.

"In future you will find a pump price that reflects the international price of petrol. It will go up and down much more rapidly, every two or three months."

COMPANIES

# New-look Winbel posts a profit

BDay

CHARLOTTE MATHEWS

MINING supplies and plastics holding company Winbel posted a R1,1m attributable profit (R1,5m loss) for the year to September, after completing its long-running restructuring. 9/12/93

Winbel chairman Bob Wenteler said yesterday that the group planned to grow internally and improve existing facilities

Turnover edged forward to R204,5m (R200,4m), but operating profit increased more than fourfold to R3,8m (R936 000). Net financing costs dropped to R1,4m from R3,9m. Earnings were 1,5c a share (3,4c loss), but the dividend was passed.

Winbel subsidiary Winhold reported attributable earnings of R1,8m for the year from a R2,4m loss last time. Its earnings improved to 2,0c a share (4,6c loss).

Winhold derives its income from a 73% stake in mining supplies company Inmins and an 86% holding in plastics company Plastall. (183)

Inmins turned 1992's loss of R509 000 after extraordinary items into a profit of R2,1m for the year Although turnover fell slightly to R142,8m (R145,9m), operating income lifted 15% to R2,1m (R1,9m).

The contribution due to outside shareholders rose to R809 000 from R158 000, reflecting 1992's financial restructuring, which saw R13,7m of interest-bearing debt converted to cumulative redeemable preference shares An extraordinary profit of R544 000 was made on property sales.

Earnings were 5,9c a share (2,3c loss), but the dividend was again passed.

Plastall's turnover grew 11,7% to R62,4m (R55,9m) despite the closure of its seating operations in May. Wenteler said the company's market share in its core plastics business had risen 17%.

Operating income was R1,4m (R892 000 loss), but increased financing costs of R1,9m (R1,6m) and a higher tax bill left a deficit of R553 000 (R2,6m).

The loss a share eased to 4,8c from 17,9c in 1992 and no dividend was declared.

Winbel shares closed 5c higher at 20c on the JSE yesterday, while Winhold shares doubled to 20c

# Petrol price decision after Wednesday

183

Political Staff

MOTORISTS will have to wait until after next Wednesday's cabinet meeting for a "slight" decrease — probably 2c a litre — in the petrol price, Mr George Bartlett, Minister of Mineral and Energy Affairs, said today. ARG 9/12/93

The National Economic Forum's task group on petrol has compiled a report on the petrol price, guided by the over-recovery of a few cents at the pumps, and the 18 percent drop in the international crude oil price, which is now at its lowest mark in five years.

One of the factors working in South Africa's favour is that the Opec countries cannot agree among themselves on figures.

Mr Bartlett and his department are looking at the report, and will in turn report to a cabinet committee on Monday.

FM 10/12/93

183



SA DRUGGISTS

# Emerging heavyweight

**Activities:** *Makes and distributes pharmaceutical, chemical and related products*
**Control:** *Malbak 84%*
**Chairman:** *G S Thomas, MD. P J J Beningfield*
**Capital structure:** *60m ords Market capitalisation R1,54bn*
**Share market:** *Price' 2 575c Yields 2% on dividend, 4,8% on earnings, p e ratio, 21, cover, 2,3 12-month high, 3 000c, low, 1 900c Trading volume last quarter, 352 000 shares*

| Year to August 31 | '90 | '91 | '92† | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 37,5 | 54,9 | 108 | 9,37 |
| LT debt (Rm) | 15,6 | 3,82 | 35,3 | 20,2 |
| Debt equity ratio | 0,26 | 0,25 | 0,38 | n/a |
| Shareholders' interest | 0,49 | 0,48 | 0,47 | 0,54 |
| Int & leasing cover | 4,2 | 3,3 | 2,6 | 5,4 |
| Return on cap (%) | 22,1 | 17,9 | 13,0 | 11,4 |
| Turnover (Rbn) . | 0,95 | 1,06 | 1,51 | 1,84 |
| Pre-int profit (Rm) | 87,2 | 80,2 | 102 | 123 |
| Pre-int margin (%) | 9,2 | 7,6 | 6,7 | 6,7 |
| Earnings (c) | 141 | 117 | 94 | 123 |
| Dividends (c) | 50,0 | 50,0 | 50,0 | 51,5 |
| Tangible NAV (c) | 136 | 150 | 727 | 971 |

† 17-month period

**With structural** changes and write-offs behind SA Druggists (SADrug), and year-ends in line, results are comparable for the first time since the pharmaceutical group was acquired from Fedvolks two years ago

Aided by improved disclosure, a clear view of SADrug shows it emerging as a heavyweight in the industry Particularly impressive is the 21,7% rise in turnover, achieved while some rivals saw turnover decline in real terms as they fought for a share of the shrinking market.

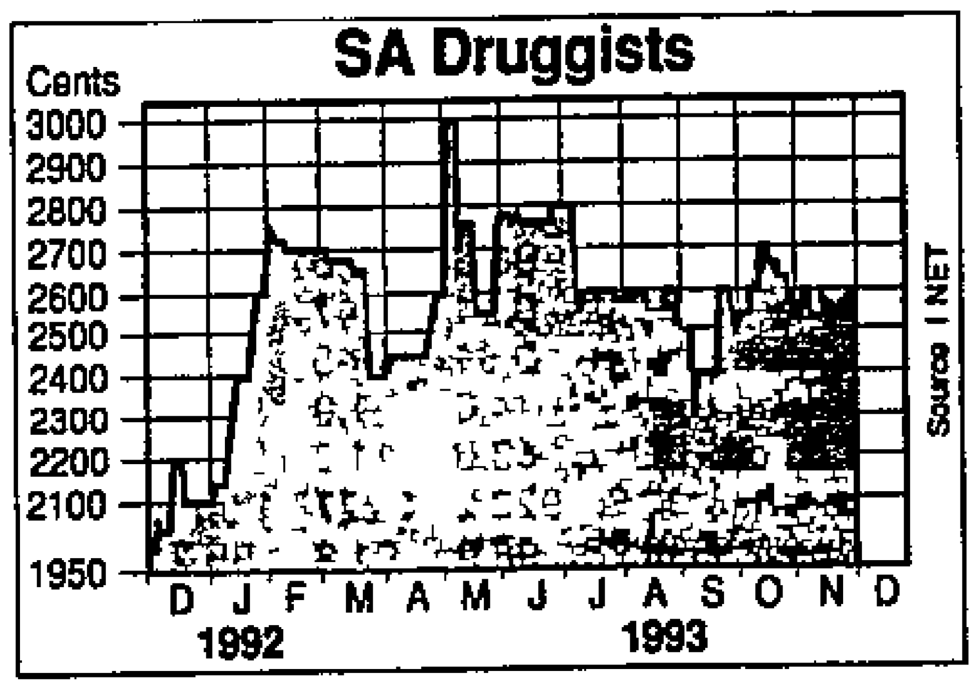
The 20,8% rise in operating profit is a notable achievement under conditions characterised by what chairman Grant Thomas says were declining volumes and intensified pressure on margins CE Peter Beningfield attributes the strong sales growth to keeping ahead of the rest of the industry He says market share has increased steadily for the past 16 months, while volumes have generally declined

The margin is still some way off the targeted 8%, though Beningfield believes it could have been reached last year with the full inclusion of Intramed, the new plant in Port Elizabeth which started operating in May Start-up costs for Intramed and the expansion of the Akromed nutritionals plant have been absorbed up front

EPS performance was tempered by the additional issued shares after the R200m rights issue earlier this year The moderate 3% increase in dividend, on higher cover, should be seen against the pegged dividend in financial 1992, when annualised earnings dropped about 20% and gearing was 38%

After the rights issue, SADrug has about R53m cash, net of borrowings That's likely to be spent on an acquisition, possibly one which offers strong ethical brands, an area where SADrug would like to increase its exposure to offset its strong dominance of SA's generic drugs market Beningfield says deals are being considered, and an announcement could be made next year

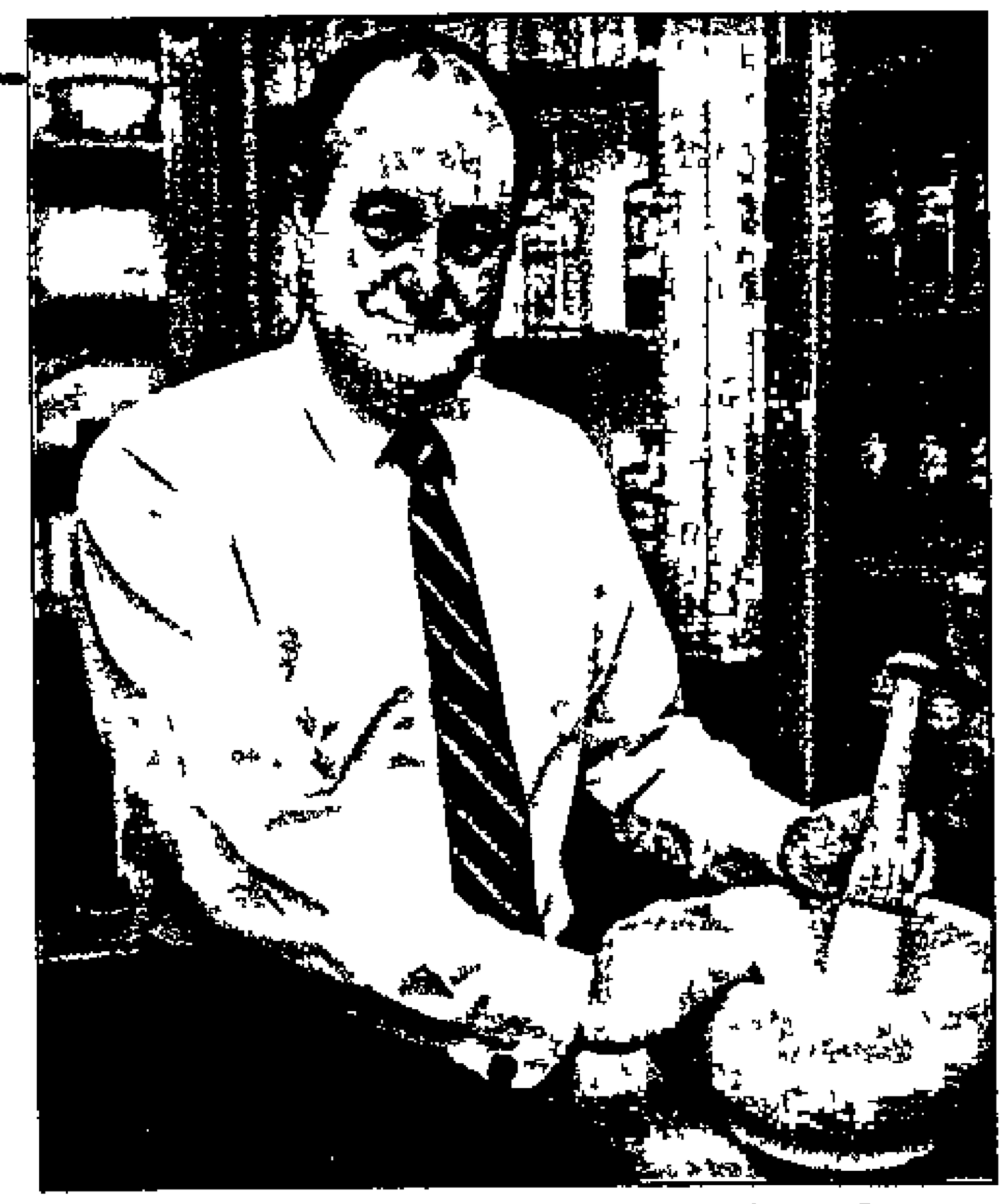
An idea of the intensity of competition can be gleaned from the declining contribution from the distribution division, largest contributor to turnover The R743m contribution to sales has slipped 2%; the R17m con-




tributed to operating profit is down more than a third

Problems in the wholesale pharmaceutical sector have been compounded with the planned introduction of a rival distribution network, International Healthcare Distributors (IHD), announced by four multinationals recently The multinationals are accusing wholesalers, including SADrug, of refusing to pay for stocks and not supplying "life-saving medicines" to hospitals and retailers

Beningfield says wholesalers feel stock was sold to them without full disclosure of the multinationals' intention to set up a distribution network, which, because of the recently announced price structure and intention to sell directly to end users, would leave all wholesalers with net losses For this reason, he says, wholesalers were returning



**SADrug's Beningfield** *market share rising steadily*

stock and offering settlement net of full stock credits

He says if products are not reaching consumers, it's because IHD is not fully operational, as it was meant to be at the beginning of the month "It's the manufacturers' duty to supply their products to consumers I don't blame anyone else if I foul up," he says

Aggressive competition like this points to another difficult year for the industry, but Beningfield says SADrug is capable of further increasing market share and improving efficiencies

The share, up more than 50% since a year ago, is expensive, on one of the highest ratings in the sector It could still offer long-term value, particularly if management's decision to focus on generic medicines proves correct.

*Shaun Harris*

## DEFINITIONS

**Debt:equity ratio:** All interest-bearing debt plus redeemable prefs less cash expressed as a ratio of total shareholders' funds.
**Total shareholders' funds:** The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments
**Capital employed:** Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets.
**Shareholders' interest:** Total shareholders' funds expressed as a ratio of capital employed
**Pre-interest profit:** Pre-tax profit plus net interest paid.
**Gross cash flow:** Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax
**Interest and leasing cover:** Pre-interest profit plus financial lease charges expressed as a multiple of net interest and financial lease payments.
**Debt cover:** Gross cash flow expressed as a multiple of interest-bearing debt
**Return on capital:** Pre-interest profit as a percentage of capital employed.
**Net asset value:** Net assets attributable to ordinary shareholders after adjustment for market and/or directors' valuation of investments, less intangibles
**Return on equity:** Earnings per share, based on weighted average number of shares in issue during the year, as a percentage of NAV.
**Current ratio:** Current assets divided by current liabilities
**Pre-interest margin:** Pre-interest profit less dividend income as a percentage of turnover.
**Stock turnover:** Turnover divided by the year-end stock figure
**Market capitalisation:** Number of ordinary shares and convertible preference shares multiplied by their latest market price

FM 10/12/93 (183)

PREMPHARM FM 10/12/93

# Ungeared for growth

**It was to** be expected that the rapid growth recorded earlier by Premier Pharmaceuticals (Prempharm), coming off a low base and after a long rationalisation programme and fight for control, would slow as what is essentially a new group began to consolidate (183)

Interim figures, therefore, offer a more realistic assessment and are encouraging As with others in the industry, growth in turnover was subdued But while bigger competitors attribute depressed sales to keen competition and pressure on wholesale prices, CE Phil Nortier says turnover was restricted by the decline in consumer spending

That's a reflection of the product mix, which is largely in over-the-counter and consumer products, with a number of strong brand names like Syndol While it may miss the lucrative margins offered by ethical drugs, this mix arguably carries less risk, given the uncertainties facing the industry

Operating performance was strong, largely thanks to the pharmaceutical division, which Nortier says produced record sales and profits During the first half three acquisitions — Laser Pharmaceuticals, Leppin Products and Pharmatec — were made and integrated with Prempharm's pharmaceutical division.

Despite this, the balance sheet remains ungeared, bolstered by the R78m share issue earlier this year. That leaves cash holdings of R94,3m, nearly four times more than 12 months before This obviously leaves Prempharm well armed for further acquisitions, which could take place soon.

The additional cash helped the doubling in interest earned to R6,6m and 19% rise in pre-tax profit to R75,6m EPS for the previous period has been restated to allow for the cut in the corporate tax rate. Based on original figures for the first half of financial 1992, EPS would have risen by 28% instead of the 18% now shown

**HEALTHY**

| Six months ended | Oct 31 '93 | Oct 31 '93 |
|---|---|---|
| Turnover (Rm) | 234,7 | 245,3 |
| Operating income (Rm) | 60,1 | 69,0 |
| Attributable (Rm) | 38,3 | 49,0 |
| Earnings (c) | 39 | 46 |
| Dividends (c) | 13† | 18 |

† Restated to reflect lower tax rate.

In line with the more moderate first-half growth, share price appreciation has slowed after a runaway increase earlier this year At R17 it's slightly off the R18,50 year's high

But ratings are not far off sector leaders Adcock Ingram and SA Druggists, and with new pharmaceutical products planned and R38,1m spent on acquisitions and expanding operations, growth should be sustained Prempharm has become an interesting option in the highly rated sector *Shaun Harris*

# Del Monte sells Roychem for R30m

(183)

CT 10/12/93

JOHANNESBURG. — Royal Chemical's remaining division, Ferro Industrial Products (FIP), was sold for R30,6m in cash to a consortium with effect from September 27, 1993, parent company the Del Monte Royal Corporation said yesterday.

Roychem is now expected to become a cash shell, subject to certain conditions relating to the disposal of FIP and after taking into account other sundry assets and liabilities.

The present estimated net cash value of Roychem is 130c a share and the Del Monte Royal Corporation said a further announcement would be made at the end of January next year on the final net cash position of Roychem.

The consortium which bought Roychem comprises Firstcorp Merchant Bank, Institutional Investors, and K J P Case and L R Tollemache

# Suicides: Call to limit sale of pills

183

ARG 11/12/93

DI CAELERS
Weekend Argus Reporter

■ The days of stocking up with paracetamol painkillers in your local supermarket may be numbered after rising concern over the drug's sinister downside — its popularity in suicide attempts

CONTROLLED sales of paracetamol, one of South Africa's most popular painkillers, may be on the cards following increasing concern over poisoning incidents from the drug

Widely used, alone or combined with other medicines in suicide attempts, Groote Schuur Hospital is treating about 300 cases of paracetamol overdoses each year — although at this point they're mostly managing to administer the antidote before acute kidney or liver damage occurs

Responding to the statistics, the SA Medicines Control Council soon will examine the question of whether sales of the drug in supermarkets and similar outlets should be restricted to 25 tablets or 100 ml of syrup, according to the Department of Health's head of medicine registration, Christel Bruckner

More than that amount would then see paracetamol become a Schedule 2 drug which could be dispensed only under the supervision of a pharmacist and require that records of sales be kept

In Britain, "killer" paracetamol is in the spotlight with doctors demanding controls after research there revealed that poisoning incidents had reached record levels.

Results from the first analysis of patients receiving emergency treatment, according to overseas Press reports, showed that as many as 40 000 people had suffered serious overdoses.

Dr Mike Voigt, senior scientist in Groote Schuur Hospital's liver unit, said that while his hospital was seeing only one or two cases a year of acute liver failure from paracetamol poisoning, at least 300 attempts annually never "get that far because we treat them early"

Dr Voigt said "The United Kingdom is unique Paracetamol is their leading cause of acute liver failure, but what we're seeing here are seeing a lot of paracetamol para-suicides

Ms Bruckner told Weekend Argus that controlled sales of the drug was just one suggestion to come out of consultations with industry

Other ideas included compulsory warnings on the labels, tamper-evident packaging, consumer education and safety monitoring

"Restricting sales will not necessarily eliminate the problem because it's likely that if you want to harm yourself, you will"

"Paracetamol has a good safety margin if taken correctly so we have to consider the situation carefully"

Discussing how many tablets could be dangerous, Dr Voigt said heavy alcohol consumption caused the liver to become sensitive to paracetamol and in such cases even therapeutic doses could be toxic

"Paracetamol is one of the safest drugs around when used properly and I believe it would be a major hindrance if patients had headaches and couldn't buy something effective over the counter

"I don't think we have enormous cause for concern yet in this country"

# 'Little likely to change' as oil sanctions go

Star 1/12/93

WHILE South Africa welcomed the lifting of the United Nations oil embargo yesterday, economists warned that its effect would be more psychological than economic

The UN decision came on Thursday in response to the inauguration of the Transitional Executive Council to oversee the run-up to the election on April 27

"It's very good news, and it's what we expected," Roelf Meyer, the Government's representative on the TEC, said in Cape Town

His ANC counterpart, Cyril Ramaphosa, also welcomed the news "It was anticipated and this in line with the progress we have made," he said

Econometrix senior economist Dr Azar Jammine said South Africa had for "many years" received UN oil — but at a premium, because it could not buy crude on the open market.

"That premium has slowly been reduced over the years ... it is just about nothing now.

## Decline

"There are few major implications to the lifting of the embargo. The main impact will be psychological," Jammine said.

A continuing decline in the buying power of the rand would offset some of the benefits of falling international oil prices, he added.

Energy Affairs Department spokesman Carel du Toit said the UN decision would allow South Africa to deal on the open market, taking advantage of price fluctuations (183)

He felt the move would not alter fuel prices drastically.

"Prices don't only fluctuate downwards, they also go up," Du Toit said

South Africa spends about R5,5 billion on imported crude oil — about 10 percent of the import bill and about 60 percent of the required 400 000 barrels a day of refined liquid crude.

Of the balance, 31 percent is provided by Sasol, South Africa's oil-from-coal project, and 9 percent by Mossgas, the offshore gas project near Mossel Bay

● Democratic Party energy affairs spokesman Roger Hulley yesterday called for remaining secrecy regulations on crude oil and the petrol market to be scrapped immediately

The DP welcomed the final lifting of the United Nations oil embargo on South Africa, he said

The immediate significance of the news was that details of the sourcing of the country's oil supplies and stockpiles need no longer be kept secret.

## Bargain

Hulley said the oil embargo's lifting would also affect the petrol price. As all oil-supplying nations could now deal openly with South Africa, "we can now bargain for the most competitive prices available, without any 'pariah premiums' added on".

Any savings resulting from greater competitiveness should be passed on directly to the motorist

It should be noted that the international price of crude oil had dropped about 18 percent recently and was now at its lowest level in five years. This reduction should be passed on to motorists, particularly as the rand had been relatively stable against the dollar recently

"The time is now overdue for the Minister to reverse completely the 7c-a-litre increase he announced in September," Hulley said

"Since 2c was reversed in October, he still 'owes' the public a further 5c a litre reduction" — Sapa-AFP

# Cheer as oil embargo goes

CT 11/12/93 (183)

JOHANNESBURG — South Africa welcomed yesterday the lifting of the UN oil embargo on Thursday.

"It's very good news, and it's what we expected from the TEC," said Mr Roelf Meyer, the government representative on the TEC.

His ANC counterpart, Mr Cyril Ramaphosa, also welcomed the news "It was anticipated and this is in line with the progress we have made."

Welcoming the news, DP energy affairs spokesman Mr Roger Hulley called yesterday for the remaining secrecy laws on crude oil and the petrol market to be scrapped. — Sapa

# Bartlett checks his sums on fuel

S/Times 12/12/93

By NORMAN WEST
Political Reporter

MINERAL and Energy Affairs Minister George Bartlett has been ordered to redo his homework on the country's fuel position to ensure the government will not be seen to be playing yo-yo with the petrol price.

Sources alleged the cabinet was unhappy about information supplied by Mr Bartlett this week on the country's oil reserves.

As a result, they said, the government's plan to drop the petrol price was postponed from Wednesday to at least December 22.

The government wants to be able to justify decreasing the petrol price by at least two cents before Christmas. (183)

Sources said information supplied by Mr Bartlett to the cabinet on Wednesday was "insufficient" to arrive at a final petrol price decrease.

They said it was feared it would be "politically disastrous and cause an explosion of emotions" should the government be forced to increase the petrol price during the run-up to the April 27 elections.

One said the government was being cautious about the possible decrease: "We don't want a roly-poly situation where things go down and than up again. The feeling was we should err on the side of caution."

The National Economic Forum has recommended a petrol price decrease of two cents a litre and "no change" in the price of diesel.

The government faced harsh criticism and taxi operators blockaded streets when Mr Bartlett announced an increase of seven cents a litre in September.

The minister will report to the cabinet committee on economic affairs tomorrow for a final recommendation to the cabinet on Wednesday.

Sources said the feeling was that if the country could afford it, the cabinet should agree to decrease the petrol price by a maximum of two cents.

# Slippery deals in SA's oil pipeline

S.Times [Buss] 12/12/93

This week the UN lifted its oil embargo against SA. **KEVIN DAVIE** recounts the costs of SA's efforts to beat the boycott.

(183)

VOLUNTARY oil sanctions against SA began during the 1970s but had little effect until the fall of the Shah of Iran in 1979.

Overnight SA was plunged into crisis: restrictive speed limits were imposed and service stations closed on weekends. A news blackout was imposed and efforts to buy self-sufficiency through stockpiling and building synthetic fuel plants swung into action.

These plants — Sasol and Mossgas — produce 130 000 barrels a day, about 39% of SA's fuel needs, and have a replacement value above R55-billion.

Mineral and Energy Affairs says it cannot disclose details on oil procurement until the Cabinet agrees, but supply lines have been documented by the Amsterdam-based Shipping Research Bureau (SRB).

It has tracked an estimated 42% of all supplies to SA during the boycott period.

The SRB's research, plus official SA documents, show the boycott was beaten through the use of frontmen such as Marino Chiavelli, John Deuss and Marc Rich.

The Strategic Fuel Fund (SFF) — or rather the taxpayer, who picked up the $30-million bill — was badly stung in the case of the Salem, one of the greatest frauds of all time.

A group of conspirators sold SFF someone else's oil, and then sank the Salem off the west coast of Africa in January 1980, claiming insurance for the vessel and its cargo.

Arrests were made but few of the conspirators saw the inside of a jail, in part because SA officials were reluctant to testify in overseas courts.

Marino Chiavelli understood fraud very well. He was importing meat from SA and trying to recover a $1-million bribe from Ghanaian officials when introduced to SA authorities in March 1979.

A memo shows that Mr Chiavelli said Abdulhadi Taher, governor of Petromin, the Saudi state oil corporation, had asked him to contact the SA government.

"Taher and co are very worried about high oil prices on the spot market. They realise we are also operating in this market and in view of their objective of keeping prices down (Saudi is a low-cost producer), they might be interested in starting negotiations."

Mr Chiavelli produced a three-year contract for 105-million barrels at pre-crisis prices of $12,00 to $13,00 a barrel.

Later documents show that it was agreed to pay $3,00 as a premium. "We will arrange with Dr C for $2,50 premium for Petromin (Dr Taher)," a draft agreement says. This was a bargain compared to premiums of up to $20,00 a barrel which SFF was then paying.

Volkskas advised Mr Chiavelli that it held $385-million (the $3,00 premium) on his behalf, but the deal was never concluded.

He had in the meantime become a major media figure in SA, flaunting his alleged wealth. His high-profile caused problems for the SFF, its officials saying that there was a danger that the "Chiavelli connection would be exposed because of his love of publicity".

Mr Chiavelli was by then embroiled in a major court action brought against him by a former partner Taki Xenopoulos, who had introduced him to SA's oil buyers and claimed 2% commission (R90-million, plus interest), on a R4,5-billion three-year contract.

The case was settled before it went to trial. The amount involved has never been disclosed but is understood to be tens of millions. Payment was not made by Mr Chiavelli, but by certain Arab parties.

An analysis of Mineral and Energy Affairs documents shows that while details of the shipper and consignee had been deleted in most cases, 61 tanker loads or 68-million barrels could have been delivered from Petromin between 1979 and 1982. Almost all the oil was delivered by John Deuss or Marc Rich companies.

Dutch-born Mr Deuss was a car dealer in Holland before fronting for Soviet oil deals, a relationship which went sour over the alleged non-payment for crude of $100-million.

Zug-based Mr Rich is one of the world's top commodity dealers. A fugitive from US justice for the "largest tax evasion scheme ever prosecuted, including racketeering and fraud", Mr Rich has a bounty on his head and is escorted by Israeli-trained parabats.

The SRB estimates that Mr Rich had supplied about 8% of SA's oil needs since 1979. Mr Deuss's Transworld remained active in supplying oil to SA until 1987 when it said it had stopped supplies.

The SRB identified companies in the United Arab Emirates as SA's chief supplier since 1979, followed by Saudi Arabia, Oman, Iran and Qatar.

Egypt has made increasing shipments to SA in recent years and this year became the first country to officially admit this trade.

SA-based oil companies now do their own procurement, but any savings they make will not be passed onto the consumer in terms of the complicated pricing formula used by the Government to set SA fuel prices.

STEEPED IN CRUDE: Marc Rich, John Deuss and Marino Chiavelli, men who grew rich on SA's isolation

# Synfuel 'needs tariff protection'

(183)

CT 13/12/93

By ARI JACOBSON

## . . . to cut oil imports

THE synfuel industry in SA should remain protected by "tariff barriers" to prevent further dependence on imported supplies, according to the latest Bank of Lisbon economic [illegible]

There has been [illegible] debate about the [illegible] in the synfuel industry [illegible] the comments come in the wake of the lifting of the oil embargo [illegible]

[illegible] has a state guarantee that tariff protection will remain until [illegible]

[illegible] points out that the [illegible] Mossgas [illegible] to a future disruption of imported oil supplies.

[illegible] my [illegible] this [illegible] that domestic production [illegible] duced [illegible] ated

[illegible] oil [illegible] this may be "temporary" and SA is therefore exposed as oil makes up the largest part of the import bill.

A recent article in the Economist magazine points out that as the industrial economies revive and the former Soviet economies stop declining, demand would spur the price of oil, especially as supply could lag demand.

The review argues that there is little wisdom in eliminating such protection at this stage and burdening the economy with higher volumes of imported oil."

[illegible] cause of "the potential future [illegible] domestic [illegible]

It mentions that tariff protection for SA synfuels does not burden the local consumer in comparison with the [illegible]

[illegible]

[illegible] synfuel protection.

# Two cent fuel price cut by Christmas

(183)

ARG 15/12/93

Political Staff

THE price of petrol is to go down by 2c a litre before Christmas

Mineral and Energy Affairs Minister George Bartlett confirmed that the issue would be discussed at the weekly cabinet meeting but he declined to say how big the reduction would be and when it would come into effect

However, a top government source indicated that a 2c a litre decrease as soon as possible would be announced later today. It would take a few days to come into effect as the independent states — Transkei, Bophuthatswana, Venda and Ciskei — had to be informed and pump adjustments were necessary.

Today's cabinet meeting will have before it a recommendation from the liquid fuel task group of the National Economic Forum that the price should be cut by 2c a litre.

The cabinet is being cautious about the adjustment because it fears the price may have to be put up again when oil prices start rising after having been at their lowest level for years

Mr Bartlett said today that petrol prices could be expected to fluctuate more frequently in future in accordance with oil price fluctuations Oil companies also felt this should be the case

One of the reasons why the petrol price had in the past been so stable was that in times of sanctions the government did not want to give an indication to the outside world of the country's supply position by adjusting prices.

At a Press conference today he may also, for the first time, make public where South Africa obtained its oil in the embargo years.

The NEF task group began probing the petrol price amid the uproar that followed Mr Bartlett's decision to push up the price by 7c a litre in September. He subsequently announced a 2c a litre cut.

The NEF group, due to present its report on the price structuring of the industry, recommended a further cut of 2c a litre

# Petrol price could drop

CT 15/12/93 183

By ANTHONY JOHNSON
Political Correspondent

AN announcement on a cut in the petrol price could be made today

Mineral and Energy Affairs Minister Mr George Bartlett yesterday confirmed that the fuel price would be discussed at today's cabinet meeting

An announcement could be made at a press conference later in the day, he said

The price of petrol has tumbled to a five-year international low over the past few weeks and the rand has also firmed against the dollar, improving prospects of relief for holiday motorists

But earlier this week Mr Bartlett described suggestions by economists that the price of petrol could drop between 6-8c/litre as "a little over-optimistic at this stage" The minister has confirmed that he has discussed the possibility of a decrease with members of the National Economic Forum's task force on the fuel industry

The price of petrol was increased by 7c/litre in September but reduced by two cents shortly afterwards following an outcry from political parties, labour unions and the public

*Petrol drops 2c a litre*

# Oil veil of secrecy is lifted

Star 16/12/93

**BY CHRIS WHITFIELD**
POLITICAL CORRESPONDENT

**Cape Town** — The Government yesterday decided to drop the petrol price by 2c/litre from midnight tonight and finally lifted the veil of secrecy on South Africa's oil reserves and the supply of oil to the country.

If current trends continue, another price review could be on the cards during the second half of January, it was revealed yesterday. Mineral and Energy Affairs Minister George Bartlett also announced that the Cabinet had decided to lift the remaining secrecy provisions on the supply of oil to the country.

At one stage the embargo was costing South Africa

**ANOTHER price review is on the cards for early next year, Bartlett announces**

183

$150 000 (about R500 000) a day.

He revealed that strategic crude oil reserves had been reduced to 77 million barrels — worth about R3,25 billion at current market value — representing about 8½ months of current imported crude oil requirements

He also revealed that the "pariah premium" paid by the Goverment from its Equalisation Fund to compensate oil companies having to purchase at inflated prices because of sanctions had peaked in 1984 at some $150 000 a day or $54,75 million (R184 million) a year Bartlett said optimum areas of supply to South Africa were the Persian Gulf and Red Sea.

Turning to the petrol price, the Minister said the Cabinet had approved a proposal from the National Economic Forum's advisory task group on the fuel industry.

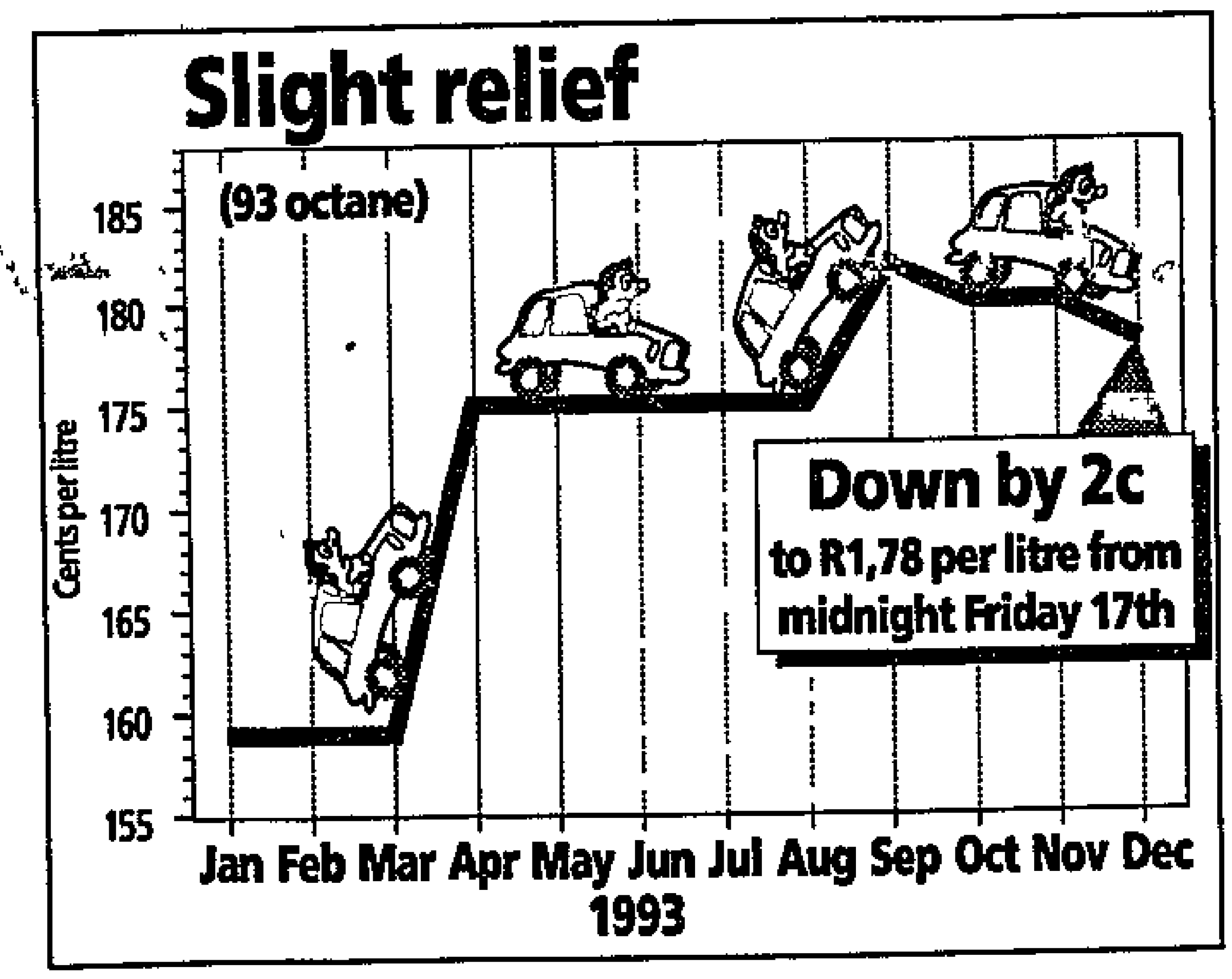
He added that while diesel and paraffin prices would not be cut now, trends indicated they could also be reduced soon.

Bartlett told a press conference that a sharp decrease in crude oil prices last month had led to a decline in international petroleum product prices. The rand/dollar exchange rate had remained stable, resulting in an overrecovery — the amount above expected returns for sales to the public — of 2c/litre.

The Cabinet had — "in line with its commitment to total transparency" — also agreed to the NEF's recommendation that prices of petroleum products should be adjusted more frequently to reflect the actual market situation, the Minister added.

Central Energy Fund chairman Danie Vorster said it would be rash to make predictions on a future decrease because there could be a "sudden jump" in prices, but expected that if trends continued there could be a revision of

▶ To Page 3



# Oil veil of secrecy is lifted

Star 16/12/93

◀ From Page 1

the price in late January. Bartlett made a "special appeal" to the business sector to pass on the decrease to consumers.

However, the Democratic Party last night said the reduction was not enough — it "could and should have been at least 5c a litre".

**Peter Davies** reports that business, motoring and labour groups guardedly welcomed the 2c/litre drop in the petrol price, but most organisations believe that the decrease was not enough.

Tomorrow's price drop will result in a saving of about R173 million a year, most of which will be enjoyed by motorists, the South African Chamber of Business said. (183)

The Automobile Association welcomed the cut, but said a more realistic petrol price had been expertly calculated to be in the region of R1,72c/litre for 93 octane on the Reef. From tomorrow, the price will be R1,78c/litre.

The ANC has hailed the reduction as a victory for the NEF's liquid fuels task force.

# Petrol price drop fuels deflated feeling

CT 16/12/93

BOTH the Autmobile Association and the business community have expressed disappointment that the petrol price has been reduced by only 2c/litre — instead of "at least 5c/litre" — and expressed doubts that this will curb inflation

The AA's general manager of public affairs, Mr Robin Scholtz, said the full effect of the lower crude oil prices had not yet filtered down to the motorist

Economists approached by the AA said R1,72c/litre would be a more realistic price for premium petrol upcountry than the R1,78c/litre price effective from tomorrow

The South African Chamber of Business (Sacob) said the price reduction would not have much impact on commercial transport and production costs because it had not been extended to diesel fuel

Sacob said SA's large import bill would be slightly reduced

It believed the lifting of the oil embargo would enable South Africa to bring its fuel prices in line with international market trends

The price cut was also welcomed by the Cape Town Chamber of Commerce (CTCC), but it wondered whether the cut was not "more politically than economically motivated".

The head of the CTCC, Mr Roland Hudson-Bennett, said the 1,1% decrease in the price of petrol was "very much a political gesture", which would have no effect on bringing down the inflation rate The business community had expected a 5-6c/litre decrease

Mr Albert Schutmaker, assistant director of the chamber, said he hoped the decrease would be reflected in the Consumer Price Index

"It's important to note that when the price was increased in September there was a slight upturn in the inflation rate

"We hope to see the decrease reflected in the Consumer Price Index too," he said.

183

# Another petrol cut on the way

(18) BT 16/12/93

By ANTHONY JOHNSON
Political Correspondent

THE 2c/litre cut in the petrol price from tomorrow will herald an era of more frequent adjustments to the price of petroleum products.

Motorists could receive further relief as early as the middle of next month if the present decline in the dollar price of petroleum and the favourable rand/dollar exchange rate continue, Mineral and Energy Affairs Minister Mr George Bartlett said yesterday.

The minister said the collapse in crude oil prices had resulted in an over-recovery for petrol of 2c/litre in November.

This had increased to 5c/litre in recent weeks

## Review

He hoped that this could lead to a further review of the price by mid-January, with possible price adjustments every three to four months to ensure that the petrol price reflected the market situation.

The cabinet had agreed to a National Economic Forum recommendation that movements of international petroleum products would be monitored continuously and price reductions would, whenever sustainable, be passed on to consumers as quickly as possible.

"An appeal is made to the business sector to pass on to consumers any saving made possible by fuel price reductions," Mr Bartlett said.

● Petrol price drop fuels deflated feeling — Page 5

BUSINESS

PETROL INDUSTRY
FM 17/12/93

# Debating deregulation

**Whatever Cabinet's** decision on a petrol price cut, the debate over deregulating the R23bn-a-year oil and synthetic fuels industry is heating up (183)

The Liquid Fuels Industry Task Force of the National Economic Forum recently recommended that government reduce the petrol price by another 2c a litre, in line with declining international prices This followed government's 7c/l price increase in September and its 2c/l climbdown after protests

"Since only 2c of the price rise was reversed in October, Mineral & Energy Affairs Minister George Bartlett still owes the public another 5c/l reduction," says DP energy affairs spokesman Roger Hulley

But task force secretary Debra Marsden says the fuel price issue is only part of the forum's oil industry restructuring investigation, which is set to continue until well into the new year The task force's report was originally scheduled to be made public this week That has now been delayed.

The task force is scrutinising SA's complex and costly web of laws and regulations aimed at keeping a non-oil-producing country "fuel-secure" by protecting the two synthetic-fuel producers, Sasol and Mossgas, against competition

Consumer groups, transport organisations and some economists would like to see Sasol and Mossgas stripped of their protection, allowing the oil companies to operate freely in a deregulated petrol and chemical derivatives market

But the vested interests backing the synfuel producers, which provide about 45% of SA's liquid fuel needs, may weigh too heavily to let this happen.

"There are strong grounds for arguing that some protection of the synfuel industry may well remain desirable, at least for the time being," the Bank of Lisbon says in its November *Economic Focus*

Shell oil planning manager Tony Kallis says. "My impression is that the pro-regulation lobby is stronger than the forces proposing deregulation."

Still, some form of deregulation is in the offing, with State-fixed prices and regulated profit margins probably first in line Says Kallis· "We would be equally at home under deregulation " ■

# Oil reserves may fund projects

BiDay 17/12/93

ADRIAN HADLAND

CAPE TOWN — SA had excess strategic oil reserves of more than R1,2bn which could be used for social upliftment projects, Mineral and Energy Affairs Minister George Bartlett said this week

He also said more frequent changes in the petrol price were likely following today's 2c/l cut The price would be assessed again in mid-January, but this did not necessarily mean the price would fall again

While the level of reserves had been steadily eroded since the relaxation of sanctions, and had funded various job creation and other projects, the present volume was about 77-million barrels with a market value of about R3,25bn This represented about eight-and-a-half months of imported crude oil requirements against an international average of six months (183)

But it would not be wise for SA to sell off the excess reserves immediately as world oil prices were depressed, Bartlett said

Reductions in the strategic reserves meant large savings in fire-fighting and safety measures, as well as in equipment and personnel used to protect strategic installations These savings had been funnelled into the equalisation fund

Strategic oil supplies were stored in Cape Town, Saldanha Bay and at Ogies in the Transvaal, with a total storage capacity of 180-million barrels

Bartlett said last month's lifting of the UN oil embargo had led to Cabinet withdrawing secrecy provisions concerning countries of origin, trading companies and

☐ To Page 2

## Oil

BiDay 17/12/93

☐ From Page 1

persons involved in supplying oil to SA. Persian Gulf and Red Sea regions were the "optimum areas of supply" because of price and transport considerations. "Normally oil is purchased either directly from the producer country or through most of the larger international oil traders" (183)

He said some contracts contained secrecy clauses preventing the publication of details concerning oil suppliers to SA during the sanctions era He confirmed that countries which had sold oil to SA through intermediaries had known the destination of the shipments, despite the UN embargo.

Sapa reports that the ANC, Cosatu, the Inkatha Freedom Party and the DP all welcomed the reduction in the petrol price.

The ANC and Cosatu saw it as a victory for collective bargaining and the National Economic Forum's liquid fuels task force.

DP energy affairs spokesman Roger Hulley said the reduction should have been at least 5c/l. Inkatha finance spokesman Hennie Bekker said the move was politically opportune for government.

KELVIN BROWN reports that economists said the price cut would have no noticeable effect on inflation It represented an effective 1% decline in the price of a litre of 93-octane petrol in the PWV region, while the petrol price carried a weighting of only 3,2% in consumer inflation.

Econometrix economist Azar Jammine said the effect would be noticeable only if the price was cut by about 10c Theoretically government could have lowered the fuel price by at least 8c/l as oil prices had fallen below $14 a barrel "A reduction of only 2c appeared to be more a political than an economic decision."

Sacob said the effect on consumer inflation would be less than 0,1 of a percentage point The effect would also be limited as the diesel price had not been reduced.

THEO RAWANA reports that SA Black Taxi Association spokesman Mike Ntlaleng said the cut was "a drop in the ocean". Although it was good for consumers, problems for the taxi industry were such that the decrease was nowhere near enough.

The Automobile Association said it was disappointed that the full effect of lower international crude oil prices had not been passed on to motorists.

# Petrol price drop 'could not be 5c'

(183)

ARG 17/12/93

Political Staff

MINERAL and Energy Affairs Minister George Bartlett has rejected suggestions that the reduction in the petrol price could have been 5c a litre because of a drop in crude oil prices

Mr Bartlett said that while crude oil prices had dropped by 18 percent since September, the pump price of petrol in South Africa was based on what it would cost at current market-related prices to land petrol at South African ports

The pump price was not based on the crude prices

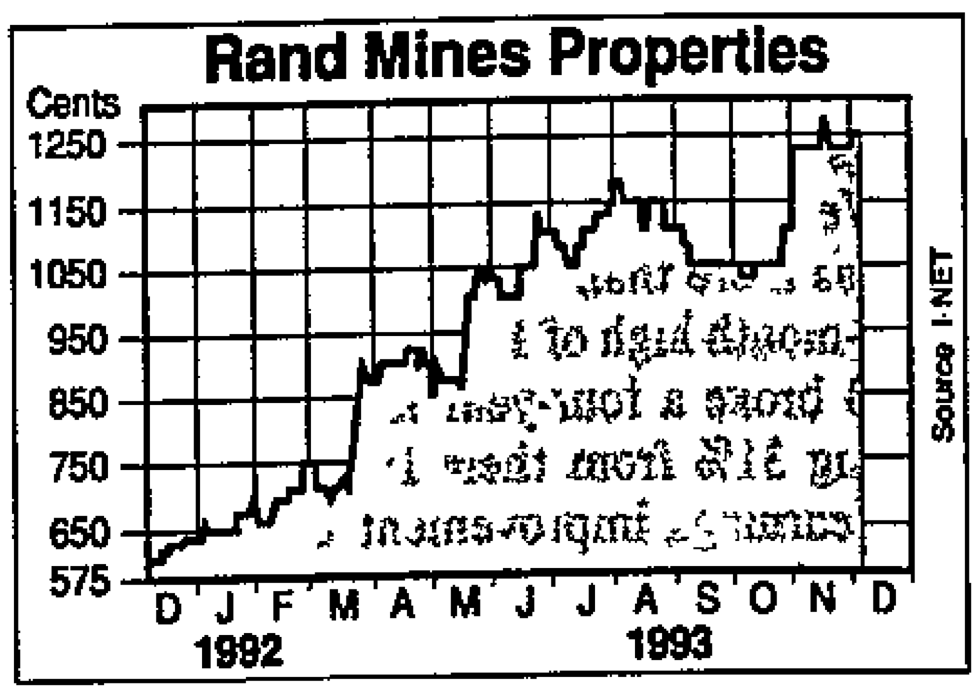
Only 60 percent of South African petrol requirements were based on crude oil.

Forty percent of liquid fuel used was made from either coal or offshore gas and condensate by Sasol and Mossgas, he said

When crude oil-based international petroleum fuel prices dropped 1c a litre, only 0,6c would be passed on to motorists because South Africa's synthetic fuel received protection on 40 percent of use stock holders (who "own" roughly two-thirds of the capital employed by that company); and Barprop's own ordinary shareholders, whose rights are inextricably linked to those of the loan stockholders

The crux of the problem is that, typical of a loan stock company, Barprop loan stock holders receive a variable rate of interest linked in direct proportion to equity dividends This means the income statement virtually has to be written from the bottom up — total distributable profit must first be established and this is then split up between loan stock and equity Only then, once the interest element has been established, can one proceed with the conventional progression of operating profit minus interest equals pre-tax profit, less tax, and so on

Combining this with an entity where equity profits are simply what is left over after everyone else has received his due share is a less than comfortable fit, especially when it comes to determining the benefits (or otherwise) of the merger.




Analysis of the enlarged group using conventional ratios, especially those relating to gearing and interest cover, is likely to produce results more misleading than informative. More important for shareholders, there are real dangers of misinterpretation, which could harm the market rating of the share.

None of this is intended to suggest RMP is not better off for having done the deal But despite the jump in the share price, the rerating so far has done no more than to bring the company into line with the property sector Given the quality of its property investment portfolio, not to mention its tenant base (still largely Barlow companies) the share may deserve a premium rating — if the company can find a better way of presenting itself to the investing public *Brian Thompson*

ADCOCK INGRAM FM 17|12|93

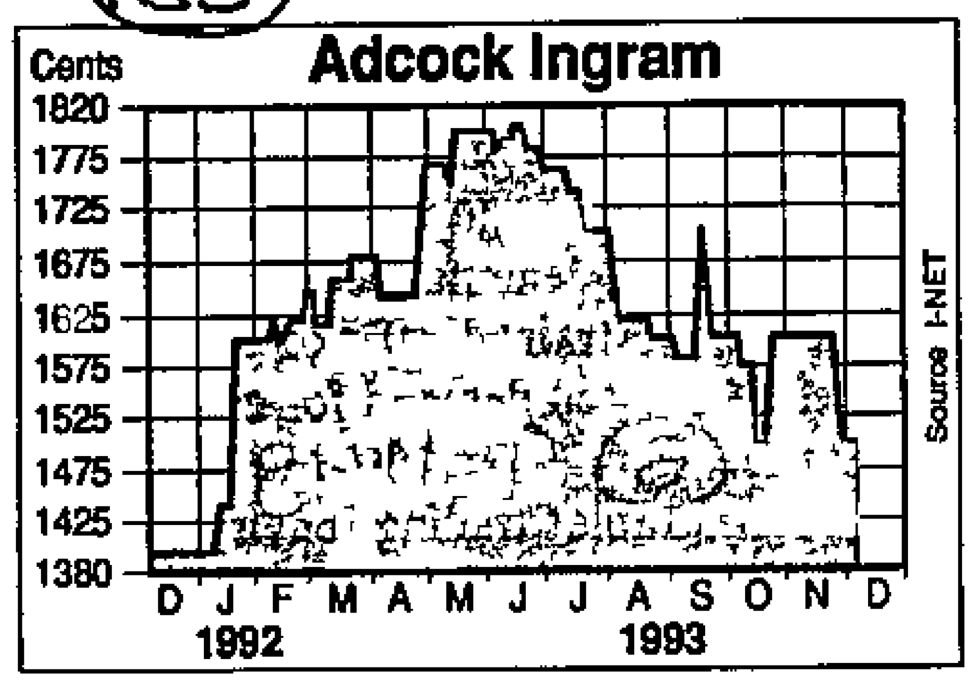
# Coping with rapid change

FM 17|12|93 183

**Activities:** *Makes, markets and distributes health care, hospital, and consumer products.*
**Control:** *Tiger Oats 74%; ultimate holding company is C G Smith*
**Chairman:** *R A Williams; MD. D C Bodley.*
**Capital structure:** *138m ords Market capitalisation· R2,07bn.*
**Share market:** *Price: 1 500c Yields: 1,8% on dividend, 4,8% on earnings; p·e ratio, 20,8, cover, 2,7 12-month high, 1 800c; low, 1 380c. Trading volume last quarter, 204 000 shares.*

| Year to Sept 30 | '90 | '91 | '92 | '93† |
|---|---|---|---|---|
| ST debt (Rm) ....... | 21 | 12 | — | — |
| Debt:equity ratio | 0,12 | 0,05 | — | — |
| Shareholders' interest | 0,49 | 0,51 | 0,55 | 0,57 |
| Int & leasing cover | 14,5 | 28,1 | 52,0 | — |
| Return on cap (%) . | 27,0 | 28,9 | 28,3 | 27,5 |
| Turnover (Rm) ....... | 616 | 774 | 915 | 971 |
| Pre-int profit (Rm) . | 94,3 | 120 | 142 | 160 |
| Pre-int margin (%) | 15,3 | 15,3 | 15,4 | 16,2 |
| Earnings (c) .... | 36 | 47 | 56 | 72 |
| Dividends (c) . | 14 | 18 | 21 | 27 |
| Tangible NAV (c) . | 126 | 154 | 201 | 242 |

† EPS, dividends and NAV have been restated to reflect the five-for-one share split.




**Adcock Ingram** could not escape the crunch on wholesale margins in the pharmaceutical industry Its wholesale unit, the biggest contributor to turnover, saw sales fall 6,3% to R343m or 35,5% of group turnover. 183

Negative growth in wholesale activities was also due to rationalisation, but, together with sluggish contribution from the pharmaceuticals unit, slowed the overall sales increase to just 6,2%, possibly the lowest recorded by the group. The marginal increase looks worse because of the high base set by Adcock, turnover having grown by a compound annual average of 25,3% since 1987.

The quality of the business is evident at operating level, however, where the pre-interest margin has firmed from 15,4% to 16,2%, which with improved production efficiencies raised operating profit 18%.

A strong balance sheet, ungeared for the past two financial years and with cash exceeding R100m, nearly three times more than the previous year, resulted in interest income of R2,5m rather than an expense EPS rose by a strong 28,6%.

But the year ahead could prove difficult for the whole industry, characterised, as chairman Robbie Williams notes, by a rapidly changing health-care industry.

One problem facing Adcock, and the rest of the industry, is the objection some foreign-based pharmaceutical companies have raised to legislation aimed at introducing a single exit price for manufacturers That would eliminate the severe and often inequitable discounting that is occurring in the industry and leading to vicious competition.

**Adcock's Bodley** . .
*acquisition talks*

If the legislation is passed (the multinationals have appealed against draft proposals), that would stabilise the market and benefit Adcock's distribution activities. What Adcock needs, though, is a value-added home for some of its cash. CE Don Bodley confirms talks are under way which could result in a significant acquisition or strategic alliances.

But for now management is also following the joint venture route, securing agreements with Swedish companies Astra and Pharmacia to provide manufacturing, order entry and distribution services In addition, Bodley says Adcock has signed world marketing rights with the British Technology Group, for a new molecule being developed to treat anaemia

Exports are becoming increasingly important; a new international division has been established. This will co-ordinate exports from all Adcock's business units, focusing on foreign niche markets Apart from Africa, Bodley says markets in the East, Australasia, the Pacific Rim and even eastern Europe offer potential.

Despite problems and uncertainty in the local market, Adcock should be able to maintain the consistent earnings growth of recent years because of its strong cash generating ability, tight asset management and new product development programme Operations generated cash of nearly R200m, up about 30%, return on net assets firmed from 30% to 30,7%

The share, after the earlier five-for-one share split, is not far off its annual high of R18 and remains one of the best rated shares in this demanding sector Previous appreciation may be hard to maintain given the uncertainties facing the industry, but the counter should remain a sought-after blue chip. *Shaun Harris*

BOARD OF EXECUTORS

# Invalid perceptions

**Two perceptions** about the Board of Executors (BOE) are doing the rounds in financial circles. The first is that its association with Anglovaal is now a negative rather than a positive factor (because of the Cruilfe debacle), the second is that BOE's directors,

# Progress at talks on fuel subsidies for taxis

BDay 17/12/93

THEO RAWANA

GOVERNMENT and the organised taxi industry were making good progress in talks on a possible fuel subsidy scheme for the taxi industry, Transport director-general Skippie Scheepers said on Wednesday.

Taxi leaders have always asserted that they, as the second-largest consumer of petrol in SA, should be entitled to some relief — in the same way farmers were.

Scheepers said the parties had had two meetings and were first looking at how the taxi industry could be assisted in setting up a single umbrella organisation.

The second phase would be to look at what subsidisation was possible. "But that will follow after a proper organisation has been set up." (183)

The National Economic Forum said earlier that, separate from its investigations into the liquid fuel industry, it had held discussions with the taxi industry on the question of relief measures for the sector.

The taxi industry had, on November 23, submitted proposals for immediate relief measures and forum constituents had agreed to consider these and respond at a meeting held on December 3. There had been agreement in principle at this meeting on relief for the taxi industry. This would be linked to the need for regulation.

☐ Sapa reports that the Zimbabwe International Long Distance Taxi Association has been granted temporary permits to operate from Bulawayo to Johannesburg, according to the association's public relations officer, Malcolm King.

# Petrol station owners lose out

Staff Reporter

PETROL station operators countrywide who bought petrol at the old price will lose millions of rands following the decrease of two cents a litre announced by the Minister of Mineral and Energy Affairs Mr George Bartlett on Wednesday (183)

A petrol station operator in the southern Cape who bought 60 000 litres at the old price says he lost R1 200 when the decrease came into effect yesterday

The operator, who does not wish to be named, said he would now have to sell 7 692 litres to make up his loss and claims he was not informed of the two cents decrease before it came into effect. CT 18/12/93

He accused the government of being "inconsiderate" to service station operators who would not be compensated for their losses

"We play an important part in combating unemployment and can't afford the losses," he said.

A spokesman for the Department of Mineral and Energy Affairs said normal procedures were followed when introducing the latest price adjustment.

When prices were increased operators made a profit that compensated for losses when the price was cut, an industry spokesman said

# Shell received apartheid refund

ST Times [Buss] 19/12/93

By KEVIN DAVIE

SHELL SA, the wholly owned subsidiary of Royal Dutch/Shell — which bore the brunt overseas of the anti-apartheid campaign — has denied it was a major beneficiary of the huge premiums SA paid to secure oil supplies

Minister George Bartlett this week disclosed that two companies, Shell and Total, obtained their own oil during the boycott which ended last week.

The others — Caltex, BP and Mobil (now Engen) — bought crude from the Government's procurement agency, the Strategic Fuel Fund.

Shell SA said that the only premiums it received were refunds of the premiums which Shell itself had to pay in order to secure oil supplies through international traders

It acknowledged that it had been procuring directly through international traders.

"Shell SA has not given any information on this subject to its parent company who would not have known from where or how Shell SA obtained its oil," Shell SA says.

"Shell SA has at all times fully complied with SA law." (183)

Based on the 1984 report by the Advocate-General, the London-based The Observer said Shell was paid $200-million during 1980 to bring in 17 shipments of crude.

The ANC has sharply criticised oil companies' profitability, challenging the multinationals to open their books so that the apartheid premium earned during the sanctions era can be determined.

Amsterdam-based Shipping Research Bureau spokesman Richard Hengeveld says Shell used its own tankers in the early '80s but stopped after adverse publicity.

Mr Hengeveld says Shell's shipments were thereafter "probably arranged through intermediary traders" It has consistently maintained that no Shell company has breached the embargo."

"Shell says Shell SA is a different company which makes its own deals"

Mr Bartlett says compensation was paid by the equalisation fund. This has dropped from up to $2,25 per barrel in 1985 to zero this year.

The Advocate-General said premiums of $8,00 a barrel were paid during 1980.

The UN's Paul Conlon, an expert on SA's energy affairs, estimated the "pariah penalty" at $5,00 a barrel.

Mr Bartlett says SA has facilities to stockpile 180-million barrels, sufficient to keep SA going for 20 months in the case of an oil cut-off

This is considerably larger than estimated by international experts.

Mr Conlon estimated in 1985 that SA had 127,5-million barrels of oil stockpiled. He said this represented a wasted opportunity cost of $485-million. Storage costs would add a further $500-million.

After sales to fund socio-economic development, the stockpile now has 77-million barrels or 8,5 months' supply.

President F W de Klerk recently announced that SA's stockpile had been run down to internationally accepted levels

Mineral and Energy Affairs says this is six months' supply; industry sources say in Europe the average is three months.

# Fuel industry faces new business rules

S Times 9/12/93

By CIARAN RYAN

THE Competition Board is expected to recommend a "managed deregulation" of the oil industry when it meets early in the new year

The board will make recommendations on the Service Station Rationalisation Plan (Ratplan), an unsigned agreement between the Government, the Motor Industries Federation and oil companies to limit the number of service stations.

The board investigation follows complaints from the public that the Ratplan contravenes the Maintenance and Promotion of Competition Act of 1979.

There are fears that abolishing the Ratplan without a similar deregulation of the oil industry could lead to a proliferation of petrol stations, forcing smaller stations to close

"As long as you have price control over fuel, service station owners could approach the Government to raise the retail margin, claiming lower profits and tougher competition," says Wouter Meyer of the Competition Board.

"It seems you cannot call for the abolition of the Ratplan without addressing fuel price control."

It is understood that the oil companies and the Government came out in favour of the continued operation of the Ratplan in the face of complaints that smaller service station owners were being forced out of business so that their site quotas could be allocated elsewhere.

(183)

The oil companies claim the sites were not economically viable, but this is rejected by garage owners

The Ratplan regulates the increase of service stations by issuing oil companies with limited site quotas. To generate more quotas, oil companies must stop supplying or close down "uneconomic" sites so that newer, bigger stations may open elsewhere

A total of 90 petrol stations were closed down in the last two years and 131 new ones opened up. The number of service stations has increased just 10% since the 1960s while fuel throughput has gone up 300%. Many of the service stations closed down are feasible businesses.

# Millions lost through 'poor drugs control'

LACK of control over stock at provincial hospitals in the Cape has led to the destruction of medicines worth millions of rands, the Ombudsman has been told

In a report released yesterday, the Ombudsman said he had had a complaint from a CPA employee involved in buying medicines.

"The complaint concerns the lack of control at hospitals over the quantities of medicine ordered and the repeat of those orders while there is already a surplus of the medicine in stock. ARG 23/12/93

"This causes the destruction of large quantities of medicine of which the shelf life has elapsed and which consequently has to be destroyed. It is alleged that the State loses millions of rands in this way."

Mainly because of divided control over health services, there was a "disconcerting lack of control in many cases". — Sapa (183)

OIL INDUSTRY — 1

FM 24/12/93

# No longer such a big secret

183

**Last week's** announcement of a 2c/*l* cut in the petrol price overshadowed a more important development in the long and convoluted history of the local oil industry. Mineral & Energy Affairs Minister George Bartlett finally lifted the lid on much of the remaining secrecy surrounding the R23bn-a-year industry.

For the first time, for example, government revealed the size and location of SA's strategic oil reserves — 77m *l* stored at Cape Town, Saldanha and Ogies in the Transvaal.

Government decided to unveil its oil secrets after the UN finally lifted the oil embargo against SA early this month. One thing that's now become apparent is that the machinations required to keep oil supplies flowing were very expensive for the consumer.

Bartlett says that after the 1978 oil crisis and the fall of the Shah of Iran in 1979, SA had to pay high premiums on the spot market price for oil. When the local oil companies had to pay more than market-related prices for their oil, they were able to claim a rebate from government's Equalisation Fund, which is funded by a tax on motorists at the pump.

These rebates were reduced from a high of US$1,60-$2,25 a barrel in 1985 to zero by the first half of this year, when it was phased out altogether.

Bartlett has not identified which countries sold oil to SA during the sanctions years, but he says the current "optimum areas of supply, from a price and transport point of view" are the Persian Gulf and Red Sea.

Regarding the crude oil reserves, long a subject of speculation, he says the total storage capacity is 180m barrels, but that the relaxation of sanctions allowed government to draw down the reserves to about 77m barrels, representing about eight and a half months of current imported crude oil requirements.

The book value of the reserves amounts to R615m, the current market value is about R3,25bn, he says.

Now, with the oil industry operating more or less in the sunlight, the hard work of untangling the web of laws and regulations controlling it can begin. The National Economic Forum's 30-person Liquid Fuels Industry Task Force — comprising government, business and labour representatives — has been examining the deregulation issue for several months.

It had planned to make its proposals on deregulation last week, but, perhaps overwhelmed by the industry's complexity, it has postponed its report until next year. Its next meeting is scheduled for the end of January.

Government, which has always opposed deregulation, now is less opposed. "We have no problem with deregulation, provided it is shown that a new system will be better than the *status quo* — which includes SA's inherited synthetic fuels industry," says Mineral & Energy Affairs director-general Piet Hugo.

The synthetic fuel companies — Sasol and Mossgas — present the task force with a difficult challenge. How to get rid of the layers of controls, including several acts of parliament, and informal agreements such as the service station Rationalisation Plan (Ratplan), without seriously harming two


major industry players and the jobs they support?

The Ratplan restricts the number of service stations and links this arrangement to the price control system. It is now the subject of a Competition Board investigation to see whether it constitutes an unlawful "restrictive practice."

If the board decides early next year that the Ratplan is unlawful and if Public Enterprises Minister Dawie de Villiers, who is responsible for the Competition Board, decides to prohibit the Ratplan, he would find himself crossing swords with fellow Minister Bartlett, whose department still officially supports the Ratplan.

Meanwhile, both the synfuel companies and the oil companies will certainly be facing an environment of greater competition and less protection, perhaps as early as a year from now, because it's a safe bet that the task force and the next government are not going to let the current, sanctions-era situation remain untouched. ■

OIL INDUSTRY — 2

FM 24/12/93

## The case for deregulation

**The National** Economic Forum's Liquid Fuels Industry Task Force is certainly not the first group to delve into the intrigue of the oil industry. A confidential 114-page Automobile Association report details the history and development of SA's heavily regulated oil industry and recommends far-reaching reforms. The report could serve as a road map for the task force as it tries to shift through the complex industry to come up with deregulation proposals early next year.

Among the findings in *The SA Oil Industry* are:

(183)

- ☐ The first oil company cartel was operating successfully in SA before 1931, the year government was drawn into the industry;
- ☐ In 1937, government standardised the retail petrol price and began setting limits on the number of service stations;
- ☐ A State-fixed retail fuel price "guarantees the oil company a fixed return with limited interference of the forces of supply and demand;"
- ☐ "The Retail Rationalisation Plan affords the traditional major companies absolute protection of market share while the profits of the industry are protected;"
- ☐ "Compared to investment opportunities elsewhere in the world, return on (oil company) investment in SA is consistently lucrative. In addition, it is guaranteed by government, there is no unreasonable limitation on the submission of dividends, nor too much difficulty in payments to overseas head offices for service charges;"
- ☐ "With regard to pricing matters, the SA oil industry can be described as a cartel chaired by government ... newcomers are strongly discouraged by government as well as the existing industry. In fact, for newcomers to enter the fuels market is well-nigh impossible;" and
- ☐ "Under the present system there is very little likelihood of the market share changing significantly between oil companies."

Among the report's recommendations are:

- ☐ A lot of "trouble, administration, government energy and finances would be saved if price control and profit monitoring in their present form were abandoned;"
- ☐ "It would be meaningless if government should decide to abandon retail rationalisation and price control but maintain profit control in its present format. If deregulation

Cont



P.T.O

DECOR FM 24/12/93

# Stretched recovery

(183)

**Activities:** *Distributes and installs wall coverings*

**Control:** *Directors 61%*

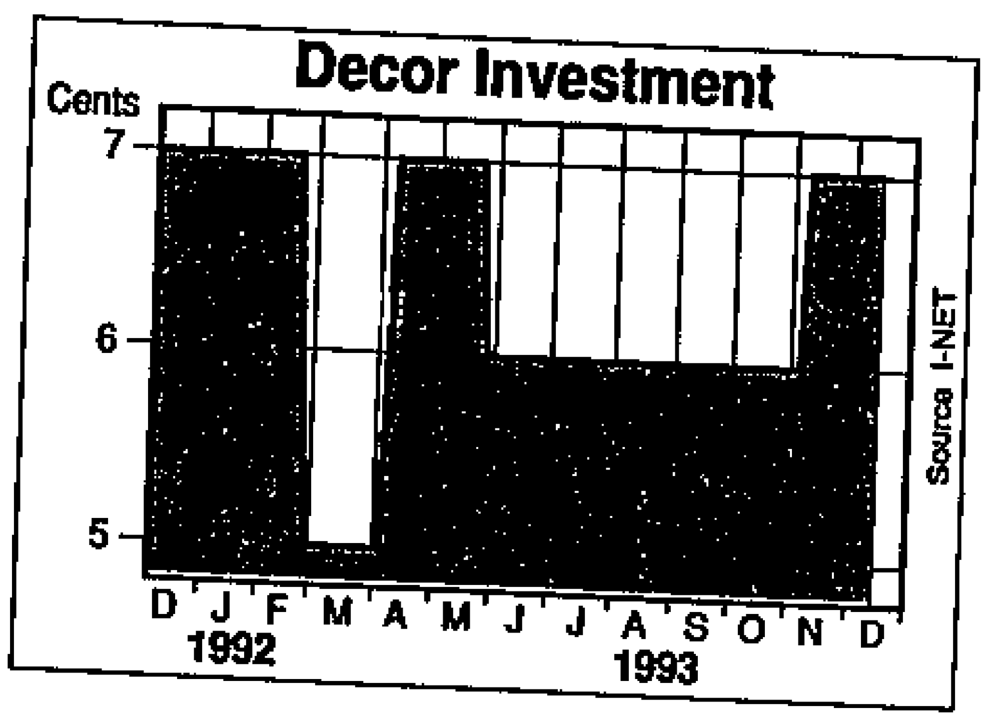
**Executive chairman:** *C Graham*

**Capital structure:** *17,4m ords Market capitalisation R1,2m*

**Share market:** *Price 7c Yield· 58,6% on earnings, p e ratio, 1,7. 12-month high, 7c, low, 6c Trading volume last quarter, nil*

| Year to June 30 | '90* | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 1,8 | 2,1 | 3,7 | 1,9 |
| LT debt (Rm) | 0,4 | 0,7 | 0,6 | 0,1 |
| Debt equity ratio | 0,47 | 0,49 | 2,35 | 1,83 |
| Shareholders' interest | 0,54 | 0,51 | 0,16 | 0,20 |
| Int & leasing cover | 1,9 | 4,6 | — | 2,6 |
| Return on cap (%) | 12,4† | 10,5 | — | 25,4 |
| Turnover (Rm) | 18† | 21,9 | 19,8 | 16,2 |
| Pre-int profit (Rm) | 1,1† | 1,2 | (0,79) | 1,32 |
| Pre-int margin (%) | 5,9† | 5,3 | — | 8,1 |
| Earnings (c) | 6† | 5,2 | (9,6) | 4,1 |
| Dividends (c) | 2† | — | — | — |
| Tangible NAV (c) | 27 | 32 | 10 | 6 |

* 18-month period † Annualised




**Decor may** at last have shaken off the consequences of disastrous diversifications but the price has been heavy NAV has fallen by over 80% since 1991 and the R2m provided in 1992 for the disposal of the timber products division was not enough, another R1,4m extraordinary charge was needed

At a heated AGM, at which the diversification policy was slammed, executive chairman Charles Graham had to ward off criticism from minorities that the timber division could have been sold to its divisional MD Bugs Berland for R650 000 in mid-1991. He said he thought it was in the "best interest of shareholders" to get the division right.

At least Graham can report that earnings from continuing operations soared from R269 000 to R708 000 on a mere 5% rise in turnover to R9,4m, thanks largely to lower gearing and hence finance costs. The complications of disposals made the interim statement almost impenetrable, but it said six-month EPS from operations rose from 1,04c to 2,02c, so it would seem that recovery continued throughout the year

The balance sheet remains stretched Graham says the objective now is to "restore the capital base through organic growth " No dividends will be paid until "the group's fortunes have been reinstated " Precise forecasting is not possible in this political climate, but, "given normal trading conditions, it would be reasonable to expect the group's progress to be maintained" this year

FM 24/12/93 (183)

Purely on earnings considerations, the share looks a steal But, considering the disastrous record, poor liquidity and impossibility of dealing in any quantity, it must still be ranked highly speculative It could take a long time to get back to the 1988 issue price (the listing was handled by Columbia Corporate Finance — remember it?) of 50c

*Michael Coulson*

# Low octane facilities to be used for unleaded fuel

B/Day 27/12/93

EDWARD WEST

LOW octane fuels will be phased out and their supply infrastructure used to store and sell unleaded fuel when it is introduced in 1995, according to plans drawn up by the Mineral and Energy Affairs Department.

Department director Theunis Burger said the infrastructure of 87 octane fuel in the Transvaal and 93 octane fuel in coastal regions was underutilised as low octane fuel sales comprised only 5% of total petrol consumption

The targeted market share of unleaded petrol in the first year was 25% of consumption. The use of low octane petrol dispensing, distribution and storage facilities would also save costs when unleaded fuel was introduced

Low octane fuels would be phased out and replaced by 95 unleaded petrol in coastal areas and 91 unleaded in inland areas. Leaded 97 and 93 octane petrol would remain available on the coast and inland respectively.

Burger said the cost of producing unleaded fuel was 4c/l to 5c/l higher than for leaded fuel. But the intention was to introduce unleaded fuel at a lower price than leaded fuel to encourage its use so oil companies could achieve the targeted market share and an acceptable return on their investment

Government planned to absorb these two disparate notions by reducing the tax component in fuel prices and/or increasing the price of leaded fuel Initially there would be a cost penalty to consumers of leaded fuel, which, by that time, would comprise mainly drivers of old vehicle models. (183)

But price differences between unleaded and leaded fuel could only be fully determined closer to the end of 1995 when a future government's fiscal policies were in place and when factors such as world oil prices and the state of the economy could be taken into account.

An ANC spokesman said that, if it came into power, it would probably structure petrol prices so the introduction of unleaded fuel would have a neutral effect on the fiscus Taxis, which used about 15% of SA's total petrol consumption, would benefit from converting to cheaper diesel power, he added.

The National Association of Automobile Manufacturers of SA (Naamsa) has said that 60% to 70% of the 3,5m car population would be able to operate on unleaded without technical modification by 1995.

Of the balance, most would be able to run on unleaded fuel on the ratio of three tanks unleaded to one tank leaded. Virtually all minibus taxis would be able to move over.

# 'Lower oil prices will improve inflation rate'

(183)

CT 27/12/93

**Own Correspondent**

JOHANNESBURG — Oil prices are expected to drop below $10 a barrel next year as world demand fails to keep pace with increasing oil production levels, analysts say

This will be good news for SA's producer inflation rate as oil prices carry a weight of 19,5% in the imported component of the Producer Price Index

Consumers and producers could benefit further as the expected deregulation of the local fuel industry would make it easier for the petrol price to come down in tandem with lower overseas oil prices

International oil prices have been falling since mid-October Brent spot reached a level of $13,44 a barrel just before the Christmas weekend

Mathison & Hollidge economist Tracy Ledger said last week that there was still downside potential in oil prices Prices were very low as demand for petroleum had fallen this year for the first time in a decade

She predicted that oil prices could fall to $9 next year — a level not seen since the mid-1980s

"Although the worst of the winter in the northern hemisphere has not yet arrived, most countries have already bought forward for this period"

Production was unlikely to fall as major producers were unwilling to switch to lower output levels

# Oil price expected to drop below $10

B/DAY 27/12/93

KELVIN BROWN

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Prices were very low as demand for petroleum had fallen this year for the first time in a decade.

"The dismal state of the world economy and the desire to conserve the environment is suppresing demand."

She predicted that oil prices could fall to $9 next year — a level not seen since the mid-'80s.

(183)

"Although the worst of the winter in the northern hemisphere has not yet arrived, most countries have already bought forward for this period."

Production was unlikely to fall as major producers were unwilling to switch to lower output levels.

Opec — which supplies 30% of the world's oil requirements — was not keen to lower its quota again as it believed demand for oil would go up, she said.

But in November output from the North Sea oil fields was at a record high. Russia was pumping out more oil to boost foreign exchange earnings.

There was also the possibility that the UN would give Iraq the go-ahead to start pumping oil again, Ledger said.

This could send prices lower as the UN had decided to set Iraq's quota in value terms and not barrels as production would be allowed only to give the country badly needed revenue.

## COMPANIES

# Plastics firm exports to South America

BEATRIX PAYNE

A CAPE Town-based plastics company has secured export orders for materials handling products from Chile and Argentina, fattening its order books after landing export orders from the European poultry industry in November.

Technoplastics converter Exactocraft's marketing manager Cedric Parker was tightlipped about the size of the order but it is believed to be worth more than R2m.

Reports last month said the company's European export order was a five-year contract. Parker said the South American exports were not contracts and had no definite life span. BIDCM

The company's vertical blinds — awarded a 1993 Cullinan design award — and its materials handling equipment would make up the bulk of exports to South America, Parker said. 27/12/93

The company said the economies of these South American countries were growing at an annual 8%, which fuelled demand from the construction and materials handling sectors. (183)

The company began exporting to Argentina's mining and poultry industry in 1987.

# Pharmacy Council man quits in protest

**KATHRYN STRACHAN**

A GOVERNMENT-appointed member of the Pharmacy Council has resigned in protest against what he says is the state's failure to address the real reasons for the high cost of medicine. B/Day

Neels de Bruin — who was the target of death threats when he introduced discount medicine-by-mail — said in the SA Consumer that instead of investigating the real causes of high medicine prices to private patients, government cited private pharmacy ownership as the cause. 29/12/93

De Bruin said the real reasons for high prices included the lack of free-market forces at manufacturer level in the pharmaceutical industry. It was to no avail that the retail and wholesale sides of the industry worked on a supply and demand basis if certain manufacturers were allowed to apply price discrimination, he said.

The state tender system, which meant that 30% of the population subsidised 80% of the state's medicine costs, also played a part. Low prices to the state meant that manufacturers had to recover their costs in the private market. (183)

Other factors contributing to the high prices were the VAT levied on medicines and the fact that private patients did not have the right to substitute cheaper generic equivalents for expensive drugs.

# Cheaper drugs move stalled

(183)

CT 30/12/93

**Own Correspondent**

JOHANNESBURG — Pressure from multi-national pharmaceutical manufacturers had stalled government plans to encourage the use of generic alternatives to brand name medicines, the National Health Department said yesterday

Encouraging the use of cheaper generic substitutes has been widely identified as an important way to check the rocketing cost of medicines

Environmental health services chief director Mr Gerhardus Oberholster said the department had "reserved the right" to introduce changes to legislation on the use of generic substitutes

It had done so because of pressure from multi-national pharmaceutical manufacturers who feared the move would affect their profits

At present pharmacists may not dispense a generic equivalent, even if it has been requested by the patient, unless the change is approved by the doctor who wrote the prescription

## Big firms 'threaten' SA govt

The department had adopted a "wait and see" attitude, said Mr Oberholster

If enough evidence was presented on how it would decrease health costs the department would have to introduce changes

He said the manufacturers who had developed the original medicines had contacted embassies overseas and threatened to disinvest if the legislation was changed

If the companies pulled out, South Africa would lose other vital medicines, for which there were no generic equivalents

Mr Oberholster said he could not identify the companies or the countries in which they were based as the issue was highly sensitive

He said manufacturers, who had invested millions in designing and researching the medicines, believed their efforts were undermined by the introduction of generic substitutes

### Interference

If they cut their profits the manufacturers would have less to invest in future research

Mr Oberholster added that local doctors also opposed legal changes that would give the pharmacist the power to substitute a medicine without consultation with a doctor as it was regarded as an interference in doctors' professional rights

Several multi-national pharmaceutical companies in Johannesburg were not working yesterday and could not be contacted for comment

# Pharmaceutical companies stall govt's plan for generic medicines

BDay 30/12/93

KATHRYN STRACHAN

PRESSURE from multinational pharmaceutical manufacturers had stalled government plans to encourage the use of generic alternatives to brand name medicines, the National Health Department said yesterday

Encouraging the use of cheaper generic substitutes has been widely identified as an important aspect of halting the rocketing cost of medicine prices in SA

Environmental Health Services chief director Gerhardus Oberholster said the department had "reserved the right" to introduce changes to legislation governing the use of generic substitutes because of the pressure it faced from multinational pharmaceutical manufacturers who feared the move would affect their profits.

At present pharmacists may not dispense a generic equivalent, even if it has been requested by the patient, unless the change is approved by the doctor who made the prescription.

The department had adopted a "wait and see" attitude, said Oberholster, conceding that if enough evidence was presented on how generics would decrease health costs, the department would have to introduce changes.

He said the manufacturers who had invented the original medicines had told SA ambassadors abroad they would disinvest if the legislation was changed. (183)

If the companies pulled out, SA would lose other vital medicines for which there were no generic equivalents.

Oberholster said he could not identify the companies, or the countries in which they were based, as the issue was highly sensitive.

He said manufacturers, who had invested millions of rands in designing and researching the medicines, believed their efforts would be undermined by the introduction of generic substitutes. By cutting their profits, the manufacturers would have less to invest in future research.

Doctors also opposed legal changes which would give a pharmacist the power to substitute a medicine without consulting a doctor.

Pharmaceutical companies could not be contacted for comment

Amendments to the Medical Schemes Act, which will come into force on January 1, will boost the use of generic equivalents The changes provide the patient with incentives to bargain with their doctor and pharmacist for the cheaper generic

The amendment provides medical schemes with greater freedom in deciding how to reimburse patients for medicines and allows them to reward patients for choosing the cheaper alternative.

Medical schemes will also be allowed to set a maximum medical aid price for certain treatments, that price being based on the generic equivalent

# Haggle over medicine prices

CT 31/12/93

(183)

**Own Correspondent**

JOHANNESBURG — Objections from multinational pharmaceutical manufacturers could delay the introduction of a single "exit price" for medicines by two years, the National Health Department said

Environmental Health chief director Mr Gerhardus Oberholster said five international manufacturing firms had appealed against a Competition Board decision to introduce the single exit price — the price at which the medicines leave the factory

A year-long inquiry by the Competition Board concluded that a uniform exit price would stabilise the price of medicines

At present, manufacturers charge different prices for their products, depending on the client

The appeal would result in a second inquiry which could take two years to complete Mr Oberholster said the introduction of a single exit price was key to an eight-point government plan to reduce the exorbitant cost of medicines in SA

Manufacturers opposed the introduction of a uniform price because it interfered with their marketing strategies

The National Association of Pharmaceutical Wholesalers said many manufacturers had courted private clinics and dispensing doctors, promoting their products by offering discounts that were not available to wholesalers

# Two-year delay in drug pricing likely

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Manufacturers opposed the introduction of a uniform price because it interfered with their marketing strategies.

The National Association of Pharmaceutical Wholesalers said many manufacturers had courted private clinics and dispensing doctors, promoting their products by offering discounts not available to wholesalers. This had led to a two-tier pricing system, with wholesalers being charged inflated prices to "balance the books". The discount offered to doctors and clinics was rarely passed on to the patient.