MANUFACTURING — CHEMICAL PRODUCTS

1993

JAN. — JUNE

Engen unveils big plans for small businesses

1983 EDWARD WEST

ENERGY giant Engen has started promoting small businesses as regular suppliers to its depots

The group's first Energos corporate publication said Engen depots would be asked to source all discretionary purchases from small businesses Project co-ordinator Tsepo Mohapi had been appointed to forge links with small businesses countrywide, the publication said

"The changing realities of SA's economy demand that affirmative action should incorporate not only who a company employs, but also the company's relationship with its suppliers and subcontractors," it said

Small businesses to be approached included suppliers of protective clothing, stationery, foodstuffs, transport services and general maintenance work

Suppliers would be sourced with the help of organisations such as the Small Business Development Corporation and Wits University's Centre for the Development of Business

These organisations would help businessmen to acquire skills needed to deal with a large corporation, while in turn Engen contracts could be used to acquire credit to buy materials in advance

The publication said large corporations traditionally sourced their purchasing requirements from established sources Over the years these suppliers became entrenched, making it difficult for new suppliers to enter the market

Wholesale changes for pharmacy goods

183

CT 7/1/93

WHOLESALERS in pharmaceutical products may now obtain their products from any sources they wish in a bid to pay lower prices, the National Association of Pharmaceutical Wholesalers (NAPW) announced yesterday

The announcement revoked NAPW's policy preventing wholesalers from obtaining the lowest-priced pharmaceuticals from sources such as "trading doctors"

NAPW executive director Mr Wolf Furst said yesterday the step would not mean lower medicine prices for the public

● In Durban, meanwhile, police have shut down the Phoenix Hospital's pharmacy for failing to register with the Pharmacy Council and having unqualified assistants dispensing drugs — Staff Reporter, Own Correspondent

Affidavit sparks new baby drips row

288 By JOCELYN MAKER (183)

A NEW row has erupted in the baby drip-deaths controversy after a former employee of manufacturer Sabax claimed inadequate controls were applied in one of the company's units.

At the centre of the row is an affidavit sworn by Mrs Di Parker, an American-trained pharmaceutical technician who was employed by Sabax from November 1984 to September 1991 S/Times 10/1/93.

She did not give evidence at an inquest last year which found no one could be held responsible for the deaths — between February and September 1990 — of 13 babies who had been on intravenous drips supplied by Sabax.

However, Mrs Parker said she decided to make her statement — in which she claims "sub-standard techniques" were applied in the Sabax admix unit, responsible for mixing the drips — after the deaths last September of another eight babies

Her affidavit was handed to Witwatersrand Attorney-General Klaus von Lieres in November, and he confirmed this week that the allegations were being investigated.

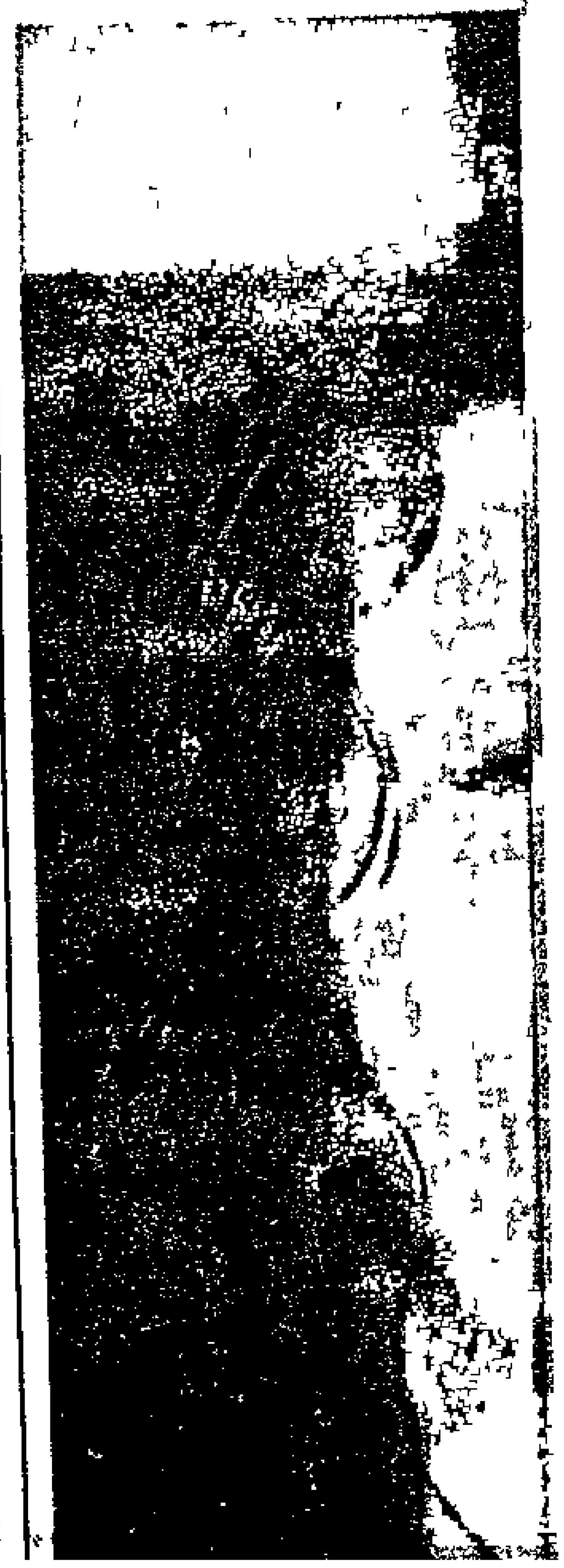
The affidavit could lead to the reopening of the inquest into the deaths of the 13 babies, said Mr von Lieres

Garbage

Mrs Parker claims that as early as January and February 1988 she reported the lack of controls in the admix unit to Sabax management on three occasions, but nothing was done to remedy the situation.

According to Mrs Parker, who was working as a pharmacist-assistant in the admix unit at the time, "sub-standard techniques"

Erica s



the admix unit to Sabax management on three occasions, but nothing was done to remedy the situation

According to Mrs Parker, who was working as a pharmacist-assistant in the admix unit at the time, "sub-standard techniques" were applied in the running of the unit and intravenous link-bag solutions were released without quality control approval

As a result, she claims, complaints were received from Coronation hospital in January 1988 about contamination growths in drip bags.

"Intravenous link-bag solutions returned by Coronation hospital were then just tossed out in the garbage instead of being examined," claims Mrs Parker.

She also claims aseptic techniques in the unit were below standard and that, for example, "bottles of amino acids and glucose were not swabbed thoroughly with alcohol".

When no action followed her reports, said Mrs Parker, she asked to be transferred to a different division in May 1988

Tests

"After learning about the baby deaths in September 1990 due to contaminated drips supplied by Sabax's admixture service unit, I went into the unit's standard operating procedure file and found that some of my training procedures had been removed," she claims

The Sabax admix unit — closed down after the 1990 baby deaths — was headed at the time by Mr Iain Rosekilly.

Mr Rosekilly left Sabax when the unit closed and set up Isotec Nutrition, which supplied the drips to the eight babies who died at JG Strydom hospital, Johannesburg hospital and Park Lane Clinic last September

The investigation into these deaths is continuing, but tests carried out by the SA Institute of Medical Research showed that the serratia organism — found in the drips supplied to the hospitals where the babies died — had also been found in the Isotec admixing area, despite the sophisticated methods used in compounding admixtures

The Medicines Control Council said it was satisfied the components sup-

□ To Page 2

A NEW BABY DRIPS RUMPUS

□ From Page 1

plied by Sabax to Isotec were not contaminated

Yesterday, lawyers acting for Mr Rosekilly and Sabax vehemently denied Mrs Parker's allegations, saying her "limited training" did not qualify her to express an opinion on the procedures followed and that her claims were unsubstantiated

"We wish to point out that the standard operating procedures and facilities are derived from Baxter in the US and are audited annually," said the lawyers

"These procedures are continuously updated and audited as new developments take place"

Sabax chief executive Ian Strachan said procedures followed in the admix unit had been examined by the inquest court and found to be adequate

"We have no record of complaints of contaminated growth in admixing units from any hospital in January 1988," he added

Mr Chris Bean, the attorney representing Mrs Parker, said she was prepared to have her allegations tested in court

"She chose to remain silent during last year's inquest because she believed the truth would come out, and because she was protecting people But when more babies died in September, she decided she had to come forward," he said

"She has no ulterior motives in coming forward now, and we would be more than happy for her to be cross-examined under oath A reopened inquest is long overdue"

5/Tune 10/1/93

183

Mandela replies to Winnie

BDay 11/1/93.

BILLY PADDOCK

THE ANC had not conceded too much in negotiations with government and was on track in its objective of achieving a transition to democracy, secretary-general Cyril Ramaphosa said at the weekend

Ramaphosa was responding to criticism from Winnie Mandela that the negotiation process could not deliver democracy as it was being conducted between "the elite of the oppressed and of the oppressor".

Ramaphosa said the ANC was confident it was on track to achieve the aims of the nation — the transformation of SA to freedom and democracy, and the organisation was doing only what was necessary to deliver true democracy.

ANC president Nelson Mandela, having stayed out of the fray initially, decided to comment on his estranged wife's statements, smacking her down publicly.

He said the issue of whether the oppressed people supported negotiations "should not be judged on the basis of what individuals say, no matter who they are. It should be judged according to what disciplined members of the organisation say".

Mandela said there had been three national conferences and many national executive committee meetings where the disciplined members had endorsed — usually unanimously — the ANC's actions in negotiations.

"We have given nothing away to anyone. We have done only what we consider to be in the interest of SA as a whole," he said, adding that he believed the NP and government also had not conceded too much in negotiations

"It was said that government capitulated by signing the record of understanding. I do not think this is true. President F W de Klerk and the NP had the interest of the nation at heart and were doing what was best for the nation," Mandela said.

On a conciliatory note, he said the ANC was flexible on the date of elections, despite the NEC's statement insisting on elections this year.

Referring to the Concerned SA Group, he said there were those who feared change and were opposed to democratic elections. "They are products of apartheid thinking, fear the will of the people and so cling to ethnic fiefdoms.

"Unless they are able to place the national interest above their party political and personal agendas, they will confine themselves to the role of spoilers and will be judged accordingly."

He indicated also that he had held talks with Sacob president Spencer Sterling on Wednesday and said that he was encouraged by the outcome and the confidence of Sacob that economic growth could be salvaged. "He gave me a very optimistic view," Mandela said.

Sabax denies allegations

BDay 11/1/93.

GAVIN DU VENAGE

SABAX yesterday denied allegations by a former employee that inadequate controls were applied in one of its manufacturing units.

US-trained pharmaceutical technician Di Parker, who spent about six years at Sabax, has claimed substandard techniques were used in the company's admix unit. (183)

Parker's allegations followed the deaths of eight babies last September and were submitted in an affidavit to Witwatersrand Attorney-General Klaus von Lieres in November.

Parker said that intravenous link-bag solutions were returned from Coronation Hospital with complaints of a contamination growth in the drip bags.

These complaints were not investigated and the bags were thrown out instead of being examined, said Parker.

Sabax CE Ian Strachan said the company had, since 1988, "fully documented procedures" to deal with complaints; procedures which had been fully examined by the courts.

4988

986

Drips probe 'could be reopened'

STAR 12/1/93

An inquest into the deaths of 13 babies who had received intravenous drips supplied by Sabax could be reopened if new evidence warranted it, Transvaal Attorney-General Klaus von Lieres said yesterday.

The inquest, held last year, found no one responsible for the deaths of 11 of the 13 babies. There was no finding on the other two babies.

Sabax chief executive Ian Strachan said the firm would co-operate with the authorities.

US-trained pharmaceutical technician Di Parker, who worked at Sabax from ~~1984 to~~ 1991, has said in a sworn affidavit that "sub-standard techniques" were applied in the Sabax admix unit.

Attorney Peter Soller has written to President de Klerk, asking for a presidential commission of inquiry — Staff Reporter and Sapa.

Fuel tax on the up and up

183

From GRETA STEYN

JOHANNESBURG — Government revenue from tax on fuel is the only source of income running above budget, signalling there was room for a substantial increase in the tax this year

C 14/1/93

Latest available Central Statistical Services (CSS) figures show revenue from the fuel levy rose by 42,7% in the April to October period to R3,9bn The increase is significantly higher than the budgeted rise of 27,6%

Economists said the figures suggested fuel consumption was not particularly sensitive to price increases, and that government could therefore comfortably raise the tax on fuel by a significant margin

Government could opt for a substantial hike in the fuel levy as part of a strategy to keep the VAT rate as low as possible, as a higher VAT rate would have a greater effect on consumption

Ethylene proposal under fire

(183) STAR 18/1/93.

By Stephen Cranston

It would be premature to set up a major ethylene cracker before the end of the century, says Engen Chemicals GM Peter Sutherland

He was reacting last week to the proposal by Sentrachem and the Industrial Development Corporation to build a worldscale cracker — perhaps producing 400 000 t of ethylene and propylene — at Mossel Bay

Sutherland argues that the Mossel Bay area might not have the existing infrastructure to handle a major cracker and is unlikely to be internationally competitive in terms of rands per ton

He says that the question of lifecycle costing needs to be resolved

"It might well be cheaper to import crude oil from Saudi Arabia and produce chemical feedstocks from that, rather than rely on uncertain gas reserves"

A route should be found to produce quantities of ethylene more in line with domestic demand by extracting the materials during the refining process, perhaps at Engen's Genref refinery in Durban

He says there is worldwide swing towards smaller plants, which extract chemicals out of the hydrocarbon stream

This facility might well be able to produce propylene and ethylene at a price to ward off imports, but it would not necessarily be able to export competitively,

Activities: *Subsidiary and associated companies manufacture and distribute agricultural chemicals, hosiery, yarns, bearings, seals, surgical gloves, fertilizer and industrial chemicals*
Control: *Rale Holdings Ltd 66,2%*
Chairman: *R E Sherrell, MD L M J R Maingard*
Capital structure: *14,5m ords Market capitalisation R112m*
Share market: *Price 775c Yields 1,7% on earnings, pe ratio, 58,7, 12-month high, 825c, low, 300c Trading volume last quarter, 147 000 shares*

Year to Aug 31	'89	'90	'91	‡'92
ST debt (Rm)	57,7	98,8	58,5	19,8
LT debt (Rm)	9,6	1,9	0,6	0,03
Debt equity ratio	1,18	2,18	1,74	0,50
Shareholders' interest	0,36	0,25	0,34	0,60
Int & leasing cover	1,8	0,5	0,5	—
Return on cap (%)	11,5	4,5	6,5	—
Turnover (Rm)	154	206	73	†20
Pre-int profit (Rm)	17,7	8,1	6,6	†(1,4)
Pre-int margin (%)	11,5	3,9	9,0	—
Earnings (c)	82,7	(56,9)	0,5	†8,8
Dividends (c)	45	—	—	—
Net worth (c)	403	280	233	169

‡ 18-month trading period † Annualised

FARM-AG FM 22/1/93

Chased by the bulls (183)

Investors have been taking an increasingly bullish view on Farm-Ag, which was one of the best performers on the JSE last year Until October 1992, however, the only indication investors had of what was happening to the finances of the agricultural chemical group, was an interim report for the six months to end-August 1991

Once preliminaries for the 18 months to end-August were published, the bulls took charge and the share reached an all-time high of 825c The preliminaries showed EPS up from 0,5c to an annualised 8,8c (management quotes 13,2c annualised on a pro-rata basis)

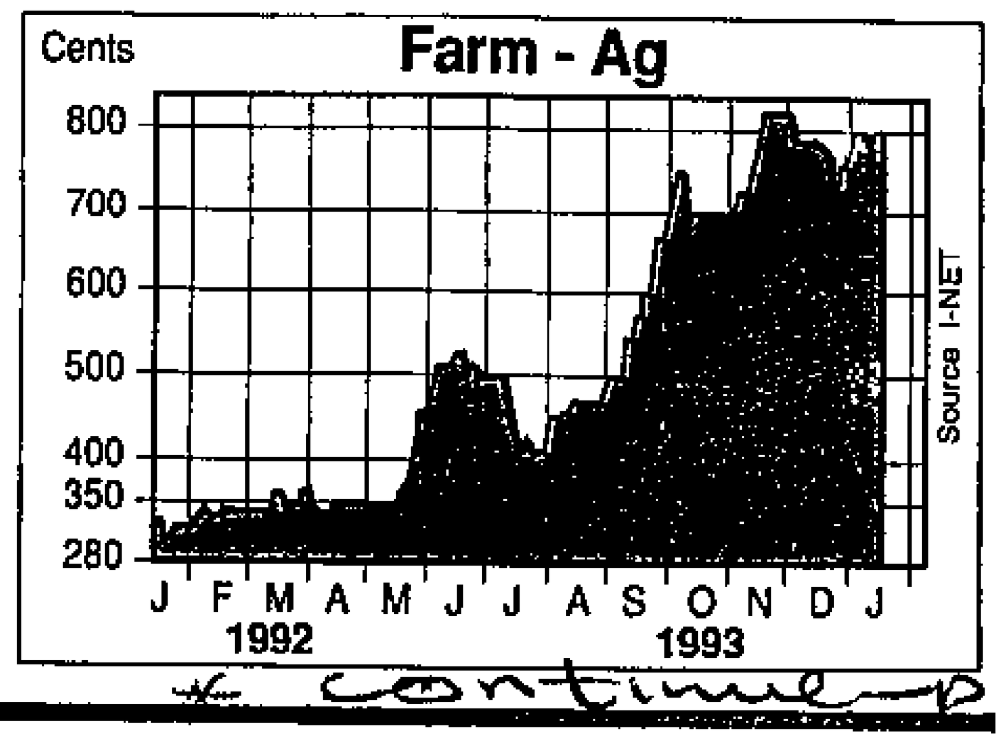
What is it about this company, eventually to become a cash shell, that makes it so attractive? The apparent answer is an expected payout when the cash shell materialises in 1995 But that remains in the future There is also an asset in the estimated tax loss of R40,4m Notably, tangible NAV of 169c is only 21,8% of the share price.

Farm-Ag's major asset, however, is a 50% stake in Sanachem; the other 50% is held by Sentrachem Sanachem recorded a profit of R20,8m for its financial year end-February, compared with R5,2m in the previous year The profit was still below budget because of the drought and retrenchment costs incurred in rationalising the sales, marketing and manufacturing functions

Financial 1993 is expected to show further improvements in profitability, based on new manufacturing facilities coming on stream and continuing growth in export sales, which should exceed half the year's net turnover.

One of the two subsidiaries, Harvest Chemicals, performed "dismally" and made losses, the other, Glenmore Textiles, produced "satisfactory" results The plan is to sell these companies as soon as possible, to reduce gearing, which dropped from 1,74 to 0,50 during the 18-month period

Since year-end, the formula used to calculate the agreed purchase price payable by Sentrachem to Farm-Ag for its 50% stake in Sanachem was amended Whereas the original agreement was based on a p e linked to the performance of the JSE, the new formula uses a fixed p e of 10, which will rise by a



continued

FM 22/1/93 (183)

tenth if the purchase price exceeds R80m That removes some of the uncertainty and risk

The share is showing no sign of weakness A historical p e ratio of 58 indicates considerable investor confidence in the share, but it's unclear whether the optimism is justified *Kate Rushton*

Go generic, save on health costs

Doctor, chemist and patient need to liaise

STAR 23/1/93.

(183)

FINANCE STAFF

SOUTH African health care costs, generally regarded as being among the highest in the world, could be reduced significantly through the wider use of generic medicines and the trend would be accelerated considerably by the expected partial deregulation of the health care system

This is the view of Dave Stubbins, chief executive of Lennon Generics, who maintains that such deregulation would give the pharmacist, as well as the patient, a greater say in the choice of medicines

More pragmatic

Lennon is reputed to be the biggest manufacturer and marketer of generic medicines in the southern hemisphere

Stubbins says. "There could well be a more pragmatic dispensation in which doctor, pharmacist and patient will consult with each other on treatment costs"

Generic medicines are typically up to 60 percent cheaper than the original branded products, of which they are the therapeutic equivalents

While they are already widely used in the public health care sector, there is considerable scope for their increased application in the private sector

This can be deduced from the fact that whereas generics currently account for some 25 percent of all medicines dispensed in South Africa, the comparable figure in the US is 60 percent.

Stubbins continues "Since 1983, the annual increase in medical scheme contributions has been 10 percent ahead of the inflation rate, primarily due to the rise in medicine prices Earlier this year, Dr Coen Slabber, Director General of National Health, noted that South African medicine prices were now higher than those of virtually all Western countries

The cost burden has become severe.

"It's now generally accepted that some deregulation of our health care system is essential if its spiralling costs are to be contained This is likely to include the descheduling of some medicines, a greater measure of pharmacist-initiated therapy and the reintroduction of generic substitution — the pharmacist's right to supply a generic equivalent to the branded original prescribed by the doctor, should the patient want it."

A commonplace practice elsewhere in the world, substitution was briefly permitted in 1985 until pressure from the multinational manufacturers forced the Pharmacy Council to ban it again

Stubbins predicts that strong advocacy by the medical aid schemes would also be a major contributing factor to the wider use of generics in South Africa

"They are advising members to ask their doctors to prescribe generic medicines in order to contain their medicine costs," he says

Stringent standards

"In addition, many of the schemes are moving towards what is known as the MMAP (maximum medical aid price) system, which is based on the cost of generics. This means that if a branded original is dispensed when a generic equivalent is available, the member has to pay the difference," Stubbins says.

"Generics have to meet the same stringent quality and efficacy standards the SA Medicines Control Council sets for all the pharmaceuticals dispensed in this country and can, therefore, be used with complete confidence by the consumer as an affordable equivalent to more expensive branded products"

A BIG SAVING Generic medicines are up to 60 percent cheaper than the original branded products, of which they are the therapeutic equivalents

Low blow to free market

By DON ROBERTSON

S Times (Buss)

GOVERNMENT's attempt to force one of its own bodies to toe the free market line could be stymied by — of all groups — private enterprise

Richards Bay Bulk Storage (RBBS) has appealed against a November 6 ruling by Minister of Public Enterprises Dawie de Villiers against any agreement between it and Transnet. 24/11/93

The company provides a bulk liquid chemical import and export warehouse for its clients at Richards Bay

Rennies Bulk Terminal has a 50% interest in RBBS, with Sentrachem and AECI holding the balance (183)

The ruling prevented Transnet from making land available in the Richards Bay harbour area for the establishment of a second storage facility

For the first time, Transnet was instructed by the Minister to make land available to a third party in the harbour area It was also to ensure the allocation of this land did not put the third party, Island View Storage, at a competitive disadvantage with RBBS and that the land granted to RBBS was not in excess of its needs

Island View Storage has spent 10 years attempting to secure a site for a bulk liquid facility

In 1981, the harbour authorities asked interested parties to establish a single organisation to negotiate the allocation of land for a facility This resulted in the formation of RBBS But Island View refused to join the group as some of the members of RBBS were its customers Since then, it has been unsuccessful in obtaining a site

Engen accelerates change

By DON ROBERTSON (183)

THE highly expensive move to change the name of Mobil petrol stations to Engen is accelerating.

The name change is expected to cost Engen about R130-million. It will involve the upgrading of about 500 of the 1 000 stations which currently sell under the Mobil name Smaller outlets will merely have signage changed.

Engen bought the operations of Mobil in SA in May 1989 and was entitled to trade under the Mobil name until June 1994 Negotiations between Mobil and Engen for an extension of this agreement failed.

Engen is also using its existing advertising budget to promote the name change so this does not represent an additional cost

An Engen spokesman says not all stations will receive the "full treatment", but those that do will have new and faster pumps, new petrol islands, softer lighting with more use of the colour red, illuminated panels depicting the company's sporting and social activities, improved toilets and convenience shops offering take-aways and soft drinks.

The programme began in October and will be completed by the end of this year. A group of about eight teams are currently travelling the country making the changes which take between seven to 10 days at each station.

In terms of current legislation, the wholesale margin of 13,5c a litre received by oil companies gives them an average 15% pre-taxed return on the assets used in marketing fuel S/Times (8455)

Should this margin be increased, and the price of fuel raised, it would effectively mean that the motorist would pay for the name change. 24/1/93

Lourens van den Berg from the Department of Mineral and Energy Affairs says that the oil industry has not asked for any margin increase, "and it is very slim that it would be granted on Engen's expenditure"

The Engen spokesman says about R90-million of Engen's planned expenditure will represent an increase in assets.

He says that the increase in assets will have only a miniscule impact on the margin received for petrol sales.

BUSINESS

EDITED BY FRED ROFFEY

Push for generic medicine to slash medical aid costs

S/Times (Cape Metro) 24/1/93. (183)

COMPANIES are being urged to "educate" their workforce in active involvement in measures to reduce health care costs — particularly the use of generic substitutes for prescribed medicines — as a means of cutting the cost of living

Medical costs have become the fifth largest expense in the Consumer Price Index due largely to medicine prices, inflation and over-use of services, says a leading medical aid administrator

"The director-general of National Health, Dr Coen Slabber, has pointed out that medicine prices in South Africa are now higher than in any other Western country," says Quentin Robinson, a director of Medicaid Administrators

"A recent Competitions Board investigation revealed that the price of a drug almost doubles from the time it leaves the manufacturer to its sale in the local pharmacy

"A comparison with United States drug prices showed that the cost of drugs in South Africa is on average 120 percent more

"While medicines make up only nine percent of total medical spending in the US, in South Africa the picture is radically different — 26 percent of what we pay out on medical services is spent on medicines"

The investigation by the Medical Association of South Africa into health care between 1975 and 1991 shows South Africans do not use more medicine now than in 1975

It also indicates that over this 16 year period medical price increases outstripped inflation by 32 percent

"The answer to the problem is a simple one," says Mr Robinson

"Generic prescribing can cut down significantly on health bills, and can lead to a reduction in medical aid contributions

"A large number of patients are still not aware that generic substitutes, which perform in much the same way as the original patented drugs, are available at prices between 30 and 50 percent lower

"Likewise, a large number of doctors are not aware that by prescribing generics, they can help manage the cost of their patients' medical aid

"What is not realised is that the funds of the medical aid are the funds of the member — the more the medical aid is charged, the more the patient has to pay in contributions

"It is estimated that the contributions of members could be reduced by up to eight percent if a more balanced approach to medicines is adopted"

Companies are now considering drawing attention to the cost benefits of generic medicines through leaflets and on notice boards in the workplace

Another idea is the use of similar leaflets in wage and salary packets

The proposed campaign aims at getting medical aid members to negotiate with their doctors on cost containment as soon as possible to help fight possible medical aid fund subscription increases of between 20 and 25 percent for 1993

BIDM 25/11/93.

Five mourners killed in attack

DURBAN — Five people were killed and about 15 wounded in Amoati, north of Durban, on Saturday in an apparent revenge attack on a group of mourners.

A police spokesman said the attack was in revenge for a massacre two weeks ago in the area. The victims were on their way home from a funeral.

At Mlahlankosi in Imbali, near Maritzburg, churchgoers were scattered yesterday by ANC and Inkatha supporters who started shooting at each other.

Police, alerted by reports of violence in the Zinkwazi/Mdabanzane area, dispersed the groups of about 25 people each.

In the Transvaal, a man was reported killed and another wounded during the funeral of the wife of clergyman Solomon Khumalo in Katlehong on Saturday.

Police spokesman Brig Malherbe said the two victims were found in a house.

Police arrested an unknown number of suspects after SADF members pulled over a car near the graveyard that was later discovered not to be part of the procession.

They arrested six other suspects travelling in a car and confiscated several firearms while patrolling the township.

In Ratanda township near Heidelberg, a man was killed and two wounded on Friday in a shooting incident.

In Soweto, gunmen opened fire on a police patrol car on Saturday, killing a police dog and wounding another, police said. Two officers were also wounded in the shooting in Meadowlands. — Sapa.

Civic bodies to take on local authorities over water cuts

WILSON ZWANE

TOWNSHIP civic organisations are to take up cudgels against local authorities trying to break rent and services boycotts by cutting the water supply to residents.

BIDM

The Civics Association of Southern Transvaal (Cast) said at the weekend it would take an "appropriate" measure to ensure that water supply and all other services rendered in townships were depoliticised.

25/11/93.

Cast publicity secretary Pat Lephunya said his organisation was concerned that local authorities, who had been cutting power in an attempt to break boycotts, were now cutting the water supply.

Lephunya said negotiations were necessary between the civic movement and water boards, with a view to getting the water suppliers to supply directly to township residents, rather than via local authorities.

Cast general secretary Dan Mofokeng said although the rendering of services to townships would be dealt with at a local government negotiating forum, to be launched in the near future, an "appropriate measure will be taken against the councils, which are discredited and which use water to prolong their lives".

Town councils of Vosloorus and Katlehong, on the East Rand, recently reduced water supply in an attempt to get residents to pay their accounts.

Civic organisations have so far been negotiating with Eskom to take over the electricity supply in all townships. Cast general secretary Dan Mofokeng said recently the transfer of supply rights to the utility was necessary in the transitional period. Once the "mess" at local government level had been cleaned up and once nonracial local authorities had been installed, the matter would be reviewed.

Negotiations with Eskom began after it had become clear to civic organisations that local authorities were trying to break rent and services boycotts by cutting electricity

Parents to sue US firm over Sabax drips

SUSAN RUSSELL

THE parents of one of the babies who died after being administered allegedly contaminated drips at a number of Johannesburg clinics confirmed yesterday that they were pressing ahead with a R60m claim for damages in the US.

BIDM

Anna Fiocchi said her husband Marco had signed a mandate on Friday giving Johannesburg attorney Chris Bean the go-ahead to institute a claim against Baxter Travenol Inc, the US supplier and licensee of Sabax in SA.

25/11/93.

The Fiocchis' baby son Roberto died in August 1990 after he was given a Sabax drip at the Park Lane clinic.

(183) (82)

Fiocchi said as far as she was aware Bean had been instructed to claim damages on behalf of the parents of 20 babies who died from contaminated drips during 1990 and in September last year. She said $1m (R3m) was being claimed in respect of each of the 20 babies.

An inquest held in the Johannesburg Magistrate's Court found that no one could be held responsible for the deaths of the 12 babies who died from the contaminated drips in 1990

Regional fuel levy possible

CT 28/1/93

(183)

By PETER DENNEHY

A REGIONAL levy on fuel prices may be introduced later this year to enable Regional Services Councils to pay commuter subsidies.

This prospect was raised during an RSC debate yesterday on whether or not the council should accept the central government's proposed handover of responsibility for bus services.

Mr Louwtjie Rothman, deputy chairman of the RSC, told delegates who were wondering what additional source of revenue the government would make available to the RSC that "the idea was a levy on fuel prices".

Finance Minister Mr Derek Keys' assistant, Ms Lesley Lambert, said yesterday that if this was a matter to be dealt with in the budget, Mr Keys' attitude would be that it was inappropriate to disclose any information about it at this stage.

RSC chairman Mr Piet Loubser said: "These subsidies are for people who can't afford their own transport, and who, as a result of former policies, live far away from where they work."

He suggested an amendment that instead of the RSC "accepting" the entrustment it would merely "consider" it in the light of various conditions.

Among the conditions was that the state should not reduce its subsidy in the meanwhile in real terms, and that later an acceptable new additional source of revenue must be identified and made available to the RSC, which would administer and collect the funds.

The new source may not be increases in existing RSC levies.

Mr Loubser's suggested amendment was passed.

All four Cape Town City Council representatives on the RSC — Mr Clive Keegan, Mr Richard Friedlander, Mr Louis Kreiner and Mrs Eulalie Stott — spoke against entrustment of bus services to the RSC at this stage.

Mr Keegan said there was no reason why there should not be a unilateral withdrawal of subsidies by the state.

Cape Town's representatives were the only ones who abstained from voting.

Paarl tough on own RSC

Municipal Reporter

PAARL municipality had no mercy on the Western Cape RSC, of which it is a member, when the RSC was a day late in paying its own September bill to Paarl for water and electricity services rendered.

The municipality demanded the full 10% surcharge on the R11 264 bill, according to a report before the RSC yesterday. In effect, then, the late payment penalty was R1 126. The RSC's cheque had gone in a day late owing to a reorganisation when the administration of its Paarl and head offices merged.

Instead of paying up immediately, the RSC requested a waiver. Paarl rejected this, "as the waiving of the fine would set a precedent".

Rent boycott to go

CT 28/1/93

JOHANNESBURG.

Petrol up soon, minister warns

ARG 4/2/93 (24) (183)

Political Staff

THE petrol price would go up when the Budget was tabled on March 17, Minister of Mineral and Energy Affairs Mr George Bartlett announced today.

There would be an increase to balance the books of the Equalisation Fund — but there could be a second rise for tax reasons.

At present 3,5c in the price of a litre of petrol went into the Equalisation Fund, but under-recoverey was still running at 7c a litre.

But he did not think the price rise would be as high as the 7c a litre under-recovery.

The government wanted people to get accustomed to the petrol price rising or falling two or three times a year, Mr Bartlett said.

Some CFC areas 'still worrying'

EDWARD WEST (183)

THE phasing out of chlorofluorocarbons (CFCs) in SA before the recently advanced Montreal Protocol deadline of 1996 was too slow, AECI spokesmen said at a seminar in Johannesburg yesterday. BDM 5/2/93

In terms of amendments to the protocol introduced in November last year — SA was a signatory — production of CFC gases R11 and R12 would have to be frozen by 1996, and their use phased out completely by 2030

Many CFC users were making headway towards meeting the deadline — about 3 500 tons were being used in SA compared with about 10 000 tons a decade ago.

But areas of concern were retail and wholesale food refrigeration as well as air-conditioning plants in large buildings, AECI said.

AECI manager Mike Rex said the group, the only manufacturer of the CFC gases R11 and R12 in SA, would stop producing these gases in 1995, and produce only Freezone 22, an environment-friendly alternative. AECI would import another alternative, Klea 134A, which could be used to extend the life of R12 plant.

The mining sector consumed about 8% to 10% of refrigeration gases, the commercial and industrial sector 30% and the automotive sector about another 30% in the form of air-conditioner repair and instalment at assembly level, he said.

Rex said the price of alternative gases was substantially higher than that of R11 and R12 and there were further costs involved in converting equipment. However, the cost of R11 and R12 would increase toward 1995 as production slowed, while the cost of alternatives would decrease.

Seminar delegates said there were indications users were stockpiling R11 and R12 ahead of the 1996 deadline.

Petrol cost may rise by 7 cents

(183)

CT 5/3/93

ANOTHER petrol price rise is in store for South Africans on March 17

A price increase of up to seven cents a litre — the present rate of under-recovery on the fuel price — is likely to be announced in this year's budget speech, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday

He said a further increase was needed to balance the equalisation fund — and there could be another one to raise additional taxes

Addressing a media briefing, he said the government also planned more frequent fuel price increases in future as international prices fluctuated

Mr Bartlett said at present 3,5 cents of the price of a litre of petrol was put into the fund, but the under-recovery was running at seven cents a litre

This was putting pressure on the fund and a price hike was unavoidable However, he did not believe it would be as high as seven cents

"It is difficult to predict the exact increase, but I don't believe it will be as high as the full under-recovery at present The most opportune time will be when the budget is presented"

— Political Staff, Sapa

Petrol controls 'obsolete'

JOHANNESBURG — The Automobile Association yesterday again called for a "complete review" of the petrol price structure and for the "veil of secrecy" surrounding the fuel industry to be lifted 183 88

Reacting in a statement to an expected petrol price increase of seven cents a litre in March, it said under-recovery was partly the result of "the distortion within the pricing system"

"Elements which need to be urgently addressed are the in-bond landed costs, wholesale and retail margins as well as transport costs paid by inland motorists," the AA said

"The industry is strictly controlled and the time has come for market forces to be allowed to determine the future course of the industry"

It said the present system was tantamount to saying the free market principle was not in the best interests of the consumer CT 6/2/93

"Control over the industry may have been justified in the distant past but recent events in South Africa and throughout the world have rendered this system obsolete" — Sapa

Importers to oppose medical supply duties

(183)

LINDA ENSOR

CAPE TOWN — Importers of medical supplies have formed a lobby group to fight imposition of import tariffs which they say will squeeze them out of the market and give big manufacturers a monopoly.

The lobby group — consisting of Macmed, RM Salters, Medical Textiles, Vitamed, Paperback SA and General Medical — would meet the Board on Tariffs & Trade (BTT) and Health Minister Rina Venter to discuss the matter, Macmed MD Don McArthur said yesterday. BDAY 11/2/93

"Companies are using the BTT to eliminate competition at the expense of healthcare costs in SA," McArthur said. The group, with the support of private hospital groups and Macmed's US principals, has also taken its case up with the Competition Board.

There were two issues of complaint, McArthur said. First, the BTT had acceded to an application by Promex for import protection of the R25m-a-year syringe market. McArthur said "punitive duties" of 70% were imposed compared with the previous 35%, despite the opposition of syringe importers.

Promex replied to the allegations, saying it had sought protection against dumping, a request granted by the BTT after extensive investigation.

The second cause of complaint related to the application by Smith & Nephew, which McArthur estimated to have 85% of the R50m-a-year gauze market, for tariff protection against the import of finished and raw material gauze products.

Smith & Nephew GM Neil Wallace said the company had numerous sources of supply for low-cost medical fabrics, but believed it would be opportunistic and short term to switch its sourcing. "Given a level playing field on cotton and labour costs, high import duties would not be necessary. But until this happens we have some 800 jobs to protect."

Mixed reaction to medical aids Bill

BDAY 11/2/93

KATHRYN STRACHAN

THIS week's introduction in Parliament of legislation to amend the Medical Schemes Bill was met with reservation by doctors but applauded by medical aid schemes

Medical Association of SA (Masa) spokesman Hendrik Hanekom said the new legislation addressed the problems of medical aid schemes, but ignored the interests of doctors and patients

Masa believed that scrapping the direct guaranteed payment of doctors could compromise patient care Many patients did not have the financial means to make co-payments or settle accounts, pending refunds from their medical schemes

But Hanekom welcomed Cabinet's approval of an inquiry into the health insurance industry.

Masa was concerned that the proposed changes would not meet the criteria of making health care more accessible, affordable and efficient

Much of the controversy surrounding the Bill centres on the provision it makes for "managed health care". Under the new legislation, medical aid schemes would be allowed to, for instance, set up a clinic and employ a range of health professionals to give a more comprehensive service.

Representative Association of Medical Aids (Rams) executive director Rob Speedie said managed health would eliminate wastage and cut down on overservicing by doctors, but it would not lead to substandard care.

Masa was concerned that the changes allowing the scrapping of minimum and maximum benefits would enable medical aids to "risk rate" members, favouring the young and healthy The organisation favoured more flexible benefit packages tailored according to individual needs, but medical schemes should provide essential benefits

It was also concerned about the power given to Rams and that it could wield too much control over the use and provision of services The amendments would legally entrench Rams as the single spokesman of medical schemes

AN ANC health spokesman said the collapse of medical aids was part of a much greater crisis affecting the entire health care system He said the new legislation was aimed at resolving a crisis which affected mainly whites who were employed and ignored all aspects that affected the vast majority of South Africans such as the underfunding of public facilities

Sapa reports that the South African Nursing Association said it was delighted that the amendments had been approved

Apple juice scare evaporates

could cause cancer and other conditions

Vote on AECI strike

STRIKE action by members of the South African Chemical Worker's Union at AECI Explosives and Chemicals will be determined by the balloting which starts today and ends on Friday (183)

The balloting will be supervised by the Independent Mediation Service of South Africa Mr Tshepang Mika, an organiser of Sacwu, said about 3 050 members of the union, will start balloting for strike action today

Mika said the decision was taken by Sacwu after the union and management reached a deadlock on wage negotiations and conditions of employment for 1993 Sowetan 15/2/93

He said the union was demanding

- a R250 increase across the board,
- no forced retrenchments/redundancies this year unless a worker volunteers to go on retirement,
- all holidays, including March 21, should be paid,
- phasing out of Grades B and C,
- reduction of working hours to 40 a week

Star 15/2/93

Strike ballot to be held

183

A ballot for strike action against AECI Explosives and Chemicals will be held this week after talks deadlocked with the SA Chemical Workers' Union The union said yesterday 3 050 of its members would be balloted under the supervision of the Independent Mediation Service of SA.

Star 16/2/93 (183)

Market turns glad over SAD

By Stephen Cranston

Soon after Peter Benningfield took over as CE of SA Druggists (SAD) a year ago, he said it would take three years to reach full potential.

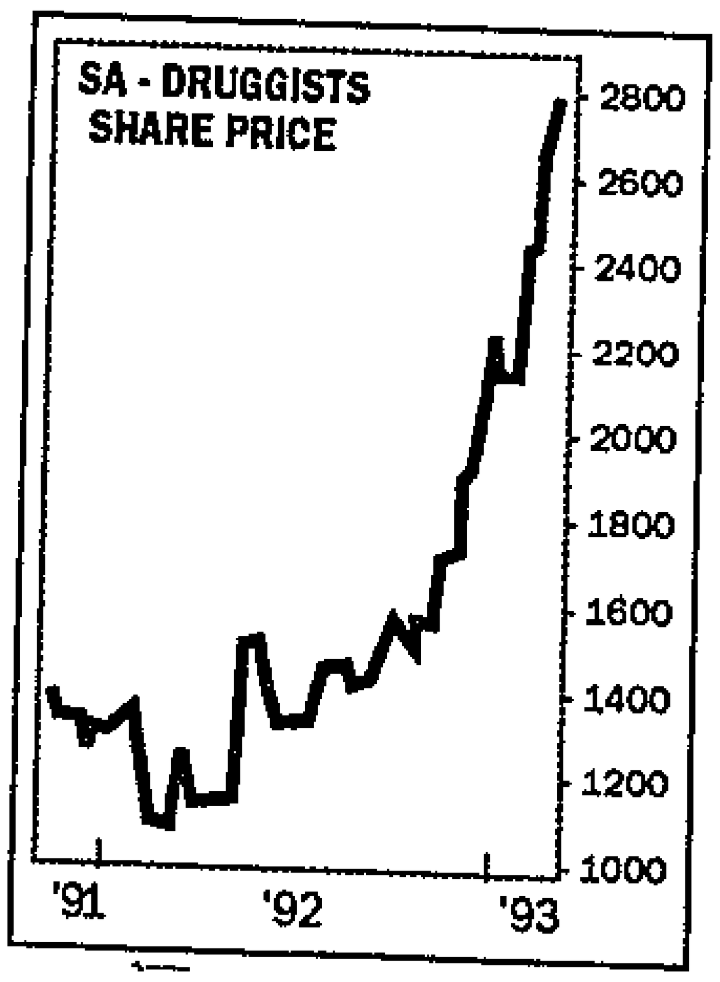
But the market has already given its thumbs-up to the changes that have taken place.

Since December, the share price has jumped from R16 to R27. SAD has been awarded a rating comparable to that of archrival Adcock Ingram, with a P/E approaching 30 and a 1,3 percent dividend yield.

Much of this reflects confidence in Malbak's more hard-nosed approach to the balance sheet.

The annual report for the year to August provided for R25,8 million in rationalisation and closure costs and R39,2 million for reduction in current assets During the year stocks were reduced by R76 million.

Benningfield says: "I think the market was frustrated that SAD, as the largest pharmaceutical manufacturer in the southern hemisphere, was not providing leadership for the industry. Its total range was too wide and many of products were not contributing to the bottom line. After



we introduced better costing systems we cut 200 products out of the range."

SAD had withdrawn from low-margin state tenders where it was losing some money. But with the new costing systems in place, it was able to get back into the market last May.

Output has increased by 30 percent, without having to tender below cost. "With our volumes, it is difficult for our competitors to get near us on price," says Benningfield.

He is confident that the changes in the healthcare field will be beneficial to SAD The most imminent is the enforcement of the single exit price, which will mandate that drug companies should charge the same amount to each customer for drugs, though they will still be able to offer volume discounts.

It has become commonplace for multinational drug companies to offer substantial discounts to dispensing doctors The effect has been to ensure that dispensing doctors favour ethical drugs over their generic equivalents, often made by SAD

It is also likely that some form of generic substitution will be introduced. Medical aids already encourage the use of generics by the maximum medical aid price, in which they pay back the generic price of a medicine and the patient is expected to pay the difference for the ethical product.

Generics are losing their cheap and nasty label. Benningfield says that as they are developed with the latest technology they are often an improvement on the original drug

If pharmacists are allowed to dispense the generic when the doctor specifies an ethical drug, SAD will be the major beneficiary. It has a drug in every category of the World Health Organisation's (WHO) essential drugs list

Chemserve hit by first earnings drop in decade

B/Day 16/2/93 (83)

EDWARD WEST

DROUGHT and recession affected the results of speciality and raw chemicals supplier Chemical Services, which recorded its first earnings drop in 10 years.

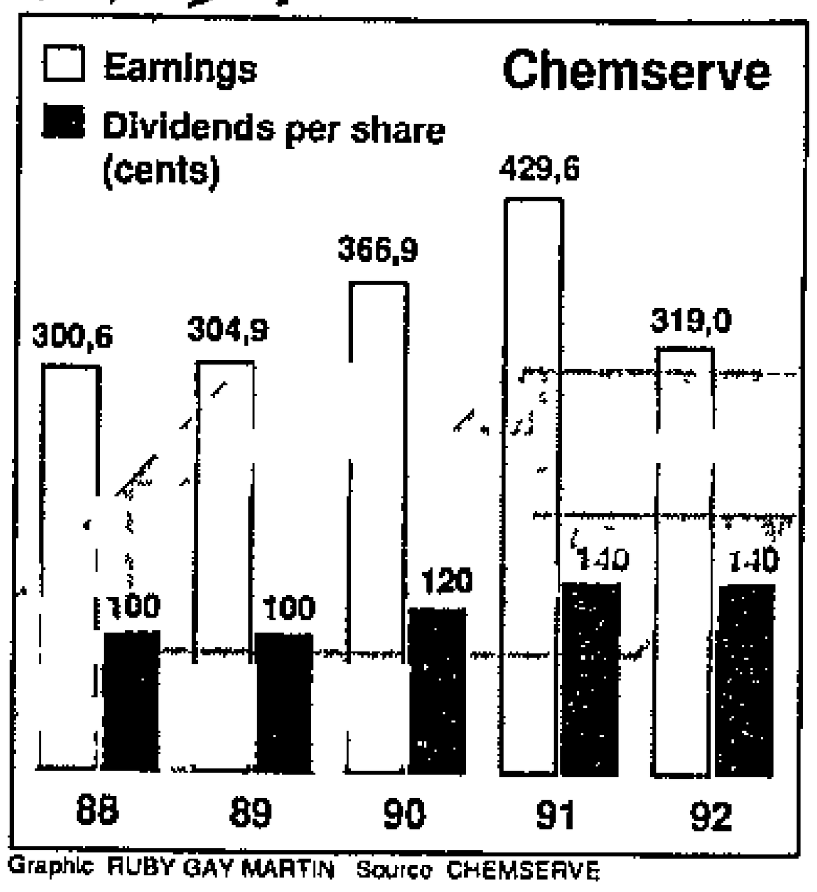
Results released today reflect a fall in earnings to 319c a share for the year to end-December 1992, 26% lower than the 430c a share earned in 1991

A more favourable balance sheet and a below-the-line extraordinary surplus of R12,1m had enabled the group to maintain the dividend for the year at 140c, said outgoing MD Peter Francois

The surplus comprised proceeds of an insurance claim and the disposal of shares in subsidiary Chemserve Metal Sciences following the joint venture with Henkel SA.

The insurance claim was paid for an explosion in January 1992 at the Port Elizabeth colloids plant The plant was not rebuilt and remaining operations were rationalised

Turnover for the 65% held AECI



Graphic RUBY GAY MARTIN Source CHEMSERVE

subsidiary fell 8% to R437,5m (R477,9m) due to a restructuring of soda-ash sales. Without the restructuring turnover would have increased 5% Manufactured goods sales volumes fell 6% in 1992 This was offset partly by a modest increase in sales volumes of agency and distribution operations

Competition and inflationary costs dropped profit margins to 10,4% of turnover from 12,5% in 1991 and operating profit was 24% lower at R45,5m (R59,8m) Finance costs were lower at R4,9m (R10m) on lower debt and interest rates

Interest bearing debt fell substantially to R12,1m (R41,7m) and gearing was down to 10% (43%). Francois said the balance sheet would enable the group to pursue acquisitions or invest in new projects in 1993

Speculating on market rumours of the sale of Royal Chemicals (Roychem), he said Chemserve would consider acquiring Roychem if it was offered to the group

A R3,2m abnormal item represented retrenchment and early retirement costs of 130 employees Earnings a share after this abnormal item was 38% lower at 267c

All divisions maintained market share except the industrial oleochemical products division

He said 1993's earnings were budgeted at 350c a share on the basis of an expected mild economic recovery

After ten years as MD, Francois retires on March 26 Financial director Lex van Vught becomes MD.

Chemserve maintains its dividend at 140c

STAR 16/2/93.

183

Finance Staff

An extraordinary surplus of R12,1 million enabled Chemical Services (Chemserve) to maintain its dividend of 140c for financial 1992

However, attributable earnings were hard hit by the recessionary conditions, plunging by 38 percent to R16,6 million, equal to 267c a share.

These included an abnormal item of R3,2 million relating to retrenchment and early retirement costs.

Turnover fell by eight percent to R437,5 million and operating income by 24 percent to R45,5 million

Chemserve says the R12 million surplus comprised proceeds of an insurance claim and the disposal of shares in certain subsidiaries.

"There are no indications that 1993 will be less difficult, but we are confident that budgeted earnings of 350c can be met," Chemserve forecasts.

AECI blames depressed economy and drought

BDAY 17/2/93 (183)

EDWARD WEST

AECI, Anglo American's chemical manufacturer and distributor, reported a 12% drop in earnings a share to 106c in the year to end-December 1992, compared with 121c in 1991

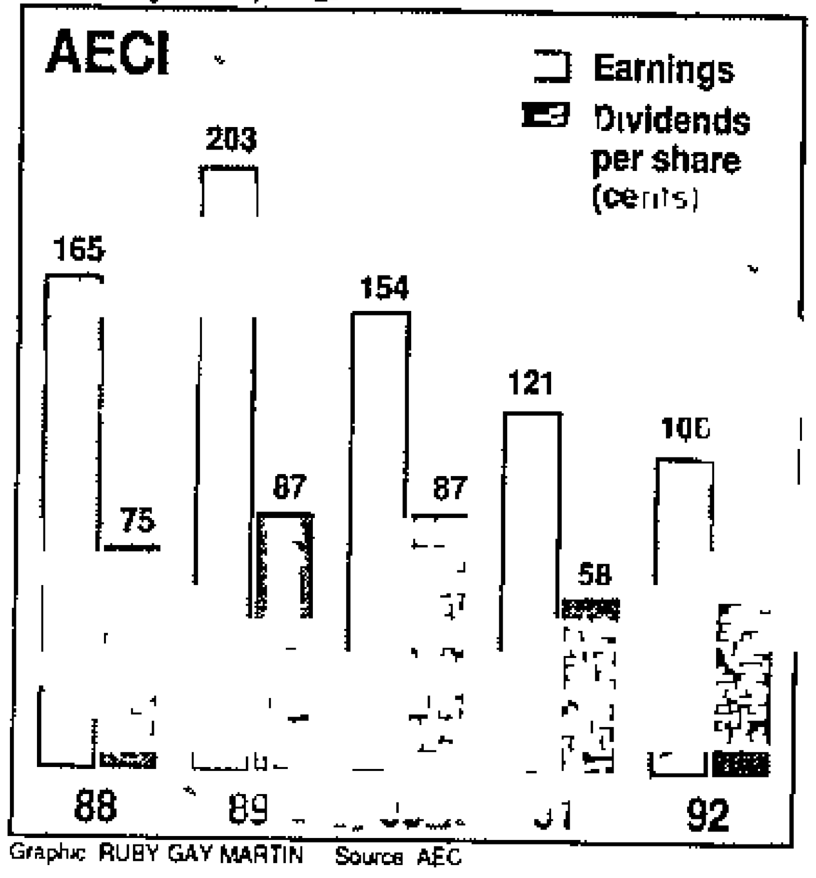
MD Mike Sander said the depressed local economy, drought and "keen pricing" were to blame

The dividend for the year was unchanged at 58c, lowering dividend cover to 1,8 (2,1) times, after a final dividend of 40c was declared

Turnover climbed slightly to R5,36bn (R5,28bn), as demand for the group's products continued to decline in most markets, although the mining sector turned in a stable performance, the directors reported

Export revenue at R643m climbed 28% over 1991's R502m and accounted for 12% of turnover Sander said the group sanctioned R230m for export-related capacity expansion last year, which would continue in 1993

Cost controls and sound production enabled AECI's trading margins in most sectors to be maintained, albeit at low levels, and trading income was virtually unchanged at R403m (R402m), with the margin as a percent of turnover slightly lower at



Graphic RUBY GAY MARTIN Source AECI

7,54% (7,61%)

AECI announced yesterday two projects with a combined capital cost of R160m to improve its subsidiary SA Nylon Spinners' technology base in the area of high tenacity nylon industrial yarns for local markets, and to enable the company to compete globally in fine filament polyester apparel yarns

Sander said commodity plastics, PCV in particular, were one of the few commodities not affected by global overcapacity

Finance costs — amounting to more than a quarter of trading income — were slightly higher at R162m (R154m). Directors said finance costs in the second half were 10% lower than in 1991

Borrowings fell to R744m (R945m) and gearing was down to 36% (47%). Tax was higher at R80m (R72m) Investment income of R16m (R28m) included a R18m deficit relating to the equity accounted share of the loss incurred by Soda Ash Botswana — 26,5% held by AECI — which started normal operations on July 1 1992

Sander said the soda ash plant was operating at a targeted rate of 200 000 tons a year compared with its full capacity of 300 000 tons A customer in the detergent industry was not happy with the colour of the soda ash, and in time the soda ash would be de-colourised.

However, a US-based previous supplier to SA, a new importer, and low international prices had conspired to keep local soda ash prices down, while the market itself had declined, he said.

Sander forecast moderate earnings growth in 1993 based on the more favourable rainfall pattern so far this year, lower borrowings, a chance for slight economic improvement unburdened by drought, and the fact that AECI's cost base was well down

AECI suffers from depressed markets

Star 17/2/93

By Stephen Cranston (183)

Once again, the anticipated upturn in world chemical prices did not materialise and prices for AECI's key chemicals and plastics remained depressed

In the year to December AECI's earnings per share fell by 12 percent to 106c. The dividend was maintained at 58c which signals a mildly optimistic view of 1993

Turnover increased by one percent to R5,359 billion, but export revenues of R648 million were 28 percent ahead of 1991

Group MD Mike Sander says that most exports have made a marginal contribution, especially those of PVC and polyethylene, but there is a full contribution from fertiliser sales into African countries and fibre exports from SA Nylon Spinners (Sans).

Sans will spend R160 million on two projects, one of R120 million to build a high tenacity industrial yarn plant using technology from Toray Industries of Japan.

It will have a capacity of more than 5 000 tons a year and sell into the local tyre market, with the focus on earthmover, tractor and off-road truck tyres It will satisfy local needs for the foreseeable future.

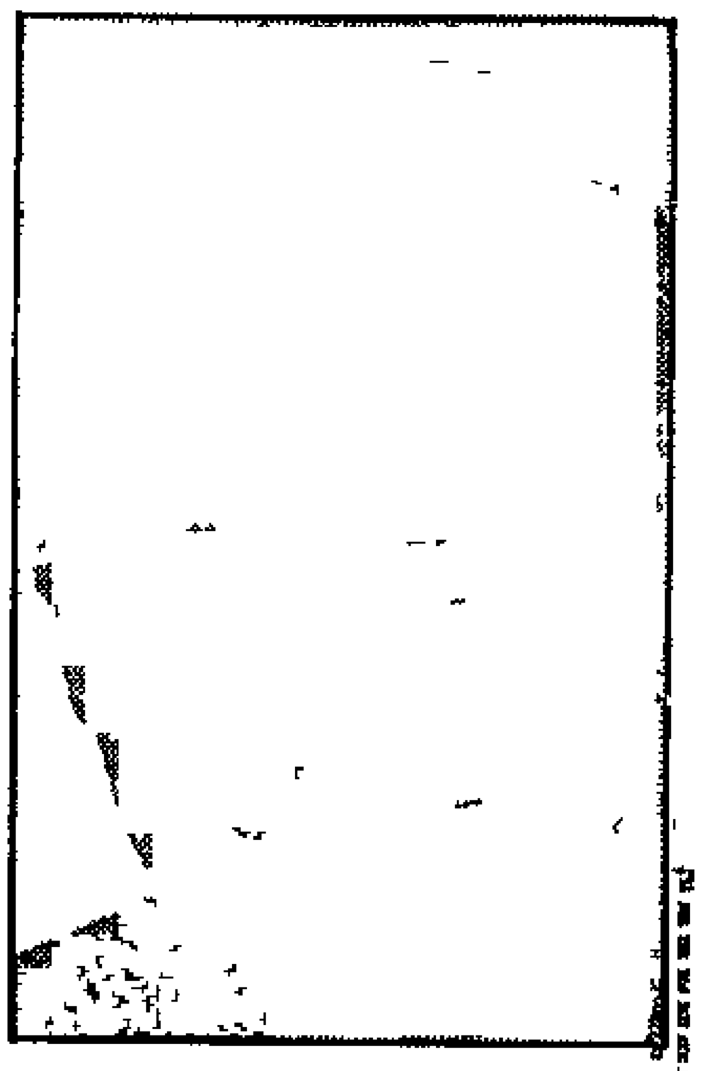
New generation

Sans will also spend R40 million on a new generation polyester apparel project using technology from Zimmer of Germany. Sans will then be able to produce a fine filament yarn used for the production of sportswear, dresswear and intimate wear

Because of the serious drought at the beginning of 1992, and the failure of the winter wheat crop fertiliser sales were 10 percent down for the year

Costs were well controlled which ensured that trading income was unchanged at R403 million

Margins, however, were "unacceptable" in commodity plastics, especially PVC as there was global overcapacity and anti-dumping measures proved ineffective



Mike Sander .. Soda ash venture a drain on the company.

AECI's most recent major investment, into Soda Ash Botswana proved to be a drain on the group. Its share of the company's losses was R18 million.

Sander says it is operating at 50 percent of capacity but to reach acceptable profitability it will have to increase to between 75 percent and 80 percent.

AECI has decided not to invest in major capital projects to expand the capacity of its core plastics and explosives operations until there is a growth in local demand Sander says such investment will not be necessary until 1995 to 1996, at which stage AECI will consider a rights issue.

Sander criticises the removal of 37E benefits on capital projects, which gives accelerated tax write-offs. He says the removal has unlevelled the playing field for South African companies.

The group reduced net borrowings by R201 million during the year to R744 million and gearing was reduced from 44 percent to 36 percent.

Sander predicts a moderate improvement in earnings for the year, although it will be determined by the extent of world recovery, political developments and the fortunes of farmers in the summer rainfall region

Medicinal 'dirty tricks' row

B'DAY 18/2/93. (183)

KATHRYN STRACHAN

A PHARMACEUTICAL company has hit back at rival manufacturers who have accused it of operating a medicine supply racket, and claims it is the victim of a "dirty tricks" campaign to remove it from the market

The SA Medical and Dental Council confirmed yesterday it would be hearing complaints about the company Pharmaceutical Trade Mark.

Details of the allegations that the company was acting unethically by offering kickbacks to doctors who prescribed its products were leaked to the Press earlier this week.

Company chairman Gabe Simaan said rival manufacturers, whom he declined to name, were threatened by his organisation's plans to slash medicine prices within the next few months, and had embarked on a campaign to discredit it.

They were threatened also because his company was the fastest growing local pharmaceutical company.

The controversy centres on the ethical rules governing doctors who are shareholders in public pharmaceutical companies. The rival companies said they had a document showing that Pharmaceutical Trade Mark was offering incentives to doctors, who held shares in the company, to prescribe its products

Medical Association of SA spokesman Peter Brewer said doctors, in terms of the profession's ethical code, were allowed to be shareholders in a public pharmaceutical company but were barred from giving preferential treatment to its products.

Simaan responded that doctors received no direct benefits for prescribing his company's products

He said the document was not aimed at doctors, but was a target guideline for sales representatives. The document indicated to sales representatives what dividend could be paid if target sales were reached.

Rhovan gives details of rights issue

BIDm 19/2/93 (183)

JONO WATERS

RHOMBUS Vanadium (Rhovan) announced yesterday details of its rights issue to raise R35m for construction of its controversial R85m vanadium oxide plant

Rhovan would issue 230 shares for every 100 held at 20c each

This would increase its issued capital by a further 175,9-million shares

Rhosco Holdings, the holding company of Rhovan, has agreed to underwrite the rights offer

The go-ahead for the new plant was made possible after US international commodity group AIOC Corporation agreed to invest R28m in Rhosco AIOC's investment would give it a 33,3% indirect interest in Rhovan after the rights issue

Rhovan CE Rob Still has said the plant would be one of the lowest-cost producers in the world

AECI FM 19/2/93

Cause for modesty (183)

Isaac Newton said that for every action there is an equal and opposite reaction In AECI's case, that immutable law of physics has found its way through to the financial results There has been plenty of opposite reaction

Turnover for 1992 fell into a hole the increase to R5,36bn was a modest 1,5% better than the previous year's That, in turn, had a dampening effect on net trading income, which rose by only R1m to R403m The 0,25% improvement reflects the efforts of a huge workforce over an entire year

An argument often used in the past by AECI's management is that, because of its wide spread of industry, it is relatively immune to recession That is no longer true A small increase in tax and a substantial fall in investment income all contributed to a 12% fall in nominal terms in EPS It means AECI shareholders are roughly 22% worse off in real terms than they were at the end of 1991

Conditions were particularly difficult in many of AECI's markets, says MD Mike Sander Volumes dropped across the spectrum of the activities and there was a consistent erosion of prices AECI's production cost base was brought under unrelenting pressure from inflationary elements, wage demands and increasing competition, especially from overseas

AECI's Botswana soda ash project provides an example of the tenacity of overseas competition. The company has satisfied its bankers as to the technical performance of

contin

AECI's Sander *Volumes down across the spectrum*

CHEMICAL IMBALANCES

Year to Dec 31	1991	1992
Turnover (Rm)	5 280	5 359
Net trading inc (Rm)	402	403
Attributable (Rm)	187	164
Earnings (c)	121	106
Dividends (c)	58	58

the plant and one result is that AECI was able to remove R300m in contingent liabilities from its balance sheet.

However, Soda Ash Botswana's financial performance is less than satisfactory For a start, world soda ash prices are low That has resulted in two international companies launching a fierce and sustained attack to retain their share of the southern African market

The domestic selling price of soda ash has declined about 40% in two years In the circumstances, it should come as no surprise that AECI, which equity accounts the Botswana operation, should reflect an R18m deficit from the project

Sander says AECI has insufficient competitive technical ability in the important production areas of ammonia and PVCs Action to correct these by introducing state-of-the-art technologies and expanded capacity will cost about R700m if both projects are undertaken simultaneously That might leave the company with little alternative but to seek shareholder support through a rights issue The matter is under review

With a market capitalisation of around R1bn, AECI is one of SA's largest and most important companies Yet there is a clear perception in the market that it has become stagnant, it is unexciting and it appears unlikely that it will achieve enough in the short term to give investors good reason to change

FM 19/2/93 **FOX** (183)

FM 19/2/93

their collective minds about its prospects

Presumably some sort of concerted attack on AECI's problems will be announced soon Meanwhile, the latest result is a rather modest offering from a company which, plainly, has much about which to be modest

David Gleason

CHEMICAL SERVICES FM 19/2/93

At a low point

(183)

One of the last industrial groups to be hit by recession, Chemical Services (Chemserve) is really feeling the pinch now It shows in increasingly tight margins, which depressed trading profit 23,9%, and an abnormal charge of R3,2m for retrenchment and early retirement costs

The latter must have been traumatic for Chemserve, which until last year had kept employee numbers steady It has now laid off about 130 people, a tenth of the workforce

There are also changes at the top Peter Francois (55) has announced his retirement from the group, after 10 years as MD and 31 years' service. He will be succeeded next month by executive director Lex van Vught

Why is Francois going? "In a company as dynamic as Chemserve, I believe 10 years is about as long as one should be MD It's time to let the new blood come through," he says

Francois is not leaving SA, he says, and will not be spending his time on the golf course. "I might start a little company of my own, though obviously it will not be in the chemical industry I believe management principles remain largely the same, regardless of the industry you are in — what I will have to do now is learn a new industry and teach myself to think smaller after so many years with Chemserve "

It's a pity Francois is leaving Chemserve at a low point. Last year's 23% drop in interim earnings was the first decline in nearly a decade

That has widened to a 38% drop in EPS, or

FM 19/2/93 (183)

26% to 319c excluding the abnormal item Dividend cover was dropped to 1,9 (3,1) and the payout was maintained This decision was helped by an extraordinary surplus of R12,1m — from, among others, an insurance claim after the explosion at the Port Elizabeth Chemserve Colloids plant last year — as well as a drop in gearing to 10% (43%)

Francois says margins in most companies have been under pressure, with competitors trying to maintain volumes Chemserve's main weakness was in oleochemical products, which lost market share and saw profit drop by R3,5m

"It has been a combination of the drought and imports But I think the drought has broken and imports should start to dry up when the market recovers There will be rationalisation in the industry — other players are also under considerable pressure " But the company remains in good shape Long-term debt is down 58% to R6,7m, short-term debt has dropped nearly four-fifths to R5,4m

That puts Chemserve in a good position for acquisitions No major acquisitions are

SLIPPING

Year to Dec 31	1991	1992
Turnover (Rm)	478	437,5
Operating income (Rm)	59,8	45,5
Attributable (Rm)	26,7	16,6
Earnings (c)	430	267
Dividends (c)	140	140

lined up, but management will be looking at a number of "medium-sized" deals One possibility could be Roychem, rumoured to be on the market

Interim results could dampen this year's firming of the share price, which climbed from 2 550c in October to R33 But Chemserve remains confident, sticking to its prediction that EPS of 350c can be achieved by year-end A weaker price could be a buying opportunity

Shaun Harris

CRG 19/2/93 (88) 183

Reports of Mossgas jobs inaccurate

Staff Reporter

JOB seekers have been warned not to go to Mossel Bay on the basis of rumours that a Phase 2 and ethylene cracker plant is being planned at Mossgas.

Mossgas said such a phase had never been planned

"Parties outside Mossgas are investigating an ethylene cracker project But it is only a concept at this stage.

'Too little paid for 93 petrol'

183

PRETORIA — Motorists paid nearly six cents per litre too little for 93 octane petrol in January, says a government source CT 20/2/93

This was the 10th consecutive month to show an under-recovery.

The Minister of Mineral and Energy Affairs, Mr George Bartlett, has indicated a petrol price increase in the coming budget is unavoidable

SUNDAY TIMES, Business Times

ANC acts to help a petrol station owner fight Trek

(183)

S/Times (Buss) 21/2/93.

By CIARAN RYAN

WALTER SISULU

THE ANC is taking up the cudgels on behalf of a Natal businessman who was forced to close his petrol station after Trek turned off his pumps this week.

Moosa Desai, of Richmond, claims he is prevented from receiving fuel supplies from a competitive oil company because it is prohibited in terms of the Rationalisation Plan (Ratplan), an unsigned agreement between government, the Motor Industries Federation and the oil companies to regulate the number of petrol stations allowed each oil company.

Senior ANC executive Walter Sisulu made representations to Trek's parent Engen on behalf of Mr Desai.

Other senior ANC officials are taking a direct personal interest in the matter, a development which could increase pressure on oil companies to deregulate the industry.

"I am a small businessman who has been forced to close down, not because I wasn't making a profit and couldn't pay my bills, but because Trek needed my quota to open a larger petrol station elsewhere in the country," says Mr Desai. "I want to carry on selling petrol in Richmond, but I am prevented from doing so by the Ratplan."

This is the second petrol station Mr Desai has been forced to close by Trek. The first was in Glencoe, Natal, two years ago.

The reason given by Trek for terminating Mr Desai's Richmond contract was the presence of four petrol stations within 800m of his premises.

"This is nonsense," says Mr Desai. "The more stations in an area the more viable it is for them to supply fuel. A tanker comes once a week and delivers fuel, and it doesn't matter if there are two, three or four stations.

"After all, they make their money by selling fuel."

Con Uys, general manager in charge of retail at Engen, replies: "The reason Trek decided to terminate Mr Desai's contract was that the site had not proven to be economically viable.

"Mr Desai then chose to argue his case in court. His case was subsequently dismissed with costs and his application for appeal turned down."

When Trek informed Mr Desai that they would stop supplying him with fuel, he attempted to secure supplies from another oil company, but according to Mr Desai Trek stopped the deal from going ahead.

This is denied by Trek, which says he is free to approach any other oil supplier.

"This is not true," claims Mr Desai. "Trek approached the competitor and stopped them from supplying me."

The Ratplan carries the force of law, yet it remains unsigned to circumvent US anti-trust legislation.

Controlled

Mr Desai says his next course of action is to inform all parents of foreign-owned oil companies that they are violating anti-trust laws by upholding the Ratplan.

The growth in the number of petrol station outlets is controlled under the plan. In order to increase volume sales, oil companies are obliged to close smaller outlets, many of them in remote parts of the country, to make way for bigger ones.

"This system is unjust," says Mr Desai. "It is forcing small entrepreneurs out of business."

Mr Desai's attorney says the Ratplan may contravene certain parts of the constitution and he is investigating what further action to take.

Trek also claims that the cost of upgrading Mr Desai's premises does not justify continuing supplies. They say the garage poses a potential safety hazard. This is denied by Mr Desai.

Mr Desai attempted to force Trek to supply him with fuel, but lost his case in the Durban Supreme Court last week, in which he claimed he had a contract obliging Trek to supply fuel. The court found that there was no such contract.

Pressure

A Trek representative claimed the company had not signed Mr Desai's agreement and had then torn it up to save storage space.

Mr Desai estimates that the value of the purpose-built garage premises, which he owns, has been slashed from R300 000 to around R50 000.

"You cannot use a garage premises for anything other than selling petrol. And now I can't even sell these premises because they are worth next to nothing. I also sell spares and have a workshop here, but these are also worthless if I cannot sell petrol."

Pressure for the deregulation of the oil industry is building. The AA called for deregulation of the industry and an end to the Ratplan in a report last year.

Coates curbs costs

STAR 22/2/93

Control of costs and working capital requirements helped lift industrial paper and packaging group Coates Brothers' turnover 12 percent to R176,8-million in the year to end-December

(183)

Although Coates, which makes and distributes printing inks, synthetic resins and industrial surface coatings, faced a higher tax bill, it posted a 15 percent rise in net after-tax income to R10,7-million

Earnings a share rose to 317c from 276,5c and the final dividend is 62c, making a total for the year of 83c (72c).

The directors say the results were satisfactory in light of the difficult trading conditions They will comment on prospects for the year ahead in the 1992 annual report to be released next month — Sapa.

Suncrush beats tough conditions

BDAY 22/2/93 (182)

MARCIA KLEIN

SOFT drink bottler Suncrush increased attributable earnings by 10% to R26,3m from R24m in the the six months to end-December, despite pressure on sales volumes and difficult trading conditions in the industry.

Although analysts said results were in line with expectations, the share fell by R20 or 4% to close on Friday at R480 from its high of R500. At this time last year, the share was trading at R390.

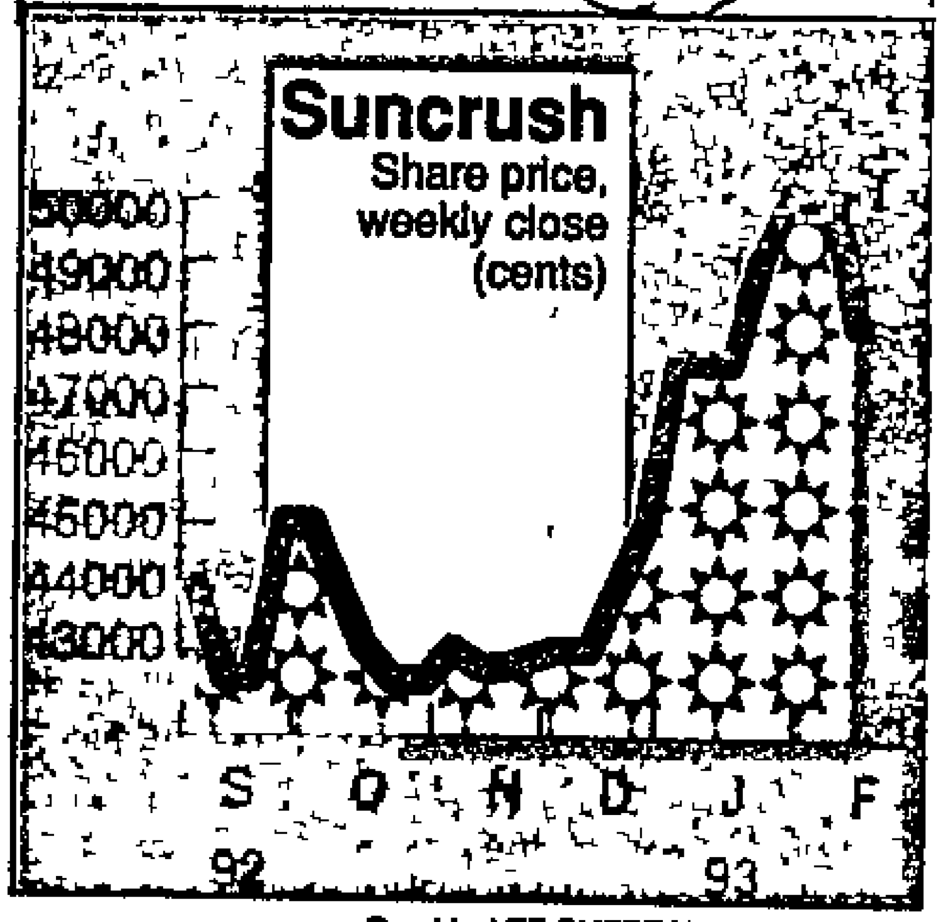
The Durban-based company increased its turnover by 13% to R296,7m from R261,6m despite particularly poor August sales. Operating profit rose 15,8% to R49,1m (R42,4m).

Income from investments rose 44% to R2,8m from R2m. Directors pointed out that Suncrush held 43,4% of Tempora Investments. As Tempora's income for the full year was normally declared by way of a dividend at year-end, Suncrush's share of its retained income had been included in income from investments.

In the comparative figures, the amount previously shown as attributable to outside shareholders had "been offset against income from investments".

Tempora's rights issue was reflected in the interest bill, which increased significantly to R4,1m from R117 000.

Pre-tax profit was up by 8% to R47,8m from R44,2m, and profit after tax was 10% higher at R26,3m from R24m.



Graphic: LEE EMERTON Source I-NET

Trading earnings were 6,5% higher at 865c (812c) a share, and investment earnings — including Tempora — were significantly higher at 103c (72c) a share.

Although attributable earnings showed a 10% increase, a 13% higher interim dividend of 170c (150c) was declared. Analysts said this indicated that Suncrush could be expecting a better second half.

Dalys, which holds 50,2% of Suncrush, reported a 13% increase in earnings to 16,8c (14,9c) a share. It declared an interim dividend of 16,4c (14,5c) a share.

AECI revises offer in bid to stop strike

(183)

BDFM 23/2/93.

DIRK HARTFORD

AFTER an extended mediation session on Sunday, AECI has revised its offer to the SA Chemical Workers' Union (Sacwu) in an attempt to head off a national strike in the company.

Nactu's biggest affiliate Sacwu — with 8 000 members in AECI nationally — will complete a national ballot for strike action today.

And Cosatu's Chemical Workers' Industrial Union (CWIU) is also balloting its members at AECI, though on a plant by plant basis.

Sacwu spokesman Tshapang Mika said the union had demanded a R250 across the board wage increase and a reduction in grades It also wanted working hours reduced to 40 a week, retrenchments to stop and March 21 to be a paid holiday.

AECI spokesman Benny Hlongwane said the company had improved its wage offer from 8,5% to 9,3% on grades B and C and to 8,75% on all grades above D It had also offered to reduce working hours from 44 to 43 to be based on an agreement on what working hours constituted.

In addition, the company had offered to treat March 21 as a "no work, no pay, no discipline" day so long as production was maintained

While retrenchments already in the pipeline would continue, AECI would offer voluntary retrenchment for a month pending negotiations on future retrenchments, he said. AECI was also negotiating an evaluation system for grading

Sacwu and AECI are due to meet again next week.

Meanwhile, CWIU has settled at two AECI plants in Natal on 11,5% and 13,5% respectively. But it is deadlocked at AECI's six Dulux plants and is balloting for a strike.

NEWS Five activists die in police shoot-out ● ANC briefs its PF allies

ANC cries foul on killings of 'comrades'

Sowetan 23/2/93

■ **ANC Northern Natal asks Goldstone Commission to investigate deaths:**

THE African National Congress' Northern Natal region has called for an immediate Goldstone inquiry into the deaths of four ANC members whom police said were killed in a shoot-out at KwaSokhulu.

The ANC confirmed the four were armed but said they had not fired at the police

Those killed on Saturday were Ndwangu Cele, Ziba Ndlela, Bongani Mokoena and Zweli Mnguni They were aged between 18 and 23

The SAP denied ANC allegations that policemen opened fire on "comrades" waiting at a bottle store to escort protesters home from a march against alleged biased policing in the KwaMbonambi area.

Instead, the SAP said a patrol came under fire from five men armed with AK-47 rifles A handgrenade also exploded about 20m from their vehicle

Police spokesman Captain Bala Naidoo said policemen opened fire on the suspects who fled into the bushes

The shoot-out continued and policemen later discovered that four men had been killed

"Two of the deceased were members of the notorious Msweli gang, who were sought by the police for the killing of Paul Vercammen," Naidoo said

ANC leaders in Northern Natal called on Mr Justice Richard Goldstone to investigate

ANC Northern Natal media officer Zipho Mkhize alleged policemen had "opened fire on these comrades for no reason"

"When they tried to escape policemen deployed at the back of the shops shot and killed them " — *Sapa*

MK inquest postponed

■ **Warrant to arrest policeman issued:**

Sowetan 23/2/93

THE inquest into the death of Umkhonto we Sizwe cadre Mr Itumeleng Padi has been postponed to March 5

Lieutenant Daniel Knoester, who was present when police opened fire at Padi's home, killing him and his girlfriend Nokuzola Ncalo instantly, appeared in the Johannesburg Magistrate's Court yesterday

A warrant for his arrest was issued earlier after he had failed to appear in court at a previous hearing

Knoester said he had opened fire because "it was dark and too dangerous"

Replying to the family's counsel, Mr Gys Rautenbach, Knoester said Padi was holding a hand-grenade Padi died in May 1991

PAC and Azapo wooed

Sowetan 23/2/92

■ **Invitation to return to fold before negotiations:**

By Themba Molefe
Political Reporter

THE African National Congress is to persuade the Azanian People's Organisation and the Pan Africanist Congress to join a multiparty preparatory conference ahead of the resumption of negotiations

This emerged yesterday at an ANC Press conference following a meeting with its Patriotic Front allies

ANC deputy president Mr Walter Sisulu said the organisation would invite the PAC and Azapo to join the preparatory meeting to be held on March 5 and March 6

He said the two organisations would be asked to return to the Patriotic Front

The ANC meets the PAC tomorrow and Azapo on Thursday.

General elections

The ANC yesterday briefed its PF allies on the decisions taken by the ANC national executive committee

A statement said "The meeting examined the state of the negotiation process, the proposals currently under consideration in bilateral meetings between the ANC and the Government and the forthcoming negotiations planning conference

"The meeting reaffirmed its commitment to a democratically elected sovereign Constituent Assembly and the need for general elections within the next 12 months"

Sakkor loses appeal

(183)

■ **Taiwanese bagmaker must pay increased compensation to ex-employees:**

Sowetan 23/2/93.

COMPENSATION of R210 000 should be paid to 282 former employees of a Taiwanese-owned plastic bag manufacturer, based in Pietersburg, the Pretoria Supreme Court has ruled.

The employees were ordered to vacate the property because of a Pietersburg council bylaw which prohibited workers from living at a place of employment Workers, claiming accommodation at Sakkor's premises was a condition of their employment, then went on strike and a dispute was declared In August the Industrial Court ordered the company to pay its former employees R103 832 Sakkor appealed, claiming the amount was too high, and the Media Workers' Association of South Africa, on behalf of the former workers, lodged a cross-appeal, claiming the amount was too small Mr Justice EL Goldstein ordered Sakkor to pay the employees R210 000 compensation and legal costs of about R5 000 — *Sapa*

T&N does well despite slump

STAR 23/2/93

By Stephen Cranston (183)

The diversified engineering group T&N Holdings has reported a 23 percent increase in earnings per share to 86,0c. The dividend increased by 41,7 percent to 34c

Operating profit increased by 21,5 percent to R48,5 million and margins improved as a result of cost reduction and productivity improvements

The loss-making resin business of British Industrial Plastics was sold in September, which realised an extraordinary profit of R2,3 million. In 1991, there was a R5,1 million operating loss

Exports, notably from radiator manufacturer Silverton Engineering, were strong and now account for 13,7 percent of sales Profit before tax increased by 61,2 percent but the effective tax rate increased from 3,8 percent to 28,7 percent as assessed losses dried up

The friction material units, Ferodo and Beral, improved operating profits by gaining market share, containing costs and improving efficiency

Since the beginning of 1993, the group has taken 100 percent control of Dancor Ltd, distributor of the Beral brand. This will lead to further rationalisation

Payen Components' operating profit was well up as costs were reduced considerably and imports of automotive gaskets were replaced In Asseng Automotive, the Roodepoort site of AE Pistons and AE Liners broke even after losing R3 million in 1991.

Cooper does not expect more than a 0,5 percent increase in new vehicle sales but says he is confident there will be higher growth from T&N as it supplies components to T&N's worldwide operations, particularly in the brake and clutch components aftermarket and it will benefit from further import replacement in Phase Seven of the vehicle local content programme.

In the chemicals and plastics division, BIP's moulding powder performance was well down on 1991 as a result of the lifting of import controls The unit was unable to counter imports in the short term The food additives business Butakem performed poorly as industrial relations in Transkei deteriorated.

Activity in the mining and industrial division was depressed, although it performed better than last year. The group acquired a 70 percent share in Fabflex for R4,9 million to strengthen its position in the industrial sealing market.

Cost-cutting gives boost to Sasol

(183) STAR 23/2/93.

By Sven Lunsche

An extensive cost-cutting programme enabled diversified chemical group Sasol to report continued profit growth in the six months to end-December.

Attributable profits in the interim period were up by 9,4 percent to R583,5 million from R533,4 million in the same period in 1991, while earnings per share improved from 36,5c to 38c

The interim dividend has been lifted by 4,1 percent to 38c from 36,5c

The increase at the bottom line was achieved despite only moderate turnover growth to R4,08 billion (R3,96 billion) and a 5,4 percent fall in operating income to R822,3 million (R868,8 million)

It was also aided by reduced interest payments of R64,1 million (R119,4 million) as a result of further redemption of the Sasol III loan as well as increased cash funds

A lower effective tax rate cut the tax provision by R50 million from R208,7 million to R158,7 million

Sasol ascribes the improvement at the attributable earnings level to "an extensive cost-cutting campaign, the benefit of which will be felt for many years to come

"Secondly, the stable high-level operation at Secunda Collieries, Sasol II, Sasol III and Polymers as well as the explosives plant ensured high production volumes which were marketed successfully, albeit, in certain cases, at declining prices."

Sasol adds that further profit growth was held back by the depressed local economic conditions, declining prices of chemical products and the unchanged rand-dollar exchange rate and refining margins

It expects profits for the full year to improve by roughly the same degree as for the interim period.

Drive for new markets behind AECI lysine plant

B/DM 24/2/93. (183)

EDWARD WEST

AECI's determination to find new chemicals markets to ensure its prospects of real earnings growth lies behind yesterday's launch of its R300m lysine factory in Natal.

The chemical products group believes the project provides the base for expansion into the burgeoning biotechnological industry and increased exploitation of SA's raw material base

MD Mike Sander says areas previously dominated by the chemical industry, the petrochemical and the inorganic chemical industries, have developed to a relatively mature stage in terms of new technology.

"The biochemical industry is in its infancy, and we are all at the beginning of the learning curve ... we're entering the industry at the same time as the other world players," he says

AECI believes that despite the risks of a major commitment to new technology the plant will prove easy to manage on a day-to-day basis

Sander says the project represents a shift from AECI's chemical and explosive activities and will enable it to position itself in a developing global market

The 60 40 AECI- and IDC-held plant will manufacture 11 000 tons of lysine a year into a world market producing about 165 000 tons a year and which is expected to grow to 237 000 tons by 1996 About 90% of world production comes from four sources two producers in Japan, one in South Korea and one in the US

The plant's main raw material source will be 30 000 tons of sugar a year supplied by the Tongaat-Hulett sugar refinery in Durban Sander says sugar will make up two thirds of total costs, while lysine sells at ten times the cost of sugar

He says although AECI's output will be low compared with world production, favourable raw material costs and the fact that it is only the second such plant in the southern hemisphere will make it competitive

Technology for lysine production is not generally available and AECI has developed the technology over six years in its laboratories and via a pilot plant programme

The organism for lysine production was originally purchased from the CSIR, but was further developed to improve productivity and yield Development continues, and over three to four years, plant output can be increased to 14 000 tons a year, producing smaller quantities of higher priced biochemicals

Other biochemicals which can be produced include monosodium glutonate, enzymes, bulk pharmaceuticals not made in Africa and food acids AECI's Modderfontein laboratories are investigating bio-organisms to kill crop diseases, and the genetic engineering of plants resistant to disease

AECI says supplementary lysine has to be added to pig and poultry diets to balance feed composition more closely to the needs of the animal than can be achieved with conventional protein sources such as fish meal and oil cake

Environmental concerns to reduce nitrogenous effluents caused by intensive animal rearing, and the trend towards greater lean white meat consumption in Europe and the US are likely to underpin demand for lysine

Emerging demand from less developed countries, as animal nutrition evolves to industrialised countries' standards will stimulate demand

AECI to establish R300m lysine plant

183

BIDAY 24/2/93

EDWARD WEST

AECI and the Industrial Development Corporation (IDC) yesterday gave the nod to a R300m biotechnology lysine manufacturing plant at AECI's Umbogintwini factory in Natal.

AECI MD Mike Sander said the plant would be commissioned in 1995.

The project, a 60/40 joint venture between Anglo American chemicals producer AECI and the IDC, will launch AECI into the emergent field of biotechnology. The IDC will provide R100m of the project's capital cost through a loan to AECI.

Lysine is an amino acid, produced by bacteria and sugar, which is an essential ingredient in animal feed.

Sander said the plant would manufacture 11 000 tons of lysine a year, for use in pig and poultry feed. Construction was due to start in the second quarter of 1993.

He said the plant would provide the base for AECI to establish itself as a leader in the field in southern Africa, with opportunities to expand into other biotechnology business Further biochemical opportunities had been identified

SA imported R32m of lysine a year and the plant, a first for Africa and using AECI technology developed over six years, would enable the export of about 60% of its production.

The basic raw material would be sourced from the Tongaat-Hulett sugar refinery in Durban African Products would supply soluble protein and AECI companies would supply other raw materials.

About 80 people would be employed on the plant, while about 300 would be employed in the construction An environmental effect assessment concluded the plant would have little effect on the environment under normal operating conditions. Waste was minimised by recycling or conversion into useful products.

● See Page 11

AECI goes for world force rating

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NRG 24/2/93

Business Staff

AECI has taken a major step to becoming a world force in biochemicals — and to greatly increasing its profitability

Managing director Mike Sander said last night AECI was to build a R300 million biochemical plant to make lysine at Umbogintwini, south of Durban

But he emphasised that this was only the first stage in AECI's planned expansion into the newly developing biochemical field

He said the petro-chemical industry had reached a state of maturity, and chemical companies were looking for new fields to develop

AECI had chosen the biochemical field as it was in its infancy "We are still at the front end of the learning curve", he said.

AECI could therefore start on the ground floor and not have to enter an arena filled with established competitors.

Other factors behind the decision were that it allowed AECI to develop available raw materials at competitive cost

However, it meant that AECI had to be prepared to be large enough to operate as an international industry and move into world markets

The lysine plant is a 60/40 percent venture with the Industrial Development Corporation (IDC)

It will be completed in 1995 and initially will have a capacity of 11 000 tons of lysine a year

More than half will be exported, which is expected to generate R70 million a year in revenue.

Altogether, with the need to import lysine falling away, the plant should improve the balance of payments by R100 million a year.

AECI takes big step into world of biochemicals

STAR 24/2/93

By Derek Tommey (183)

AECI has taken a major step to becoming a world force in biochemicals — and to greatly increasing its profitability.

In the field of biochemistry, bacteria are used to produce products. One of the world's oldest examples of biochemistry is the production of beer.

Managing director Mike Sander said last night AECI was to build a R300 million biochemical plant to make lysine at Umbogintwini, south of Durban.

But he emphasised that this was only the first stage in AECI's planned expansion into the newly developing biochemical field.

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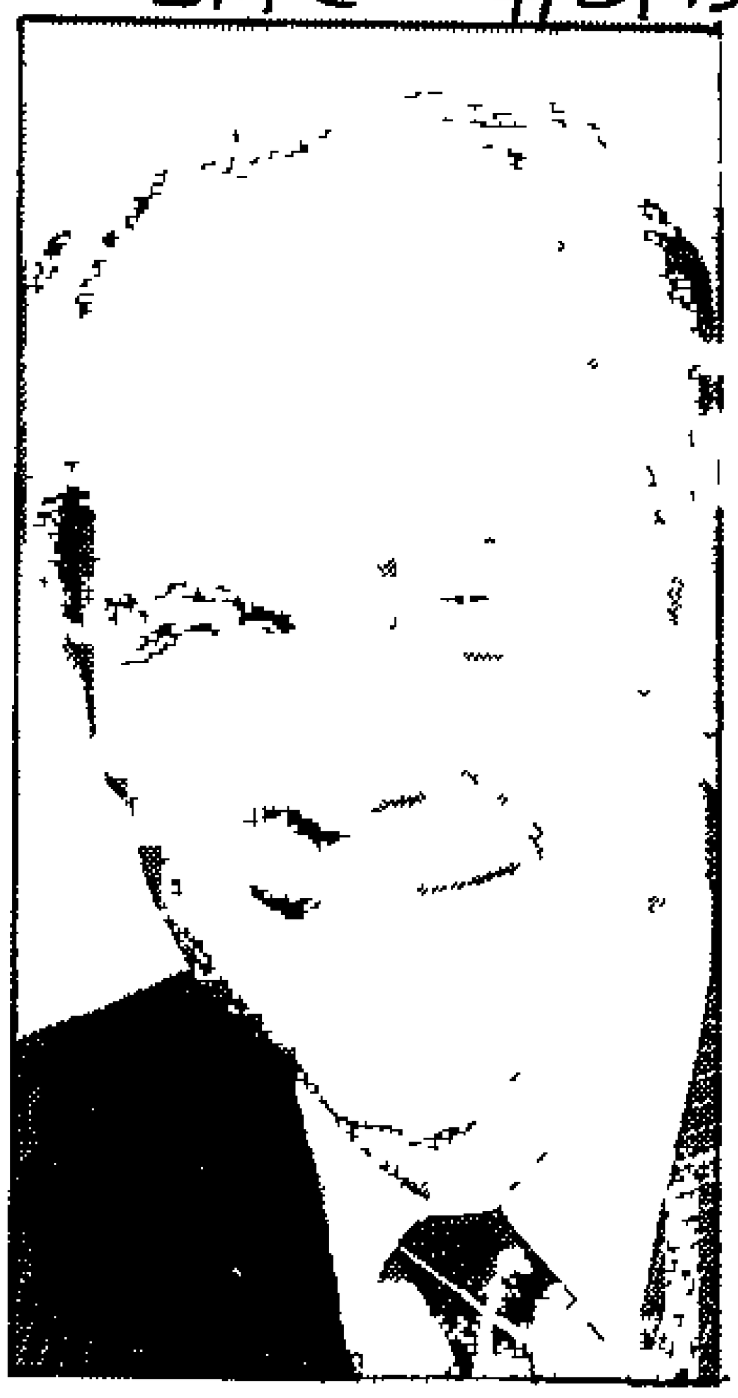
However, it meant that AECI had to be prepared to be large enough to operate as an international industry and move into international markets

In also meant that to be successful in this new field AECI had to be able to sustain competitiveness for at last 20 to 30 years.



Mike Sander . . . AECI developing its own techniques

The technology was completely new and had to be developed

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Altogether, with the need to import lysine falling away, the plant should improve the balance of payments by R100 million a year.

Lysine is an essential amino acid used in chicken and pig feedstuff

It enables the animals to digest more of their food, thereby reducing their food requirements. It also leads to the production of less nitrogenous waste, which is becoming a problem in the First World

By the time the plant is completed in 1995, AECI expects to have bred bacteria capable of producing 14 000 tons of lysine a year

AECI has been developing the lysine bacteria since 1987, with more and more productive results.

While lysine production will begin at Umbogintwini, it is possible that a second plant will eventually be built overseas.

The Japanese, who produce more than half the world's lysine, have plants placed strategically in several countries.

Sander said no one was prepared to sell AECI the know-how required. It had to develop the techniques itself.

But this meant it was now in a position to move ahead strongly in other areas of biochemistry.

It was working on a biological spray to prevent insects attacking tomatoes It was also investigating the cloning of plants and other genetic engineering.

The new plant will employ 80 people full-time, with 300 involved in its construction.

Sugar, the basic raw material, will be suplied by Tongaat-Hulett African Products will supply soluble protein

AECI moves into biotech business

W/Mail 19/2 - 25/2/93.

183

As an indicator of the South African economy's performance, chemical giant AECI's 1992 performance confirms how rough a year it was. But 1993 looks better, reports **REG RUMNEY**

AECI spent an astonishing R84-million on research and development (R&D) in the past financial year The giant chemical and explosives group reported earnings down 12 percent for the year ended December 1993 at R164-million, compared to 1991. Turnover was up only R79-million at R5 359-million

One of the results of the R&D spending is a decision to move into a completely new area of biotechnology. The process will be formally announced soon, so group managing director Mike Sander won't reveal full details yet, but it promises to pioneer new terrain for AECI

"It typefies the way we are looking to move into higher value-added products," says Sander The hi-tech route is the only alternative to having a natural advantage "You don't make money on a me-too basis unless you have a raw materials advantage "

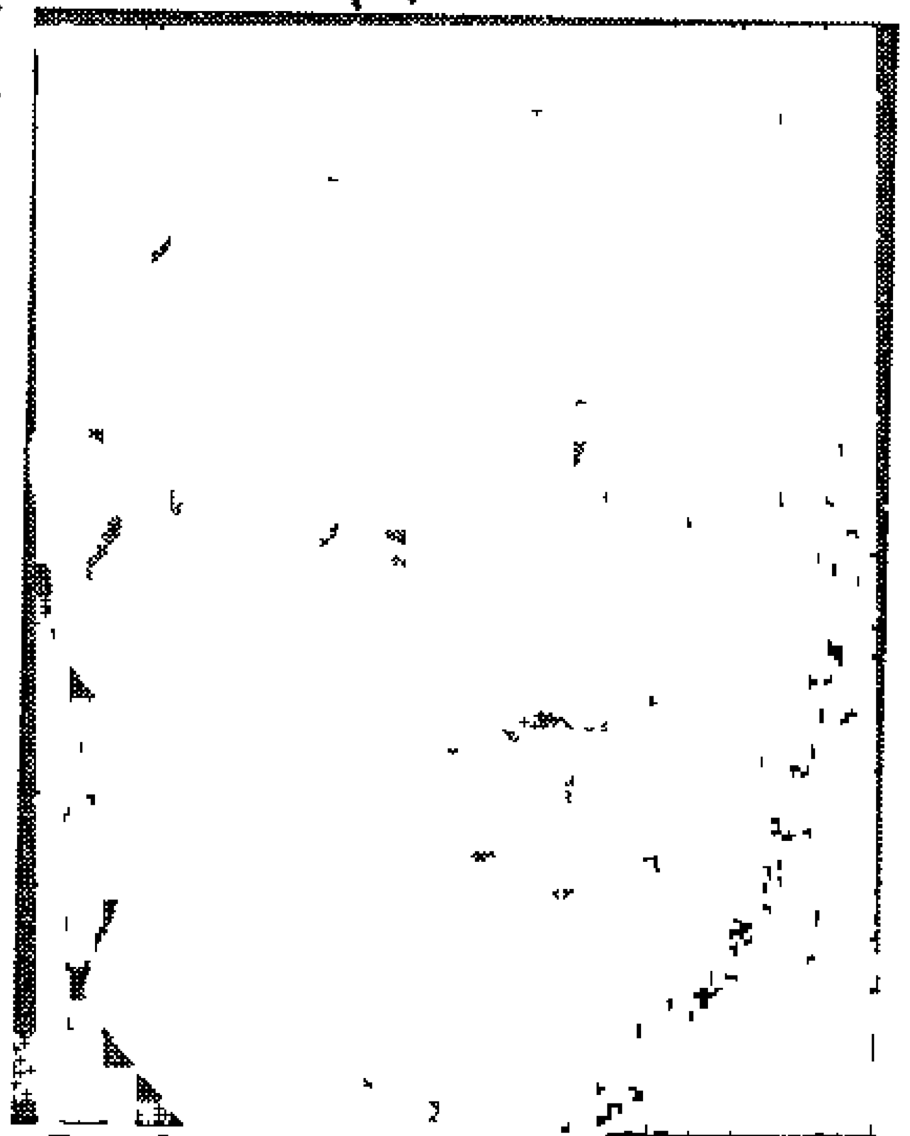
The feedstocks of the new biotech project are more widely available and not unique to a particular country Agricultural surpluses and waste materials can be used. And the new product has good export potential

One of the other positive advantages is that biotech has less potential for environmental damage than other chemical processes Sander justifies the amount spent on R&D as being essential for competitive advantage

"You can't buy the tecnology. It has to be research-driven or else it wouldn't be a unique advantage and wouldn't make an impact on a company the size of AECI."

The biotech project is only one of a string of projects in value added, specialty areas designed to move away from the fickle commodity chemical markets, and which — it is hoped — will yield results.

Sander agrees some of AECI's ageing plant needs new investment, particularly as it is based on outdated technologies put in place when coal was cheap and other energy costs high "We would prefer to be based on gas "



Sander: praying for rain

However, AECI has held off investing new money in plant such as that producing PVC until demand improves There is enough capacity for a few more years yet.

Investment has been focused more on businesses which have internationally competitive cost structures, says Sander One component is investment over the last two years in SA Nylon Spinners The other is the biotech project

Looking at the year ahead, Sander is keeping a close eye on the weather. The worse-than-expected results for last year are due in no small measure to the scorching drought, which exacerbated domestic recession.

If good rains continue to fall Sander is confident this year will be better. Agriculture contributes directly only 10 to 12 percent of AECI's trading profit, but it does feed through to the general economy.

Commodity plastics, and PVC in particular, were harder hit than other areas of business because of global overcapacity.

This meant AECI was hard pressed to compete with low prices both abroad and domestically. Sander is especially miffed by what he reckons is ineffective laws against the dumping of cheap imports

Sander points out, though, that fewer than is often supposed of AECI's products are commodities If explosives are included, 50 to 60 percent of AECI's products are higher value added "specialty chemicals".

Despite tough competition abroad depressing margins on commodity exports, export revenue was up 28 percent, accounting for 12 percent of the group's total turnover.

"Surplus capacity in fertilisers were exported into Africa, which has opened up to us," he notes

Another contribution was the export of products of subsidiary SA Nylon Spinners, but here as a result of a deliberate investment in export capacity AECI also announced this week a further capital investment in SA Nylon Spinners, of R160-million for two projects. One is a R120-million high-tenacity industrial yarn plant, mainly for the tyre market, the other a R40-million polyester apparel yarn project.

AECI's restructuring to streamline and align businesses with their particular customers continued last year Streamlining of a different sort to counter a decline in a volume-dependent business meant massive retrenchments, at a cost of nearly R28-million The number of employees dropped through both natural attrition and retrenchments neared 1 000.

Social investment spending through the Quality of Life Budget declined in line with the company's performance, since it is pegged at one percent of pre-tax profits Sander says the decline in overall social investment spending is not as great because support over and above the Quality of Life Budget has been voted for the Joint Education Trust.

Cosatu marches for workers' rights

Sowetan 25/2/93

By Ike Motsapi

NO STAY-AWAY Four other West Rand firms also targeted in march for dismissing workers for legal strike:

THE BATTLE by the West Rand region of the Congress of SA Trade Unions for the reinstatement of workers dismissed by Kopp Plastics and Cobra Watertech during Cosatu's strike last year intensified yesterday

The workers were dismissed for staying away from work on August 3 and 4 during a national legal strike for better wages

More than 300 Cosatu members yesterday marched to the offices of Kopp Plastics to demand that the company rehire the 86 employees who were dismissed during the mass action, organised by the African National Congress and its allies

Another march will be held tomorrow, when Cosatu will demand that the 250 workers dismissed by Cobra Watertech be re-employed

Other companies which have been targeted for increased pressure to reinstate dismissed workers are Karnic Engineering, Speed Mark-Africa Roller, Pratley Manufacturing and Trans-Natal

Managements of these companies have been urged to respond "positively to these demands within 14 days otherwise residents will discuss and take decisions against businesses in the area".

Appeal to unemployed

Mr Abissai Nkoe, a spokesman for Cosatu's West Rand Workers Forum, said yesterday "On Friday workers will start gathering near Pieters Engineering in Luipaardsvlei at 9am

"We, therefore, appeal to all the unemployed youth and/or retrenched, dismissed and unemployed workers to join our march, especially those from Kagiso I and II, Munsieville and Swanieville," Nkoe added

He stressed that tomorrow's action was not a work stay-away and appealed to pupils and working parents not join the march

"We, the Cosatu West Rand Workers Forum, herewith register our protest and dissatisfaction against your managements for the manner in which you have unfairly dismissed our members," the forum said in a memorandum to the companies

All the companies operate on the West Rand

183

General's sales expand

DUMA GQUBULE

(183)

BDM 26/2/93

GENERAL Optical reported a 29% drop in earnings to R649 000 on an 11,5% increase in sales for the half-year to end-December

The directors said there had been a substantial improvement in trading conditions during the first two months of this year If the trend continued the group expected second half results to exceed those of the first half

The turnover figure was not declared, but operating income declined 13% to R2,6m (R3m) Finance charges, at R1,4m, were unchanged and pre-tax profit came to R1,3m (R1,6m).

The tax rate rose to 48%, previously 44%, and net income was down to R649 000 from R914 000 the previous year This was equivalent to earnings of 23,6c (33,2c) a share The interim payout was maintained at 5c a share

T&N HOLDINGS

Looking racy

(183)

T&N's 1992 results were firmly on track despite a hike in the effective tax rate and a pension holiday benefit R3,3m lower than in 1991 As more than 90% of its profits are derived from the depressed automotive sector, the 7% rise in restated attributable earnings looks racy FM 26/2/93

Year-on-year comparisons in 1992 refer to the restated 1991 income statement, drawn up after the disposal of the R30m-turnover resin business in 1992 Earnings growth is attributed to a continuing export drive and rigorous cost controls T&N operates in high fixed-cost businesses — exports provide a vital overflow for excess capacity in the local market In 1992 exports rose by about half, contributing about a sixth of turnover, which management hopes to raise to a quarter

The effective tax rate increased to 28,7% from 13,8% in 1991, this is not expected to deteriorate because of sustained capex plans and the benefit of tax losses after acquiring 100% of the Dancor group, distributor of Beral friction products, in 1993 The pension holiday is not expected to continue in 1993

Finance director Chris Good says "We have been getting our house in order in 1992" In the troublesome chemical sector, the sale of loss-making resin business and assets of British Industrial Plastics SA realised an extraordinary profit of R2,3m T&N strengthened its position in the industrial sealing market with the R5m acquisition of a 70% stake in Fabflex

The automotive division accounted for 83% of sales in 1992, of which less than a fifth was from the original equipment market; most of the automotive sales comes from the replacement after market

FM 26/2/93 (183)

CE Bill Cooper stresses that T&N's exposure to the replacement market is a strategic focus to fit the recessionary market, repairs tend to displace new acquisitions The market mix comprises exports, OE and replacement after market Says Cooper "We need to be in all three to play the right tunes in a changing market"

The share has soared by 75% from 270c in November to 470c now, despite the small public shareholding of between 5%-10% The low rating of 6,7 and high dividend and earnings yields look interesting, but difficult market circumstances look set to continue The recent rise in the price has discounted much of the good news *Louise Randell*

AECI FM 26/2/93 (183)

A sweet opportunity

Chemical manufacturing giant AECI's joint venture with the Industrial Development Corp to build a R300m lysine manufacturing plant, announced this week, is geared primarily to boost the company's international competitiveness

Says AECI group MD Mike Sander "The deal is about exports We are entering a new field and taking the opportunity to grow an industry that we can build into further opportunities " The plant, to be built at AECI's Umbogintwini site south of Durban, will be the first lysine plant in Africa and the second in the southern hemisphere

It's also likely to have low costs because raw materials — mainly sugar — are readily and cheaply available Tongaat-Hulett has signed up as the major supplier for the project Says Sander "It will be possible to establish a competitive position in target export markets Marketing agreements for lysine are now being negotiated with international distributors "

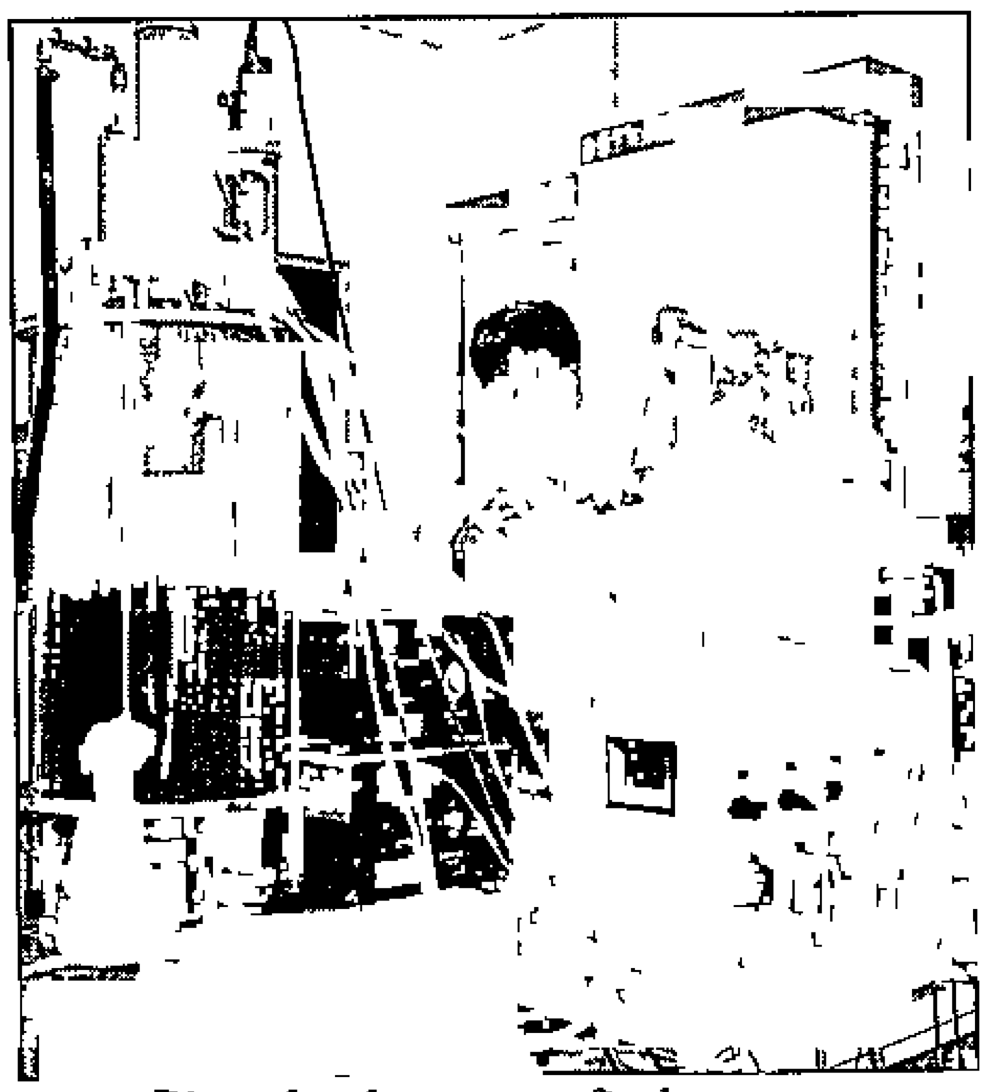
He predicts that the project will replace lysine imports (about R32m annually) and add value to sugar Sugar makes up two-thirds of production costs while lysine would sell at 10 times the cost of sugar

Lysine, an amino acid used largely to improve animal nutrition, particularly for pigs and poultry, was first produced commercially in the Sixties International demand has grown rapidly since then and is expected to continue as environmental concerns mount Lysine is promoted as having no hazardous effects on the environment

The world market for lysine is now around 165 000 t a year and is expected to grow to 237 000 t a year by 1996 The international market is supplied mostly by four producers Japanese companies Ajinomoto and Kyowa Hakko are the two largest producers, with the US-based ADM and South Korea's Miwan supplying the rest of the market The Umbogintwini plant initially will manufacture about 11 000 t a year

Sander says AECI would like to use the plant as a springboard into other markets This may lead to setting up joint ventures abroad and foreign-based plants "If we are competitive enough, it would make sense to place the next plant in a location where we can access new markets We are entering the international arena at the beginning of the race We have an even chance "

The plant is expected to start up in mid-1995 and will employ about 80 people A team of around 300 will build the plant ■



Biotechnology *finding an international foothold*

FM 26/2/93 (183)

Rage as garages face 80% rental increase

STimes (BUSS) 28/2/93. (183)

By CIARAN RYAN

SEVERAL Caltex dealers are up in arms because rentals on their garages were increased by between 25% and 80% after being "forced" to sign new franchise agreements.

Several dealers are reported to be putting their garages on the market because of dissatisfaction over the new agreement.

But Caltex replies that this is to be expected, as the value of the businesses has been substantially increased through the franchise agreements because goodwill and security of tenure are guaranteed

The formula for calculating rentals was changed from a fee to 2,17c a litre of fuel sold in 1991 and to 2,45c in 1993 Dealers claim this kills incentive to increase sales

Caltex replies that the average rental increase for 1993 was 13% It says rentals are based partly on turnover, "which is normal business practice" But a dealer replies that the 13% increase is the minimum where there was no increase in fuel sales

Some 380 Caltex garages out of a total of 1 500 have converted to franchises

Margin

Dealers contacted by Business Times reported rental increases of between 25% and more than 80% One dealer's rental went up 130% over the last two years

The dealers, who asked to remain anonymous for fear of losing their franchises, say the agreement allows Caltex to share in the retailers' margin of 15,1c a litre.

Caltex replies that there is nothing untoward in charging rent. Managing director Jock McKenzie says, "Rentals are decided in such a way as to provide Caltex with a return on its investment and the dealer a return on his business"

One dealer who had budgeted for the usual 12% increase in rental was stunned when it was increased by more than 80%

"We increased sales due to sheer hard work, better public relations and very long hours," he says. "For this we are being penalised, yet those who did not increase their litreage have no rent increase. Because of this new rental we will probably make a loss this year, and this used to be a profitable station

"I have to sell another 10 000 litres a month to pay for this higher rental," says another dealer "That means I need extra staff, but I will have to actually retrench in order to cut my costs"

Mr McKenzie says, "The purpose of the Caltex Franchise Programme is to ensure that the highest standards of image, cleanliness and service are provided to the customer

"Prior to this agreement, rentals were adjusted in accordance with our rental formulas Some rentals were increased and some actually decreased

"A rental incentive scheme exists, where dealers can get up to a 12% rebate on their annual rental and last year this averaged 6%"

Caltex says the benefits of the franchise scheme are already evident, with franchised sites reporting a 4% increase in sales in 1992 over non-franchised sites

Cyclical

Unlike many other franchise systems, all advertising, sponsorship and promotion costs are for Caltex's account, not the franchisee, says Mr McKenzie All franchise fees are paid into a Section 21 company solely for the benefit of franchisees

But dealers complained that the promised advertising campaign was terminated after a short period

Caltex replies that advertising campaigns are cyclical and that, as a result of special promotions — such as its sponsorship of the 1992 Olympics — advertising costs increased by 30% last year

Most oil companies have switched to franchise agreements

Under the new Caltex system, dealers sign a three-year franchise, replacing the previous 30-day lease agreement

All oil companies have embarked on a massive countrywide upgrading of their petrol stations

The new Shell Ultra Cities are reported to net 7% of Shell's sales Engen is involved in a R150-million programme to convert Mobil stations to the new corporate livery, and both Caltex and BP have revamped a large number of stations

Because oil companies receive a target wholesale marketing margin equal to a 15% return on marketing assets before interest and tax, it has been suggested that this is the reason for the massive increase in capital spending on garages

Mr McKenzie says Caltex's return on marketing assets for the last five years has been below 10%, representing a decline in real returns

Marketers' margins increased from 5,5c a litre in April 1991 to 13,5c a litre in 1992, a 143% increase in 14 months Critics have suggested that, as oil companies invest more in fixed assets, the motorist will have to pay higher and higher fuel prices

Car Magazine reported that the marketers' gross revenues increased from about R935-million to R2,3-billion a year due to the increase in marketing margin

Assets

Director of energy administration at the Department of Mineral and Energy Affairs, Pieter Jacobs, says the wholesale margin paid to the refiners is calculated after consolidating the marketing assets of oil companies at historical cost

He would not say how much these assets were worth or by how much they had increased last year, only that the increase was well below inflation

He says the 143% increase in margin does not suggest that oil companies' marketing assets increased by this amount, because part of the increase was to compensate them for under-recovery in the past

"The asset base of the oil companies grew by less than the rate of inflation You must remember that increase in wholesale margin paid to the oil companies was off a previously low base"

Premier resolves dispute

Star 1/3/93

(183)

By Sven Lunsche

In order to resolve the dispute between itself and the Krok brothers, the Premier Group has decided effectively tosplit its wholesale and retail pharmaceutical business.

Premier announced today that its wholesale pharmaceutical business, which is held by Gresham and consists of PDC, ACA, Salters and First Choice Druggists (FCD), would be merged with the successful Medical Cash and Carry Holdings (MCC).

At the same time the rest of the agreement on Prempharm, Premier's retail pharmaceutical arm which was formed last year when Premier acquired Twins Pharmaceuticals from the Kroks, would proceed as planned.

Objected

The Krok brothers had objected to the sale of the Gresham pharmaceutical business, especially PDC, into Prempharm.

Under the new agreement MCC will merge with PDC, which it will acquire from Prempharm for R78 million, ACA, Salters and FCD to form a new company which will eventually seek a JSE listing.

MCC will be responsible for day-to-day management and have a majority shareholding, but Premier will acquire a substantial stake in the new operation

Star 2/8/93

Acts 'strangling enterprise'

There were no fewer than 14 Acts of Parliament which combined to strangle free enterprise marketing initiatives in the South African oil and fuel industries, Roger Hulley (DP ~~Constantia~~) said yesterday (183)

● Page 5

Attributable income was

Guardian earnings rocket 30%

BIDAY 3/3/93

ANDREW KRUMM

DRIVEN by growth in premium income, short-term insurer Guardian National has lifted earnings more than 30% to 536,5c a share in the year ended December 1992 from 410,4c in 1991

A final dividend of 110c (1991 90c) a share was declared, bringing the total distribution for the year to 187c (155c) a share

MD Keith Nilsson said the major increase in premium income, which rose to R773,2m from R600,5m in 1991, came from the corporate market

"A good proportion of the local corporate insurance market, previously placed with Lloyd's of London, has come back to SA because of problems at Lloyd's"

Privatisation had increased the local corporate market, and Guardian had taken a share as well

Nilsson said the underwriting surplus rose "satisfactorily" to R6,6m from R1,6m in 1991, although its level was not in line with that of competitors

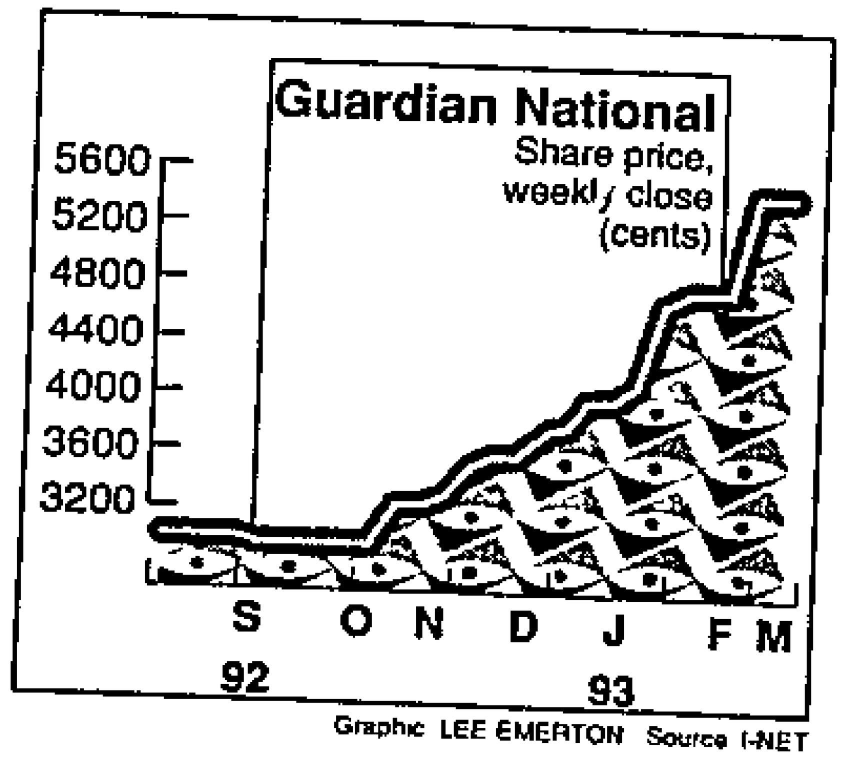
"The reason is that in conditions of high premium growth, the need is created for substantial additional reserving to provide for claims in future years We now have a good, solid reserve for any contingency"

He said both the growth in premiums, and good performance from fund managers had contributed to the 20% rise in investment income to R61m from R50,8m previously. The result was a 29% jump in pre-tax profit to R67,6m (R52,4m).

The company's net asset value grew 17,6%, while the solvency margin was a "satisfactory" 67,6%.

Of Guardian's prospects in 1993, Nilsson said "Our industry is so volatile that no purpose is served by giving accurate predictions"

He was cautiously optimistic about the year ahead, but added that SA's weather conditions appeared to be returning to normal — which could see an increase in weather-related claims



Strong demand hikes Macmed earnings 65%

BIDAY 3/3/93. MARCIA KLEIN (183)

STRONG demand for primary health care products saw Macmed Health Care increase earnings by 65% to 5,6c (3,4c) a share in the 12 months to end-December.

The company, which makes and distributes health care products, has compared its 1992 performance with annualised 1991 figures, as financial 1991 actually covered a 17-month period. Earnings were 4,8c a share

Macmed announced that it would shortly embark on a R4m rights issue in view of "the strong organic growth prospects in coming years and in order to maintain the company's low gearing objectives"

Turnover of R22,3m rose by 43% over the previous year's annualised turnover of R15,6m MD Don McArthur said this increase was the result of strong demand for Macmed's low-cost primary health care products

Operating income grew by 39% to R2,9m from R2,1m. A significant reduction in the interest bill resulted in a 49% rise in pre-tax income to R2,8m from R1,9m Income after tax was 78% higher at R1,8m from R992 000

An extraordinary item of R497 000 comprises goodwill written off following the acquisitions of surgical glove company Rosstex and Hygenico Trading

After adjustments, Macmed showed an accumulated loss of R199 000 for the year, compared with a loss of R883 000 in the previous year

The company declared a final scrip dividend, where shareholders would be issued one share for every 115 shares held The share closed yesterday at 110c.

Plant will save R39m in imports

EDWARD WEST (183)

SENTRACHEM's Karbochem division and Sasol Industries have formed a R48m joint venture to develop an alkylamines plant which would replace imports worth R39m a year, the groups said yesterday. BDAY 3/3/93.

Alkylamines, known colloquially as amines, were derived from the reaction of alchohol, ammonia, acetones and hydrogen. Three basic products to be produced were used in watergel explosives andherbicides.

Sentrachem Karbochem division MD Ben Schoeman said about 25% of the 12 000 tons of amines produced annually would be exported indirectly through herbicides produced by Sentrachem associate Sanachem.

About 80% of the production would be used by the Sentrachem and Sasol groups, with the balance consumed by other local users.

The plant would replace imports worth R39m a year and export incentives would be available for downstream users of alkylamines, he said.

Feedstocks for the plant — to be commissioned in June 1994 — would be supplied by Sasol and Sentrachem. Karbochem would administer the plant.

About 250 jobs during the construction phase and 25 permanent jobs would be created, he said.

ANIES

Amic is likely to mark time this year

BDay 4/3/93. (183)

ANGLO American Industrial Corporation (Amic) was likely to maintain its year dividend at 350c for the third successive year when it reported expected lower earnings today, analysts said

"Earnings have been declining since the 1989 peak and, given the economic prospects for 1993, it doesn't look like a turnaround will occur in the current financial year," Barry Sergeant of stockbroker Mathison Hollidge told Reuter

Amic revised downwards prospects for the year to end-December 1992 at the half-way stage in August, saying most of its subsidiary and associate companies were experiencing reduced local demand and lower export prices In some cases production runs had been shortened

Its wide-ranging interests cover commodities, pulp and paper products, electronics, food, textiles, motor assembly and distribution, freight and travel

Analysts contacted by Reuters forecast lower earnings of between 630 and 590c per share in the period under review versus a previous 731c. They said most of the bad news was probably already in the share price, which has moved from R90 in May to a R52 low in October, then to a current R60

"Most of its major listed investments such as Highveld Steel and AECI have recently reported lower earnings," said Syd Vianello of Ed Hern, Rudolph Inc.

Exporter Highveld Steel Vanadium Corporation posted a 40% drop to 80c per share in 1992 earnings, while chemicals producer AECI's annual earnings fell 12% to 106c.

Analysts said the two big unknowns were wholly-owned subsidiaries Scaw Metals and Boart International, both of which were major contributors to Amic revenue

Amic has made several recent changes to group shareholdings in which Amic companies have acquired from parent Anglo American Corporation increased stakes in certain investments

Nelson Mandela's ANC, which regards itself as a government in waiting, has voiced strong concern over what it sees as an excessive concentration of economic power in the hands of major, white controlled corporations

It favours antitrust-style policies to counter this — Reuter

Dirty tricks amid bitter rivalry

Medical firms accused of Mafia tactics

(183)

B/Day 4/3/93

KATHRYN STRACHAN

BITTER rivalry among competing pharmaceutical companies has recently degenerated into a battle of dirty tricks and has led pharmacists to describe the sector as the country's "Mafia industry".

Sources, who do not want their identities disclosed, have told of receiving death threats, of having car tyres slashed and of slander campaigns aimed at discrediting competitiors

The latest development centres on an SA Medical and Dental Council hearing, which begins tomorrow, into claims that a major pharmaceutical manufacturer has been running a medicine supply racket

Ahead of the hearing, the Press has been anonymously sent documents which make various accusations about the company under investigation, Pharmaceutical Trade Mark Company (PTMC)

The Medical and Dental Council is to consider complaints lodged by rival companies that PTMC has been acting unethically by allegedly offering kickbacks to doctors who prescribe its products.

PTMC claimed last month that it was the victim of a dirty tricks campaign aimed at discrediting it, and said rival companies were threatened by its plans to cut medicine prices by up to 30% in the next few months

The "onslaught" had included the slashing of a sales representative's car tyres.

Another player in the industry has reported receiving death threats when he advertised discount prices

And a medical aid official also had his life threatened when he tried to introduce an innovative payment system which would have put a ceiling on the prices of drugs As a result of the threats the idea was discarded.

A Pharmaceutical Society spokesman said yesterday he had not received complaints of strong-arm tactics

However, such practices were a "sign of the times", he said

"It's symptomatic of the economic realities of the country at the moment. People are doing everything they can to achieve their goals in business.

"Inevitably, every industry has situations which arise which are not appropriate," he said

National Association of Pharmaceutical Wholesalers spokesman Lex Tannenbaum and Pharmaceutical Manufacturers Association executive director John Toerien said yesterday they had no knowledge of dubious practices in the industry.

The PTMC controversy centres on the ethical rules governing doctors who are shareholders in public pharmaceutical companies.

In terms of the Medical Association of SA ethics guidelines, doctors are allowed to be shareholders in a public pharmaceutical company, but are barred from giving preferential treatment to its products

PTMC spokesman Gabe Simaan has insisted that doctors who are shareholders in the company have not received any direct benefits for prescribing its products.

Sentrachem, Sasol form joint venture

Business Staff

SENTRACHEM's Karbochem division and Sasol Industries have formed a joint venture to develop a R48m alkylamines plant in Newcastle, Natal

183

Ben Schoeman, MD of Sentrachem's Karbochem division said about 25% of the 12 000 tons of amines produced annually would be exported indirectly through downstream herbicides produced by Sentrachem associate Sanachem.

About 80% of production would be used in the Sentrachem and Sasol groups with the balance being used by other local users

CT 4/3/88

The plants will save present amines imports of R39m a year

The project will generate 250 jobs directly during the construction phase and 25 permanent jobs when completed

The two groups said the joint venture would foster co-operation in chemicals between them in a number of other fields

PREMPHARM FM 5|3|93.

Happily reconciled

(183)

This week's kiss-and-make-up between the famous Krok twins and food conglomerate Premier goes to prove the well-established but little understood axiom that, in business, today's enemy can easily turn into tomorrow's ally

Between them, the Kroks and Premier exercised effective joint control over Prempharm (Premier Pharmaceuticals, formerly Twins) They fell out last year over a provision in an agreement entered into in August, specifically, the Kroks took exception to Premier's intention to inject certain assets into Prempharm It would be disadvantageous to Prempharm, the Kroks said

The decision to disagree spilled over into the media, with Solly Krok and Premier's Peter Wrighton commenting disparagingly about the other side's motives Now the argument's over in what looks like a climbdown, friendly domesticity can resume Krok says: "I had no doubt matters would be resolved amicably I knew commonsense would prevail"

Control over Prempharm was exercised through Twins Propan, a private company held 50,1% by Premier and 49,9% by the Kroks, an unusual partnership between a company which is very much part of the

FM 5|3|93 (183)

business establishment and two entrepreneurs This arrangement goes back to the early Eighties and it provided, curiously, for the Kroks and Premier to exercise equal voting rights in Propan

In August the two parties entered into an agreement, the effect of which would be to alter dramatically their previous relationship Premier bought 5m shares in Twins from the Kroks at R10 each, that compares with the price of R6,30 at the time, and is a clear indication of Premier's preparedness to pay over the odds to secure firm control Among other conditions of the agreement were a change of name (to Prempharm), the injection by Premier of certain assets into Prempharm for the issue of a further 8,5m shares, and an undertaking by Premier to buy another 10m of the Kroks' shares for about R9 each

Subsequently, the Kroks' objections to part of the agreement became so strenuous that it led Wrighton to say he would take the matter to court if necessary

However, in the past few weeks Premier has opened negotiations aimed at a deal with Medical Cash & Carry (MCC), a privately owned distribution company, in terms of which Premier's companies will be injected into MCC in exchange for an equity holding Premier deputy CE Gordon Utian says the deal is satisfactory in all respects and he's particularly pleased one effect will be to establish a medical distribution company with annual turnover of about R1,5bn

At the same time, Premier has injected R78m into Prempharm to replace the assets it is now disposing of to MCC, and it has received 8,5m shares in the company That makes Prempharm conspicuously cash rich, probably with about R130m, and Krok says the need now is for the company to make a sensible acquisition which will substantially enhance its long-term organic growth potential

This turns out to be a happy ending to a stormy tale.

David Gleason

Probe under way on new baby death drips claims

THE South African Pharmacy Council is investigating new allegations that baby deaths attributed to contaminated drips could have been prevented if basic precautions had been followed.

A charge of misconduct against drip manufacturer Sabax and four dispensaries in private Johannesburg clinics has been brought by Mr Rene Doms, a pharmaceutical consultant, and Dr Adrian Webb, whose baby daughter died after being given an allegedly contaminated drip in September 1990

By JOCELYN MAKER

Mr Doms said this week the complaint put before the council was based on the 1992 inquest into the deaths of 13 babies

"During the inquest, not enough importance was paid to the admixing and aseptic techniques used by Sabax during the time of the deaths in 1990," he said

"There are indications from our investigations that these babies could have been saved if certain internationally-accepted methods had been used by all parties concerned."

Examined

The SA Pharmacy Council has referred the allegations to its legal department for investigation

Sabax chief executive Ian Strachan said he had not been notified by the council of the allegations

"We had no idea that they had been made. I have had no direct discussion with Mr Doms and do not know who he is," he said

"The admix procedures in the unit at Sabax were examined at the inquest and found to be adequate. The inquest proved Sabax was not responsible for the baby deaths."

In November last year, Di Parker, an American-trained technician who was employed at Sabax from November 1984 to September 1991, claimed in a sworn affidavit that "sub-standard techniques" were applied in one of the company's units.

She did not give evidence at last February's inquest, which found no one could be held responsible for the deaths of the babies.

The affidavit was handed to Witwatersrand Attorney-General Klaus von Lieres who said it could lead to the re-opening of the inquest

A spokesman for the Department of Justice said any new evidence which could lead to the re-opening of the inquest could be submitted through Deputy Minister Danie Schutte's office to the AG.

Mr Doms and Dr Webb have alleged that Sabax failed to use the safest method of ensuring the sterility and chemical stability of drips which were used on babies between February and September 1990.

Safe

"At no time did Sabax advise clinic staff that the drips were not terminally sterile," said Mr Doms

"Sabax failed to furnish information for the safe use of the drips, pointing out the danger of using an aseptically prepared drip without an in-line sterilising infusion filter to protect against septicaemia

"Not one of the clinics used this filter If they had, it could have prevented the bacteria from entering the babies"

S/Times 7/3/93

183

AECI and union settle

BIDAY 8/3/93

ERICA JANKOWITZ

THE SA Chemical Workers' Union (Sacwu) and AECI have settled their 1993 wages and conditions of employment

A Sacwu spokesman said agreement had been reached on Friday after two rounds of mediation

The settlement, backdated to January 1, included a 10% wage increase for grades B and C and an 8,75% across-the-board rise for other categories

Hours of work had been reduced from 44 to 43 a week without loss of pay

It was also agreed that March 21 would be treated as "no work, no pay, no discipline" by the company

Job evaluation would be discussed by management and Sacwu at the end of the month and the company had agreed to suspend all retrenchments until April 9 when negotiations on this issue would commence

The company had agreed to a provident fund being established by June 1

Fuel price increase 'inflationary'

(183) CT 18/3/93

Staff Reporter

TRANSPORT bosses were disappointed by yesterday's "inflationary" fuel price increase announcement, although a rise had been expected

When the new price comes into effect on April 2 it will cost an extra R6 to fill a small car with a 40-litre tank (97 octane) — and a larger car with a 60-litre tank will cost R100,80 to fill — an increase of R9

It will now cost well over R200 in petrol alone to drive one-way from Cape Town to Johannesburg in a medium-sized car

Mr Deon Blignaut, chief executive of the transport division of Trencor, one of the largest trucking groups in the country, said the diesel price rise justified road transport tariff increases of 2,5% to 3%

The government had not followed its earlier practice of increasing the petrol price more than the diesel price, Mr Blignaut said (Both rise 15c/ℓ at the coast and 16c/ℓ inland from April 2)

Diesel price increases had far worse knock-on inflationary effects than petrol price hikes, he said, as large commercial vehicles, farm vehicles and vehicles used to supply factories were diesel-fuelled

"The minister appears to be using fuel as an economic instrument to balance his books," Mr Blignaut said, referring to the cent per litre going to Regional Services Councils for bus commuter subsidies, and to the bailing-out of the Multilateral Motor Vehicle Accident Fund

"It is possible to achieve the same results in other ways," he said

AA general manager for public affairs Mr Robin Scholtz said motorists were no longer prepared to "serve as a cash cow for the government"

The fuel price increases put motoring "even further beyond the means of most South Africans", he said

"The vast majority of our population and the whole economy are utterly dependent on motor vehicles," Mr Scholtz said

Winter woollies from Sasol feed plant

8 10 9/3/93 (183)

EDWARD WEST

SASOL is to build a R300m feedstock plant at Sasol Three in Secunda which could see blankets and sweaters in SA being made from coal derivatives

The plant was planned to add value to its feedstock resources and supply its new acrylic plant under construction, the group said yesterday

Acrylonitrile is a raw material for acrylic fibres and is an essential link in textile production

Once the acrylonitrile supply was assured, South Africans would be able to say that many of their blankets, sweaters and other products were made from coal, said Sasol

Sasol acquired a licence from BP Chemicals for the acrylonitrile process and secured an existing plant with a 75 000-ton capacity from the Austrian-based Chemie Linz, group spokesmen said It would be commissioned in 1995

Sasol and the Industrial Development Corporation (IDC) were in the process of establishing a R320m acrylic fibre plant in Durban to supply the SA textile industry with the fibre that was imported at present

The Durban acrylic plant would initially require 36 000 tons of acrylonitrile a year which would later be extended to 50 000 tons a year About 20 000 tons of acrylonitrile production would be exported with the remainder sold locally.

Every year nearly 55 000 tons of acrylonitrile was imported at $700 a ton Although the acrylonitrile plant would not employ many people directly, its construction phase would provide about 1 500 job opportunities, Sasol said

Textile Federation director Brian Brink said in acrylic terms the acrylonitrile plant was a logical step towards backward integration

COMPANIES

Chemserve boss banks on gradual economic recovery

BIDAY 9/3/93. (183)

EDWARD WEST

CHEMICAL Services (Chemserve) had budgeted earnings of 350c a share in its 1993 financial year based on gradual economic recovery from the middle of the year, chairman Mike Sander said in the 1993 annual report

The speciality chemical group's 1992 earnings — 267,2c a share compared with 429,6c in 1991 — were disappointing and there were no firm indications yet that 1993 would be any better, he said

Last year's reduction in gearing to 10% from 43% provided capacity to invest in greenfield projects or acquisitions for further growth and diversification

The reorganisation of the formulated chemicals sector into vertically integrated businesses and an employee reduction programme would also yield benefits in future years

Drought, recession and hesitant political evolution last year combined to weaken demand for Chemserve products and, as a consequence, sales of manufactured goods dropped 6%, which was only partly offset by modest gains in the sale of agency and distribution operations

Outgoing MD Pieter Francois said the Metal Sciences division produced good results last year in spite of strikes Chemserve Systems entered into a licence agreement with Laporte ESD, while a breakthrough was made with an environmentally friendly product used in offshore drilling operations,

Akulu Marchon division secured a long-term contract to supply sulphonic acid to a major soaper, which, with increased exports to central Africa, would result in significantly increased sales volumes in 1993

The Chemserve Perlite division launched new products in 1993, while the Trohall division produced record profits last year on the back of sales to the gold, uranium and explosives industries and improving exports, said Francois

During 1992 Chemserve sold its equity in Cernol Chemicals Zambia and acquired further equity in the Australia-based Applied Technical Products, making it an 80% held subsidiary

Business Rep

New plant for Sasol

(183) CT 9/3/92

Own Correspondent

JOHANNESBURG. — SASOL is to build a R300m feedstock plant at Sasol Three in Secunda which could see blankets and sweaters in SA being made from coal derivatives.

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Mossgas losses add to NEI woes

(183) CT 11/3/93

Business Editor

ALTHOUGH some of its divisions were profitable, Northern Engineering Industries (NEI) Africa was badly hit by the recession, the cost of restructuring and losses on Mossgas contracts in the year to December 31.

It ended the year with a R52m loss which included writing off R33m on closing down unprofitable operations, and the dividend has been passed.

Turnover fell by 27% to R582m compared with R797m the previous year. Operating income was R34,2m compared with R36,24m.

Group borrowings have been reduced by 37% to R110m from R174m at the end of 1991. Net financing costs were R26,6m (R29,1m).

Income before abnormal charges was slightly higher at R7,6m (R7,3m) But there was an attributable loss of R18,1m following abnormal charges of R30,5m which, the directors say, relate "to amounts written off claims and losses on long-term contracts completed or substantially completed in the previous year"

They say "significant progress has been made in clearing claims both for and against the group. Currently two claims in favour of the group require finalisation."

The directors say the fall in turnover was due to "lower activity levels as major contracts came to an end and the elimination of non-profitable trading brought about by the downsizing of divisions."

They explain that in the second half of the year "the group embarked on an aggressive exercise of refocusing activities, restructuring and downsizing. Certain businesses and franchises were discontinued.

"The cost of this exercise amounted to R33,6m"

They say the current year will be one of consolidation "in what is expected to be a difficult economic climate".

But, they continue, "the group is in a healthier position than a year ago."

MD Lawrence Hyslop says that Ical and Probuilt are being trimmed down further

"Propower, where accounting problems led to a write-down of R52,5m in NEI's net assets during 1990-91, has achieved a remarkable turnaround under new management and is in profit"

Boiler manufacturer John Thompson Africa, CHI Control, Power Engineers and A G Walker all produced "good profits and solid returns", says Hyslop.

Meissner Power Systems and Kilber Automotive Products "achieved modest profits"

CHEMICAL INDUSTRY (183)

FM 12/3/93

Cementing a relationship

The joint venture between Sasol and the Karbochem division of Sentrachem to build a R48m alkylamines plant in Newcastle could be the start of a beautiful friendship between the two chemical companies

Sasol New Ventures manager Ralph Havenstein says there are other similar collaborations planned between Sasol and Sentrachem, including "smaller things such as toll producing (contracting out an underused plant to the other company) and projects like the alkylamines venture"

Neither company is divulging details "We are looking at various options, none of which are defined very hard at the moment," says Karbochem chairman Glen Carter

The consensus seems to be that their first project is a sound move. Sasol is good at making large volumes, says one analyst, while Sentrachem is better at handling the marketplace, especially where smaller customers are concerned "Sentrachem has a lot of unutilised capacity at Newcastle and they can make use of infrastructure, which makes projects like this more cost effective"

The new plant will produce three basic products mono-methylamine, which is used in watergel explosives, and mono-ethylamine and mono-isopropyline, which are used in herbicides

Alkylamines, or amines, are the reaction products of alcohol, ammonia, acetones and hydrogen. Sasol uses amines to sensitise explosives, while the herbicides are widely used in large-scale crop production, especially sugar cane and maize

Karbochem MD Ben Schoeman says

continue

FM 12/3/93 (183)

about 12 000 t of amines will be produced every year, of which 25% will be exported indirectly through downstream activities About 80% of production will be used by the two partners with the rest going to other local users About R39m worth of amines are imported each year

The plant, which will be built using the existing infrastructure of Sentrachem's now closed isoprene-monomer plant, will be commissioned in mid-1994 The construction should provide 250 jobs ~~and the~~ plant will employ 25 permanent workers

In another development, Sasol says it intends to build an acrylonitrile plant at Sasol Three in Secunda after having acquired a licence from BP Chemicals for the process An existing 75 000 t capacity plant has been bought from an Austrian firm, Chemie Linz It will be dismantled and shipped to SA Total cost is estimated at R300m

Acrylonitrile is the raw material for acryl-

BUSINESS & TECHNOLOGY

FM 12/3/93 (183)

ic fibres and the feedstock for ~~the~~ production of engineering plastic, ABS, used to make telephones, computer housings, motor components and synthetic rubber.

Sasol and the Independent Development Corp are building a R320m acrylic-fibre plant in Durban to supply the local textile industry with the fibre that still has to be imported. ■

CHEMICAL SERVICES FM 12/3/93.

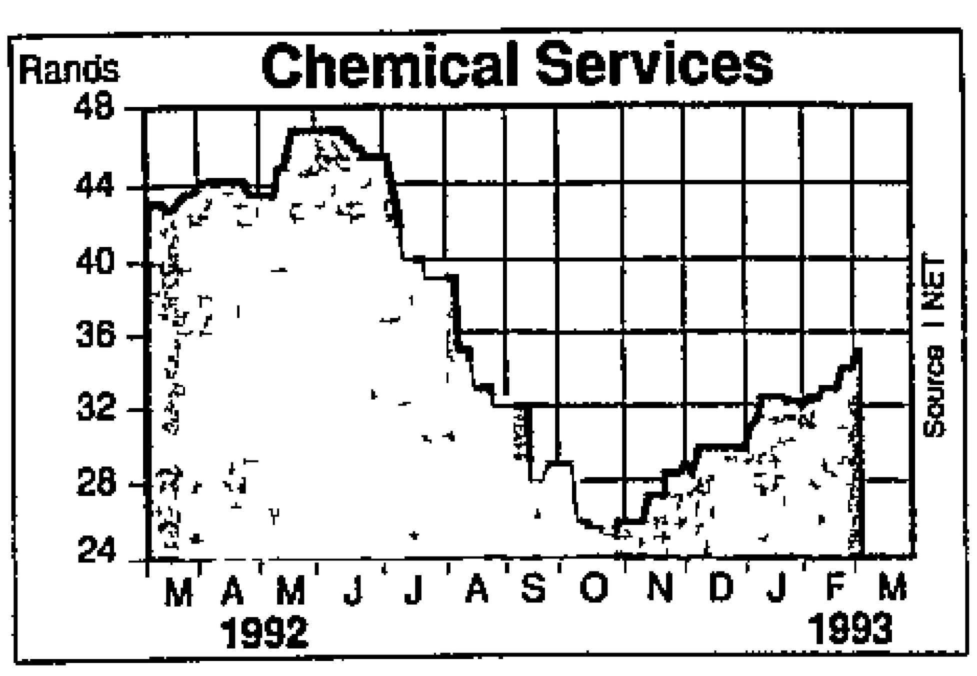
More lean and agile

Activities: *Makes and trades in speciality and raw chemicals*
Control: *AECI 65%* (183)
Chairman: *M Sander; MD P Francois*
Capital structure: *6,2m ords Market capitalisation R218m*
Share market: *Price R35 Yields 3,9% on dividend, 9% on earnings, p e ratio, 11,1, cover, 1,9 12-month high, R47, low, 2 550c Trading volume last quarter, 112 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	23,1	37,8	29,7	20,0
LT debt (Rm)	10,1	13,1	15,8	6,7
Debt equity ratio	0,27	0,51	0,41	0,10
Shareholders' interest	0,51	0,39	0,42	0,51
Int & leasing cover	5,4	6,3	6,0	9,2
Return on cap (%)	19,7	23,5	25,0	19,4
Turnover (Rm)	336	446	478	438
Pre-int profit (Rm)	36,9	53,9	59,8	45,5
Pre-int margin (%)	11	12,1	12,5	10,4
Earnings (c)	305	367	430	267
Dividends (c)	100	120	140	140
Net worth (c)	1 489	1 404	1 609	1 882

For a group finally feeling the full impact of recession, Chemical Services (Chemserve) seems to be doing all the right things to ensure it gets through the trough with minimal damage.

The balance sheet shows this Broadly, Chemserve is facing two problems weakening demand in the industry, which saw sales of manufactured goods fall by 6%; and intense competition, which is reducing margins out of proportion to cost increases The result is the 38% decline in EPS, the first drop in Chemserve's earnings in a decade.



Chemserve's Van Vucht *better service to customers*

At the same time, gearing has been reduced to 10,3%, the lowest in at least six years Net borrowings are at a similar low, standing at only R12m (1991· R42m)

That shaved R5,1m off the interest bill. While after-tax costs of R3,2m at the operational level for retrenchments and early retirements partly negate the interest saving, the latter is a one-off which should allow further reductions in interest to work through to the bottom line this year.

The restructuring of companies in the formulated chemicals division, to a vertically integrated operation should also help That took place in the second half of last year and incoming MD Lex van Vught says full benefits will only be felt in 1993 and future years.

"The restructure has improved the flexibility and agility of the companies," he says. "Production and marketing staff are now working closely together, which means better service to customers and cost savings "

Formulated chemicals account for 34% of turnover and 44% of net trading income, not far behind the contribution from Chemserve's largest business, process chemicals.

Despite tighter margins, individual businesses have maintained or increased market share with the exception of industrial oleochemicals. Van Vught says the two main problems here have been the drought and "dumped" imports from America

"Attention is being given to this underperforming business Recent rains seem to indicate the drought may be broken We expect oleochemicals to turn in the second half "

Cash flow ratios also offer comfort Chemserve has maintained its working capital ratio — stock and accounts receivable less accounts payable as a percentage of turnover — at 22,7%, while net cash flow has increased 7% to R27,4m

Shareholders have been saved the full consequences of the drop in earnings thanks to an extraordinary profit of R12,1m from the settlement of an insurance claim and proceeds from the disposal of some shares in subsidiaries The dividend was pegged, though cover slipped to 1,9 from 1991's 3,1 times

Chemserve is confident of recovery, aiming at EPS of 350c for this year Van Vught says the target seems in reach at this stage

While the *FM* often criticises companies for poor disclosure, it's time for an accolade Chemserve got its annual report out within two weeks of releasing preliminary results and it would be hard to fault the excellent disclosure in the report

The market does not seem concerned at Chemserve's drop in profit, with the share price climbing steadily from R26 in October to R35 Either the indication in interims of a fall in earnings was seen as an opportunity to buy a recovery stock, or the market is largely ignoring latest results and is discounting improved earnings At close to double NAV, the share cannot be considered cheap, though any significant fall in price could be a buying opportunity *Shaun Harris*

Petrol to cost extra 15c a litre

183 AG 12/3/93

BRUCE CAMERON, Business Staff

THE price of petrol is expected to be increased by 15c a litre on Wednesday to boost State coffers and make up losses on bulk fuel imports.

The government has already given notice that it will announce new fuel prices on budget day next Wednesday.

It is understood an attempt is to be made to keep the increase in line with an expected average inflation rate of 10 percent for the year.

The increase will mean an extra R7,50 for a 50-litre tank of fuel.

The greater part of the increase is expected to go towards compensating for the under-recovery on the price of fuel.

With the rand falling against the dollar, the landed cost in February was 7,25c a litre more than the price motorists pay at the pumps for 93-octane petrol.

The under-recovery on diesel was 10,78c a litre.

The under-recovery has been consistent in recent months and peaked last year at more than 15c a litre.

The government is also desperate for additional revenue and has decided to milk fuel further.

Taxes and levies on a litre of petrol are already more than 60c, more than 40 percent of the cost.

Because of the continued secrecy over fuel, it is not known how much the government will rely on the equalisation fund to make up the under-recovery. At the moment 7c a litre of the cost goes to the fund.

The Department of Mineral and Energy Affairs said yesterday the fall in the rand against the US dollar was putting pressure on local fuel prices.

A weak rand made imports of fuel, paid for in US dollars, more expensive.

ARG 13/3/93

Sasol set for expansion into textile fibre

Business Staff

183

MOST blankets and courtelle sweaters worn in South Africa will soon be made from coal, when energy group Sasol becomes a major textile fibre manufacturer as well.

Sasol is spending R300 million to erect a plant at Secunda to produce acrylonitrile, the raw material for the R320 million acrylic fibre plant now under construction in Durban.

The acrylic plant is being built jointly by Sasol and the Industrial Development Corporation (IDC) and should start production later this year.

It will use imported acrylonitrile until Sasol's plant starts operating in 1995.

Acrylonitrile is also of importance to the plastic industry because it is used in the manufacture of telephones, computer housings, car components, synthetic rubber and many more products.

Engen told to stop building

ARCT 13/8/93

OIL giants Engen and BP are locked in a major court battle over the development of a new petrol station in Natal.

Mr Justice Broome ordered Engen to stop work on a site near Cato Ridge.

183 BK

JNDAY TIMES, Business Times, March 14, 1993 3

Caltex set for major new deal

S Times (Russ) 14/3/93

By KEVIN DAVIE (183)

IN another step out of the sanctions age, oil major Caltex SA is set to conclude a R20-million-a-year deal with Dutch-controlled Vitol to process crude for export at its Cape Town refinery.

Caltex SA confirms that it and Vitol have had extensive discussions which should be finalised in the next few days.

"The proposed deal will significantly expand SA's total exports of petroleum products and has the potential to be the largest processing agreement undertaken in SA," Caltex SA says

"Foreign exchange earnings will amount to approximately $6,5-million per annum. The deal precludes Vitol from disposing of product in areas supplied by Caltex SA and it will all be exported."

Caltex SA is reported by Petroleum Intelligence Weekly to be expanding its refinery to 80 000 barrels a day from 50 000 barrels a day

PIW says Vitol may export to Latin America, Africa and the Far East

Star 16/3/93

Further probe into baby deaths ruled out

Health Minister Dr Rina Venter will not open a commission of inquiry to further investigate the death of 13 babies put on drips manufactured by Sabax.

In a letter yesterday to Peter Soller, the attorney representing the families of the babies, Venter said "I am of the opinion that a commission of inquiry as suggested by you is neither necessary nor warranted."

She added that the Attorney General was also investigating the issue.

However, Witwatersrand Attorney-General Klaus von Lieres said he was not investigating the original deaths that occurred between February and September 1990. An inquest last January had found no one was responsible for those deaths.

He said he was investigating an affidavit by former Sabax employee Diane Parker in which she alleged that "substandard techniques" were used in manufacturing the drips

The probe included the deaths of eight more babies last September, but they had died of a different bacteria, he said

Soller said Venter's decision was "catastrophically disgusting" — Staff Reporter.

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Plastic crates find a use beyond the law

(183)

LLOYD COUTTS

AN INVESTIGATION into the annual disappearance of nearly a million plastic crates worth R13m has shown the containers are both everywhere and irrecoverable.

The probe by the Plastics Federation has tracked many down to the informal sector, where their recycling and secondary applications can at times be described as ingenious.

BDAM 17/3/93

Federation executive director Bill Naude said yesterday the steady increase in the loss of the crates had prompted a full investigation by the industry.

Naude said the investigation found the informal sector was using the crates for beds, tables and chairs. Some were used as building material — filled with rubble, stacked for walls and plastered.

Plot holders with stables, pigeon fanciers and vegetable growers were found to be using crates for feed and storage. Crates were also being used as storage racks in home workshops and small industries.

Some were burnt for winter heating. One dairy found its replacement costs doubled in the months following last winter.

However, Naude said the federation believed the bulk of crates were being unlawfully recycled.

"Proof, however, is difficult to obtain since once the crate is granulated it cannot be traced," Naude said.

He said the main victims of "crate highjackings" were the meat and dairy industries, a number of whom were now threatening to lay criminal charges against anyone using their crates without authority.

Other major users of crates, like breweries and softdrink suppliers, had had few losses because they were protected by a crate deposit system.

"Because of fierce competition the deposit system has not been instituted for dairy and meat crates. However, our investigation suggests that the disappearing crate problem can only be solved by a deposit system."

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The ad

Building industrial councils 'in crisis'

BDAY 18/3/93

ERICA JANKOWITZ

BUILDING industrial councils in the Transvaal appear to be in crisis, with employers in Johannesburg and Pretoria advocating the phasing out of these structures

A Building Industry Federation of SA spokesman said there was talk of establishing a single national industrial council, or at least a confederation of the 10 industrial councils countrywide, so as to streamline their functions and the wage bargaining process

Should the Transvaal Building Industrial Council collapse — which is possible after the Witwatersrand Master Builders' Association, representing 803 employers, apparently voted on Tuesday to withdraw — minimum wages set down in the agreement would no longer apply to the 40 000 workers who are employed in this sector

An industry source said the decision was largely based on the generally poor economic circumstances of the industry

Building stamp contributions paid by employers to cover pensions, sick pay, holiday fund and related benefits, added about 15% to 35% to the wage bill — a cost which employers found increasingly difficult to justify

This move followed the expiry at the end of February of the council agreement covering general workers, who constituted 59% of the workforce Neither Cosatu's Construction and Allied Workers' Union nor the employers signed the wage agreement and no wage increase was implemented

A union spokesman said discussions within the union on the lack of an annual wage adjustment were going on and a decision on some form of action would be taken by the end of the week

As the 1993 agreement covering general workers had not been gazetted, this category of worker was now protected only by the Basic Conditions of Employment Act Effectively, this meant employers were not obliged to contribute to industrial council funds — sick, pension, training, holiday, and so on — or to pay the minimum wage of R5 an hour set down in the last agreement

The Building Industrial Council general secretary Wynand Stafelberg said workers employed before the expiry of the agreement could not unilaterally have their conditions of employment changed and so would not be affected

However, the same could not be said for newly employed general workers

The Master Builders' Association said it would issue statement today

Sasol plan 'amounts to unfair competition'

BDAY 18/3/93

(183

EDWARD WEST

OIL refiners have come out strongly against Sasol's intention to establish its own service stations, accusing the synthetic fuel producer of unfair competition

According to a report in Beeld newspaper yesterday, Sasol planned to introduce its own service stations and to retail crude oil-based petrol from its Natref refinery

Sasol's Blue Pump retail points at service stations would be scrapped and existing service stations would be bought to sell Sasol fuel A new corporate identity would be introduced

All conventional refineries, including Natref, would be forced by legislation to buy synthetic petrol from Sasol and Mossgas at a government-imposed price, the report said

Shell Oil division MD Ian Williams said he failed to see how Sasol could want to compete on an equal basis with the conventional oil refiners when it was being subsidised for its synthetic fuel production The plan would also mean further unwelcome industry regulation, he added

Engen marketing director John Robert said in terms of the balance of payment situation it would be foolish not to use Sasol's synthetic fuel production, but it would be equally "crazy" to expect Sasol to compete on an equal basis with oil refiners while it was being subsidised

However, Sasol said no cross-subsidisation would be possible between tariff protection received on synthetic fuel production and Natref's production destined for the planned service stations

Sasol wished to uncouple its synthetic production from Natref by forming a separate Sasol crude oil refining and marketing entity The separate reporting of Natref's accounts was also a possibility

Sasol received no protection from operations at Natref The tariff protection framework — which Sasol said was not a subsidy — was based on a floor price of \$23 a barrel

Sasol received R537,5m in tariff protection in the 1991/92 financial year — more than double the R222,5m received the previous year because of higher international oil prices in the 1991/92 financial year

Sasol said it did not know yet how many service stations it intended acquiring

Probe of oil deal expected

PETER DELMAR

THE Competition Board is expected to announce a probe into the controversial retail rationalisation plan (Ratplan) tomorrow

Critics of the plan — an informal agreement between government and the oil companies which has restricted new entrants to the industry — believe such an investigation is long overdue

The 30-year-old plan has many opponents, including the AA and Pick 'n Pay chairman Raymond Ackerman, who believe it encourages unfair competition by preventing companies from distributing cut-price petrol

BDM 18/3/93.

Supporters, however, claim that the plan lends stability to the market and that despite its restrictive nature petrol prices have decreased in real terms in recent years

The plan is due to run until 1995, by which time the eight siteholders will be allowed to establish 200 new filling stations and to relocate almost the same number

Mineral and Energy Affairs Minister George Bartlett promised earlier this month to remove much of the secrecy which has surrounded SA's petroleum industry since the imposition of sanctions

It is believed that the Competition Board decided to act after receiving a number of formal complaints against the plan An informed source said the investigation was expected to be published in tomorrow's Government Gazette

A board spokesman yesterday declined to confirm that the announcement of a probe was imminent

Hike in VAT, fuel 'big blow'

(183) CT 18/3/93

Staff Reporter

THE sharp hike in VAT and fuel prices was a "big blow" to consumers and could postpone the economic recovery, consumer and business organisations warned

Housewive's League spokesman Ms Lyn Morris said consumers should check prices do not go up unnecessarily.

The increase in VAT and petrol prices would be a "big blow" to consumers, Pick 'n Pay chief Mr Raymond Ackerman said The Budget was "too tough" he said, predicting a decrease in the sale of meat

Shoprite Checkers marketing director Mr Brian Weyers slammed the "unreasonably high increase in VAT" Coupled with the petrol price hike, it would have a damaging ripple effect on prices, he warned

OK group managing director Mr Mervyn Serebro said more foodstuffs should have been zero-rated.

Medical aid payments would increase and private health care would become even more difficult to obtain, a spokesmen for the Representative Association of Medical Schemes, Mr Rob Speedie, said yesterday

Mr Leslie Howard of Bergvliet, who spends a large portion of his pension on medical bills, called the increases "immoral"

Concerned business groups have predicted the increases will postpone the economic recovery

People will have less purchasing power which "will exacerbate present harsh trading conditions", South African Chamber of Business spokesman Dr Ben van Rensburg said

The Cape Town Chamber of Business said it would have a direct effect on consumer spending

The National Association of Automobile Manufacturers said the VAT increase was higher than expected

"It will inevitably result in higher inflation, lower growth and ultimately lower levels of new vehicle sales," warned president Mr Bert Wessels

The VAT rate hike could lead to a wave of sales before April 7, he said

"However, this would be followed by an inevitable slump"

How VAT will hit your pocket

WHAT the VAT hike means for consumers in Rands.

ITEM	PRICE EXCL VAT	10% VAT	14%VAT	DIFF
1) Toyota Corolla sedan 1600 GL	R39 817	R44 242	R45 391	R1 149
2) Mercedes 200E	R125 887	R139 875	R143 511	R3 636
3) Colour TV	R1 169	R1 299	R1 332	R33,60
4) Fridge/freezer	R1 439	R1 599	R1 640	R41,47
5) Double bed	R1 349	R1 499	R1 537	R38,80
6) Newly built house	R148 500	R163 350	R169 290	R5 940
7) Telephone account	R100	R110	R114	R4
8) Electricity account	R100	R110	R114	R4
9) Mens' jeans	R62,99	R69,99	R71,80	R1,81
10) Mens' leather shoes	R107	R119	R121,9	R2,90
11) Mens' work shirt	R31,49	R34,99	R35,89	90c
12) Long-sleeved blouse	R56,69	R62,99	R64,62	R1,63
13) Scotch whisky	R30,58	R33,98	R34,86	88c
14) Six beers	R9,62	R10,69	R10,96	27c
15) Compact Disc	R63	R70	R71,80	R1,82
16) Doctor consultation	R45	R50	R51,30	R1,30
17) Disprin	R13	R14,45	R14,80	35c
18) Movie ticket	R7,2	R8,00	R8,20	20c
19) Paint 25 litres	R188,9	R209,99	R215,34	R5,40
20) SAA economy air ticket C Town to JHB std fare	R918	R1 020	R1 046	R26,50

Sasol had protection tariff of R500m

183

THE total values of the protection tariff paid to Sasol during the 1990/91 and 1991/92 financial years were R222,5 million and R537,5 million, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday CT

Replying to a question by Mr Roger Hulley (DP Constantia), he said the average tariff protection enjoyed by Sasol during the 1992 calendar year amounted to 3,1 cents a litre spread over all liquid fuel products

Mr Bartlett also said the total final cost of the Mossgas project was R10,7 billion, but he would not make a further statement on this until the auditor-general's report into the viability of Mossgas was made available

Mr Hulley said the Petroleum Products Amendment Bill would tighten government control on the sector, hence the DP's opposition to the bill

Deregulation would increase competition to the benefit of the consumer at the pump, Mr Hulley said.

PETROL UP, THUMBS DOWN ... Ms Charlotte de Villiers, 25, of Tamboerskloof, indicates her displeasure at the impending increase in the petrol price. Picture ALAN TAYLOR

Petrol up 15c a litre on April 2

183

CT 18/3/93

Political Staff

The price of petrol is to increase by 15 cents a litre from midnight on April 2

All users of diesel will face a similar price hike, while the cost of illuminating paraffin will rise by seven cents a litre

Explaining the increases, Mineral and Energy Affairs Minister, George Bartlett said several elements were involved in the hikes They were

- An increase in fuel tax on all petrol and diesel of six cents a litre
- Unit under-recovery of six cents a litre on petrol, and seven cents on diesel and illuminating paraffin
- Three cents a litre to the Multi-lateral Motor Vehicle Accidents Fund for petrol and two for diesel

Mr Bartlett said the six cents a litre increase in fuel tax amounted to an increase of 10,9% from 54,9 c/ℓ to 60,9 c/ℓ Fuel tax on diesel would be increased by 12,6% from 47,4 c/ℓ to 53,4 c/ℓ

He said consumers of diesel who currently received a rebate would still receive this

The price of illuminating paraffin will also be affected by the rise in VAT on April 7

Mr Bartlett said it should be noted that diesel prices had remained unchanged since March 21, 1992 and that an increase of only seven cents a litre was now being passed on

With regard to the MMF, the minister said these increases were needed to meet the MMF's 1993-4 budgetary increase

He said the direct effect of the increases on inflation was calculated as being 0,37%, while the indirect effect would be slightly higher This could be restricted by the anti-inflationary measures announced in the budget

R1bn oil reserves for 'backlogs'

CT 18/3/93 (183) (4) (8)

Political Staff

MORE than R1 billion had been spent from the sale of strategic oil reserves on education, housing and socio-economic backlogs — almost R600 million less than originally budgetted

This was disclosed yesterday by the Department of Finance in its Budget Review, which was tabled in Parliament

It was originally budgetted that R405,5m would be spent on capital expenditure on education but this had been revised to R255,61m

Capital spending in the reduction of socio-economic backlogs had amounted to R516,36m — less than the R694,5m budgetted — and the capital spending on housing had totalled R264,16m, down from the R500m budgetted

Originally, R1 600m was allocated but a total of R1 036,13m was actually spent during the 1992/3 financial year

The department explained that "in the nature of things capital projects can not always be planned and executed within a single year"

The balance from 1992/3 financial year would be carried over to the 1993/4 financial year to cover the same type of project, the department said

FM 19/3/93 (183)

PLASTALL FM 19/3/93

Hit by labour unrest (183)

Activities: *Makes and distributes plastic bags and sheeting, conveyor idler rollers and furniture*

Control: *Winhold 86%*

Chairman and MD: *W A R Wenteler*

Capital structure: *14,4m ords Market capitalisation R4,3m*

Share market: *Price 30c 12-month high, 50c, low, 30c Trading volume last quarter, 16 000 shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	1,4	6,2	5,2	6,6
LT debt (Rm)	1,3	1,6	1,3	1,1
Debt equity ratio	0,17	0,65	0,44	0,63
Shareholders interest	0,45	0,38	0,42	0,34
Int & leasing cover	4,3	n/a	1,9	n/a
Return on cap (%)	16,8	n/a	11,1	n/a
Turnover (Rm)	52	65	64	56
Pre-int profit (Rm)	4,3	(0,03)	3,3	(0,9)
Pre-int margin (%)	8,3	n/a	5,2	n/a
Earnings (c)	22	(9,3)	10,6	(17,9)
Dividends (c)	—	—	4,2	—
Net worth (c)	80	81	87	89

The sharp decline in Plastall's results are mirrored in holding company Winhold, where the deficit on EPS increased to 4,6c and top pyramid Winbel, which lost 3,4c a share The holding companies' results would have been worse were they not tempered by a more even performance from Inmins, another Winhold subsidiary (see separate report)

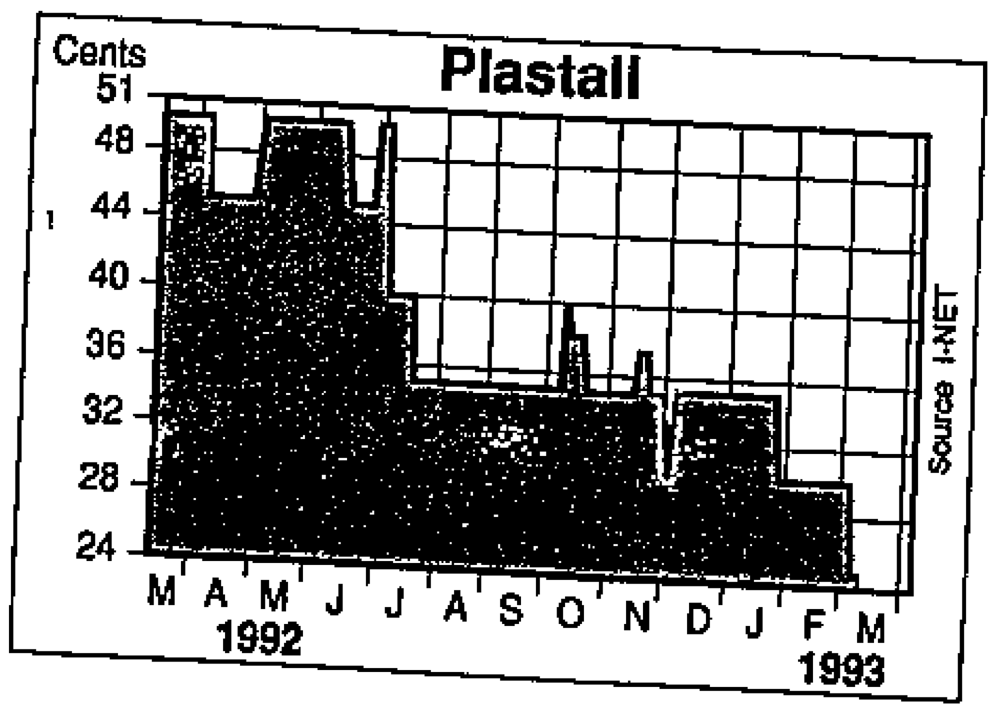
Plastall, however, had a horrible year, with losses starting at the pre-interest level and trickling down to nudge EPS into deficit The dividend was passed, thwarting what shareholders last year must have hoped was an end to the dividend drought they have endured for so long Shareholders' funds also dropped 21% to R9,9m

That, with gearing which has increased from 44% to 63%, indicates what could be an unhealthy balance sheet trend But chairman Bob Wenteler expects the performance to improve this financial year, because strikes were the major cause of Plastall's poor results

"There was a seven-week strike at our largest operating company, further labour unrest during the year, the national stayaway and a month-long Seifsa strike It's not just the down-time during strikes, but events leading up to and following them In all, we had about three months of strikes and that knocks you," he says

Wenteler says, however, more emphasis will be placed on improving labour relations and notes an improvement already in the workforce's and unions' realisation of current bad market conditions and more realistic wage demands

But the drought also reduced demand for bags which the group supplies to the agricultural and fertiliser markets, while lower demand from the packaging sector led to what Wenteler describes as increased competition, reduced margins and lower volumes



Similar problems affected Plastall's contract seating and office furniture markets Unfortunately, the directors feel segmental reporting "would be prejudicial to the interests of the group," so it is not known where the money was made and where it was lost

Turnover slipped by only 13%, but at the operating level last year's R3,3m profit was slashed to a R892 000 loss Working capital requirements, R1,7m, were substantially higher than last year, which with the drop in cash generation — down from last year's R5,7m to R639 000 — saw gross cash flow become a negative R1,1m

Interest payments are down marginally but still high at R1,6m, reflecting the increase in total debt to R7,7m

Apart from the expected end to its labour problems, it's hard to imagine what else Plastall can do to improve results unless there is a dramatic pick-up in one or more of the markets it serves

The same seems to apply to the share, whose price has nearly halved over the year to its present low of 30c *Shaun Harris*

Cape petrochemical scheme in jeopardy

(183)

BDAY 19/3/93

ANDY DUFFY

PLANS to build a R6bn petrochemicals plant in the eastern Cape may have to be scaled down or scrapped, two of the scheme's three proponents have warned

The gas-cracker plant, proposed by AECI, Engen and Sentrachem, had been seen as a major route into the international plastics market

But AECI and Engen said the glut in global plastics capacity — which saw prices fall 40% last — had effectively scuppered the plan

Mossgas, the scheme's prospective fuel supplier, has warned that it could take another two years before it could confirm whether it could supply the gas. The Mossel Bay site, proposed three years ago, would process ethane gas piped from Mossgas to produce ethylene and propylene, the main building blocks for plastic products

About 60% of the cracker's 420 000-ton output would be exported and the remainder would sold locally as rising demand outpaced the current supply from Sasol

However, Engen said the plant did not have the competitive muscle to be an effective player in a cut-price international market. Chairman Bernard Smith said the plant should restrict its supply to the domestic market, which would cut its output in half

AECI has withdrawn from the scheme with similar doubts.

"All the studies we've done make it difficult to see how it will fly," said AECI director Mike Smith

But, despite its partners' fears, Sentrachem said it wanted to push ahead with the plant.

The site would be on stream by 1998 and world demand should have recovered by then, Sentrachem said.

However Engen's Smith, who is also CE and MD of Mossgas, warned that it was not clear that gas reserves even existed for the cracker.

World demand for plastics had risen, but this had been outpaced by growth in cracking capacity

Industry figures suggested the global production capacity for ethylene alone could rise to 85,2-million tons by 1996 — 25% up on 1991 — and such oversupply was expected to continue

On top of that, countries such as China, South Korea, Singapore and Thailand, which accounted for one third of demand, had set up their own crackers.

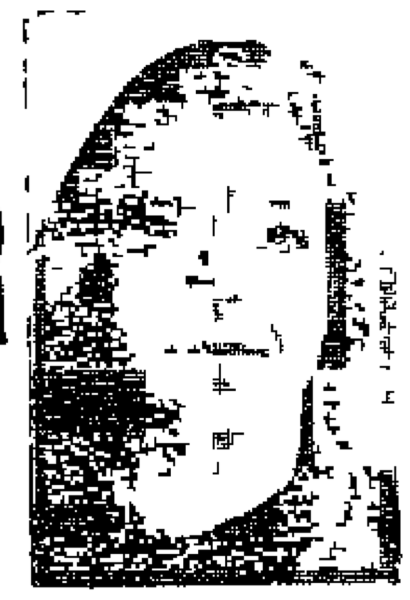
These plants were poised to become cut-price exporters

FOCUS: *Who's going to break the chain of disaster?*

Stifling the Sabax scandal

WMail 19/3-25/3/93. (183)

CRITICAL CONSUMER



Pat Sidley's weekly column on controversial issues

HEALTH Minister Rina Venter has taken some worthwhile steps towards making the nation slightly healthier

However, the minister seems to have a block in one area the Sabax affair She has informed the lawyer who represented the first batch of bereaved families who lost their babies under questionable circumstances that she is not going to reopen the inquest into their unexplained deaths

Mystery continues to surround the deaths of the very young infants, all of whom had had Sabax intravenous drips while being cared for in intensive care units (ICUs) in hospitals, mainly around Johannesburg

About a year ago, a magistrate inquiring into the deaths in terms of the Inquest Act said no one was to blame

Since then, several infant deaths have been reported under very similar circumstances, although the bacterial growth in the drip solution was different from the one implicated in the earlier deaths

A recent inquest into the deaths of babies in a Kimberley hospital left parents with the same unanswered questions asked by the Johannesburg parents

It seems there, too, the court found nothing extraordinary in the fact that several babies, all with the same drips in ICUs, died suddenly of infections

To add to the mystery, a former employee of the company preparing the drips has made an affidavit to her lawyer stating that proper sterile procedures were not adhered to when the drips were manufactured

Sabax used to make the admixture ("cocktail") that goes into the drip bags, but stopped after the first batch of deaths was revealed It has now emerged that the "independent" company that took over the mixing of the admixture is run by former Sabax employees

Some parents are suing an American company, Baxters, which has licensed Sabax to make the drip bag and some of the solutions here

This week, the lawyer who represented the bereaved families stated that Sabax had gone to the government with a view to stifling any possibility that the inquest be reopened

The government, according to reports, confirmed a meeting between Sabax and the deputy minister of justice, but refused to disclose what the meeting was about

In the end, it wasn't the deputy minister of justice who spoke out about the Sabax inquest but the minister of health who has blocked any attempt to reopen it

If it is indeed true that Sabax asked to have action taken to stop the inquest being reopened, action should be taken against its executives for defeating the ends of justice The US company should cancel its deal with the local company forthwith

When the Matthew Goniwe inquest was reopened, it was believed the baby deaths case would also be reopened

But now it seems this will not happen

There isn't a parent or prospective parent — particularly not among those who lost babies — who does not smell the stench Even if everyone concerned is blameless and there is no hint of corruption, as long as questions remain unanswered, most members of the public will continue to believe something rotten has taken place

This week, *Agenda* on TV1 broadcast a documentary showing how many infants were dying from infections in Russian hospitals shortly after birth The notion was that the astonishingly high rate of infant deaths was a symptom of the chaos, decay and corruption in Russia at the moment The parallels were disturbing

In the United States, a citizen would have the right to know how many hospital-acquired infections were annually contracted at a particular hospital It would then be possible to gauge if the deaths were "normal", or if some other kind of investigation was required

In some US states, a doctor's performance and his patient death rate are recorded and this information can be obtained by members of the public.

In this country, doctors can lose several tiny little patients without blotting their copybooks by so much as a microscopic speck. There is no public scrutiny It is wrong. But patients do not fight it

It is partly due to patient inertia that hospitals, doctors, authorities and pharmaceutical companies are not subject to the kind of scrutiny they undergo routinely in the US.

If Venter — like everybody else in the chain of disaster — is not able to act appropriately, then it will be up to parents to find some way of changing the system to ensure their peace of mind when they bring the next generation into the world

US to fund millions for penicillin plant in SA

S Times (Bus) 21/3/93. 183

By DON ROBERTSON

THE United States government — which led the sanctions campaign against South Africa after 1986 — is to make a substantial cash injection to study the establishment of a world scale penicillin plant on the Natal South Coast.

The plant — which will cost "hundreds of millions of rands" — will save and earn SA an estimated R120-million a year

A likely site for the project will be at Umbogintwini, where a R300-million lysine plant is to be built with construction starting in the third quarter of 1993

The project is owned by AECI and the Industrial Development Corporation (IDC) The plant, which will be completed by 1995, will produce 11 000 tons of lysine a year.

Lysine is an amino acid used in pig and poultry feeds and the plant will be the first in Africa. About 60% of production will be exported

When this project was announced in February it was stated that the biotechnology process could be adapted for the production of other micro-ingredients for human and animal nutrition and health care

Study

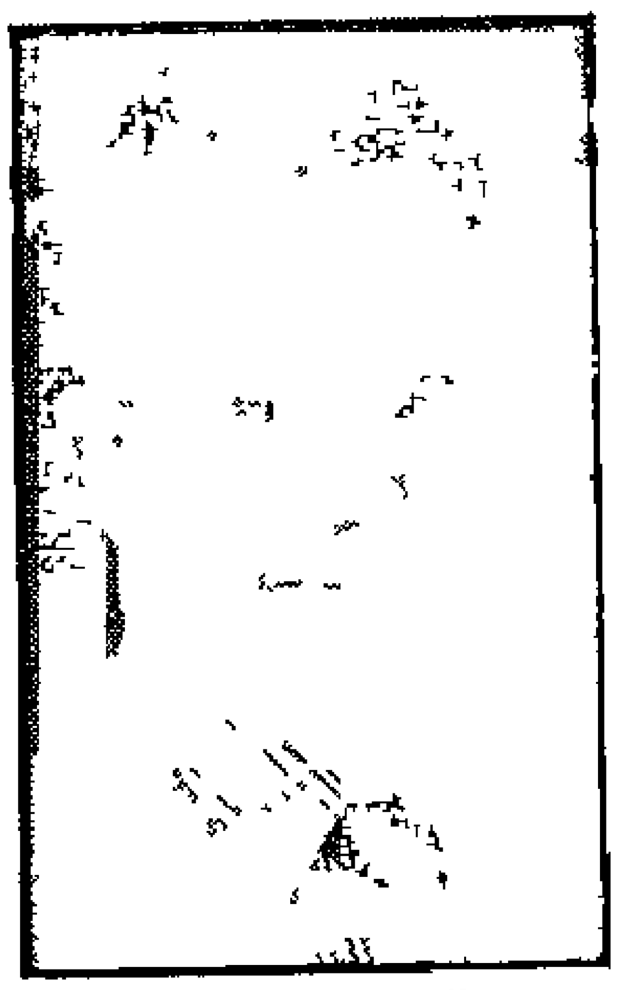
The production of penicillin would be a natural progression from the lysine fermentation process

While the US government has taken part in a number of small aid programmes in SA in the recent past, this is a first direct involvement in a commercial, private enterprise project.

The deal is expected to be signed in Cape Town tomorrow by US Ambassador Princeton Lyman. John Richter, head of the Trade Development Agency for Africa of the US State Department, will be present

Executive director John van Leeuwen will represent AECI, which will conduct the feasibility study and could be a major shareholder in the project.

The feasibility study is expected to cost about $1-million and will investigate the level of investment by local and international groups, the siting of the plant and planned full-scale production levels



PETER GUBB

Peter Gubb, manager of the biotechnology business unit at AECI, says the "world scale" penicillin plant will, if approved, supply a basic health care product

It will be aimed at not only supplying SA's requirements but will also export to the rest of Africa and involve "deep sea" exports

Last year, SA imported about R50-million worth of penicillin products Dr Gubb says early plans are for exports of substantially more than this

Dr Gubb confirms that international partners will be sought for the project

If approved, a number of international construction groups are expected to tender for the building of the plant

Fluor SA, which built large portions of the Sasol project, is the appointed contractor for the lysine plant and is expected to tender

Star 23/3/93

AECI opens doors with US

The US Trade and Development Agency, in the first grant of its kind since the introduction of sanctions, has made $450 000 (R1,44 million) available to AECI for a feasibility study into the production of penicillin in South Africa. AECI will match the amount

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US agency helps AECI probe setting up of penicillin plant

BDay 23/3/93. 183

LINDA ENSOR

CAPE TOWN — The US Trade and Development Agency for Africa has granted AECI $450 000 to investigate the feasibility of establishing a penicillin plant in SA — the first in Africa

The grant is the first of its kind since the introduction of US sanctions

AECI would match the amount to finance the study which would begin immediately, an AECI spokesman said yesterday after the official signing of the agreement between US ambassador Princeton Lyman on behalf of the US government and AECI executive director Peter van Leeuwen

The estimated cost of the project, should it go ahead, has been estimated at more than R200m The plant — likely to be located at AECI's Umbogontwini factory near Durban — would supply penicillins to the southern African market which in 1992 took up 250 tons of penicillins valued at more than R47m

Demand for penicillins in southern Africa had grown at a rate of 6% a year over the past decade. Less than 5% of southern Africa's pharmaceutical raw materials are currently manufactured locally with the total amount being spent on pharmaceutical raw materials annually being estimated at about R800m

At present bulk penicillins are imported to SA from Europe, the UK and US by local pharmaceutical companies

The production plant envisaged by AECI would produce 600 tons a year of generic penicillins through the fermentation of a glucose feedstock derived from sugar Roughly half would supply the southern African market and the balance the rest of Africa and other overseas markets

Lyman said the US government regarded the project as an opportunity to assist development in the region

Van Leeuwen said AECI also viewed the project as spearheading further investments in health care and nutrition-related biotechnology products He said AECI intended to concentrate on strategic areas of healthcare and nutrition to meet the changing needs of southern Africa The production of bulk penicillins would expand AECI's biotechnology interests.

The first biotechnology project embarked upon by AECI was the R300m lysine production facility at Umbogintwini announced in February this year It is a joint venture between AECI and the Industrial Development Corporation

The penicillins plant would also be a platform for diversification into other essential medicines, Van Leeuwen said.

Star 24/3/93 (183)

Second AECI gas leak

A teacher was rushed to hospital and five school children were sent home on Monday after the second chlorine gas leak in less than a week involving AECI chemicals near Durban. The latest incident happened at the Strelitzia Secondary School in Isipingo More than 90 people from the Isipingo area were admitted to hospital last week after chlorine gas escaped during pumping

BUSINESS DAY, Wednesday, March 24 1993

Oil companies told to back claims about Sasol subsidies

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BDAY 24/3/93

ANDY DUFFY

GOVERNMENT has called on the oil and petrochemical industry to prove that Sasol has been using public money to subsidise forays into new markets.

Responding to oil company claims that Sasol is using synthetic fuel subsidies to fund its diversification, the Mineral and Energy Affairs Department said yesterday that no evidence had been provided to warrant an investigation.

And a senior government source also added that even if an investigation proved this to be the case, it was not clear that government would take any action. "The government would have to see what was realistic," the source said.

The public challenge follows a steady stream of allegations from Sasol's competitors that it had been using the cushion provided by government for one section of its business as a springboard into others.

Under a framework established in 1989 to protect it from low international oil prices, Sasol is paid per barrel of oil the difference between the prevailing price and $23. This amounted to a pre-tax boost of R537,5m, against Sasol's attributable income for the year to June 1992 of R1,1bn.

Sasol wants to cut its dependence on synthetic fuel, which accounts for about 37% of operating profits. It plans to pursue petrochemical, coal and crude oil refining business through capital expenditure of about R3,5bn.

On all three fronts, however, Sasol has been accused of using the synthetic business to cross-subsidise new ventures.

Shell Oil and Engen have said Sasol's reported plan to set up its own service stations to retail crude oil-based fuel would amount to unfair competition.

However, the department said it would not investigate claims until a detailed complaint was made. Though the department would be against cross-subsidisation with public funds, the source added that a policy on what action to take would be drawn up only once the case had been proven.

The department is drafting an audit report into Sasol's accounts which is due early in May.

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Engen shares pull out of dive despite speculation

BIDAY 25/3/93

(183)

MATTHEW CURTIN

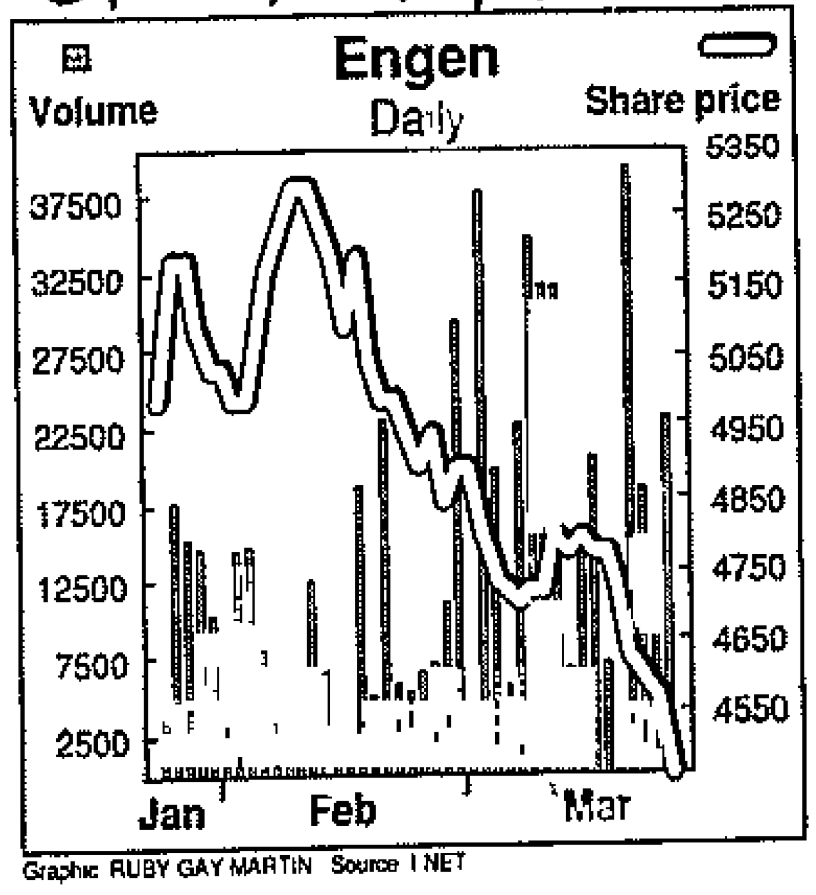
THE TWO-month slide in Engen's share price came to a halt yesterday despite market nervousness about the group's short-term prospects ahead of next week's announcement of interim results

Engen stock closed 35c above a three-month low of R44,65 at R45 The shares have fallen 14% from a high of R53,25, and are back at levels they sustained late in 1992

Analysts said sharp movements in Engen stock since November last year had happened in low-volume trade and could simply represent a down-rating of the stock which had significantly outperformed the chemical and oils and industrial indices in late 1992

At the same time, a number of factors could be contributing to bearish sentiment on Engen and the sector at large

The prospects that Gencor would "unbundle" — implying the partial dissolution of the mining house and issue of shares to its operating companies including Engen — had been brought nearer with planned "enabling legislation" announced in the Budget Unbundling was inspired in part by a desire to narrow the discount at which Gencor shares traded to net asset value, suggesting its operating companies would be rerated downwards in the process



Graphic RUBY GAY MARTIN Source I-NET

In addition, Engen had an effective tax rate of only 10,2% in the 1992 financial year, coupled with a generous dividend policy, and would be significantly affected by the new company tax structure The group would not benefit from the lower 40% company tax rate and would be hit by the 15% tax on distributable profit

A further factor was the uncertainty about the likelihood of deregulation in the petrol industry, and how it would affect Engen's profitability in the fierce competition would such a move would generate Engen CE Rob Angel has discounted the likelihood of deregulation until a new government has been installed, and maintained the group was prepared for whatever form of deregulation took place Engen, like all petrol suppliers, benefits from the wholesale marketing margin which it receives as a percentage of the petrol price

Analysts canvassed yesterday estimated Engen's interim earnings would be between 10% and 15% higher at 147c to 154c a share (1992 134c)

But some said Engen would be under pressure to maintain real earnings growth in 1993 and beyond Refining margins, the biggest contributor to profitability, were declining and downstream investment appeared unlikely

Manro's earnings suffer

BIDAY 25/3/93.

EDWARD WEST

(183)

EARNINGS at Manro Chemical Holdings, hit by drought and recession, dropped about a third to 6,47c a share in the year to end-December 1992 from 9,46c in 1991, today's published results show

The final dividend was passed in the light of poor trading conditions and an R11,3m rights issue towards the end of the financial year Total dividend was 1,25c compared with 3,25c in 1991

Turnover was down 5,9% to R83,77m (1991 R89,05m) Operating profit was 14% down to R5,86m (R6,79m) Tax was slightly lower at R532 000 (R618 000) Attributable income was 30% lower at R2,67m (R3,86m)

A R6m extraordinary item represented provision for closure and associated costs of the emulsion polymer business at the New Germany factory

The rights issue pushed the number of shares in issue up to 41,33 million from 40,82 million which diluted earnings The issue was supported by Hickson International plc which holds 67% of Manro's share capital

Directors reported that the commissioning of the Chemithon project at the end of this month would provide additional capacity enabling the exploration of export opportunities. Consolidation could be expected in the Bevaloid businesses after rationalisation in 1991

Manro expected to produce earnings in the second half similarto the first half, the directors said

Manro was untraded at 50c yesterday, off its high of 67c in October last year

MEDICAL GOODS FM 26|3|93

First aid from Pretoria

Manufacturers are fighting for increased duties to keep imported products out of the local R75m/year syringe and bandage market, which they claim is a target for dumping Importers, on the other hand, say the tariff barriers are aimed at entrenching monopolies and hiding inefficiency, which will push up the cost of health care

Foreign syringes have already been priced out of the SA market by the doubling of duty to 70% in December The move followed a year-long investigation by the Board on Tariffs & Trade at the request of local manufacturer Promex

Promex MD Theo Pietersen says the company, which employs 160, has the capacity to increase its market share from 85% to 100% and already holds most tenders But he denies that Promex simply wants to corner the R25m/year market and then push up prices He says the annual average price increase has been below 10% for the past 10 years

Next in line for protection is bandage maker Smith & Nephew Late last year the company asked the board to withdraw rebates on bulk rolled gauze and increase the duty on imported made-up bandages The board will probably take at least a few more months before it rules

Cape Town-based importer Macmed claims the duty on syringes and gauze products could add millions of rands to health-care budgets In addition, the possible withdrawal of rebates on imported rolled gauze threatens the jobs of 250 employees of Macmed and its subcontractors The company, part of a lobby group opposing increases, supplies about 6% of the local market with products made here from bulk cotton and gauze and finished products imported mainly from China, South Korea, the US and France.

Smith & Nephew, which employs 800, supplies just under 90% of local needs but has the capacity to supply the entire R50m/year market, says GM Neil Wallace, adding that the company's survival depends on the board's approving its applications He says the new duty requested on made-up bandages and dressings is in line with the existing duty on bulk medical fabric and will therefore only correct an anomaly in the duty structure up the value chain

Macmed MD Don McArthur, however, regards the new duties as an effort to protect virtual monopolies at the expense of consumers "These are primary commodities in health care, not luxuries Patients just can't do without them and they should be made available at the lowest possible cost"

Wallace argues that high cotton and labour costs mean the company is competing internationally on an uneven field He is blunt about what rejection of the applications will mean "We will cease local manufacture and import from one of our available group sources in South East Asia In other words, we will swap SA jobs for jobs in other countries to preserve the company's position in the marketplace"

McArthur argues that local manufacturers already have the advantage of preferential treatment and an unfavourable exchange rate that hurts importers "If a company can't compete under this sort of protection, it should not be in the market"

He says the importers are not asking for an unrestricted market, but a return to the level of duties applicable before the latest increases "The duties being applied for are not simply to level the playing fields as claimed They are aimed at kicking us right out of the game" ■

Fertiliser producers not yet out of the mire

S/Times (BUSS) 28/3/93 (183)

By DON ROBERTSON

THE R1-billion fertiliser industry barely held its head above water last year in spite of the massive sums granted by the state to farmers to buy this vital enricher.

Fertiliser sales in the 12 months to December amounted to 1,95-million tons, compared with 2,02-million tons in the previous year. But in spite of the bonanza farmers received, the industry still faces a few anxious months ahead in the hope that the now "normal rainfall pattern" continues.

Following last year's devastating drought, which produced a maize crop of only 2,9-million tons worth R1,4-billion, the government provided drought relief of R3,8-billion, of which about R400-million was utilised for buying production inputs, particularly fertiliser and seed.

The hand-out allowed maize farmers to plant 3,62-million hectares in the past season, which should produce a more normal crop of about 7,4-million tons.

But it was the late rains that saved the day. Last June, fertiliser producers were expecting a 20% slump in sales for the year, but late rains forced farmers to rush to buy at the last moment and more than 40% of total sales were made in the last quarter.

But many farmers in some large producing areas are experiencing a second year of drought.

Cerneels Claassen, chairman of the National Association of Maize Producers (Nampo), says some farmers have lost as much as R1 500 a hectare during this period in spite of state assistance.

Better

In many cases these losses are worth more than the land is valued at and it could make it difficult for farmers to raise production credits to allow them to stay on the land.

The winter wheat crop, however, is looking encouraging, although some sugar areas in Natal are suffering.

John Skeen, managing director of Kynoch Fertilizer, says that had the state not assisted there would have been more sequestrations.

"Given the rainfall that has fallen on maize fields, prospects are better than last year, but it will depend on how much farmers have in cash."

Sasol Fertilizer believes that, after a good maize crop, fertiliser sales generally rise.

Sales by Omnia in the second half of the year gave them orders and volumes which were much the same as the previous year, says deputy chairman Michael Fearfield.

Forced

Prospects, however, look reasonably good and there should be a normal wheat season, he says.

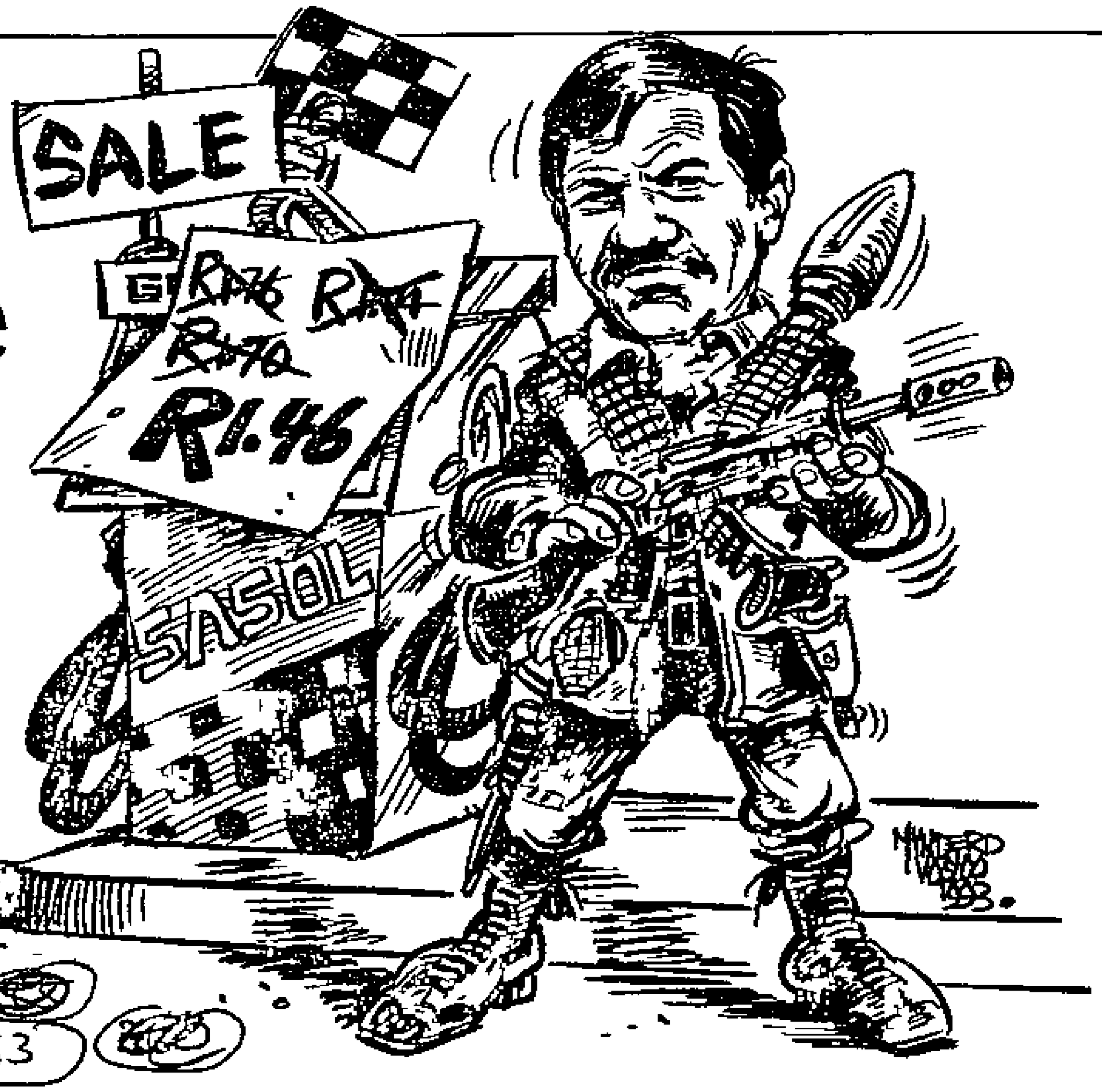
The fertiliser industry is volume-related and margins, after the rationalisation in the industry a few years ago, are tight.

Last July, Sasol Fertilizer restructured its retail and marketing divisions and reduced prices by about 20%. This forced the rest of the industry to follow suit, putting pressure on margins

Sasol pumping up its own importance

S/Times (Buss) 28/3/93

Trenches are being dug for a looming fuel price war — the mother of all price wars Comment by **KEVIN DAVIE**



SASOL, says a leading oil industry executive, is the "greatest wealth redistribution mechanism in the country "It takes money from all fuel users and redistributes it to its shareholders"

Sasol, of course, does not like comments like this, and to prove its contribution to the economy commissioned a study by government's Central Economic Advisory Services

This is the body which produced the Normative Economic Model a plan to improve SA s competitiveness through deregulation and lowering protective tariffs on a phased basis

The CEAS found that Sasol's direct and indirect contribution includes

- Contributing 3% to GDP
- Creating 160 000 job opportunities 2% of all formal sector employment
- Creating wealth of R8 4-billion,
- Increasing state income by R1 8-billion, nearly 2% of state revenues,
- Paying salaries of R3 8-billion, and
- Contributing R20-billion to the value of production in the economy

But, says a document on fuel deregulation by the oil industry, Sasol could not compete in a free-for-all and would have to get special protection

Urgency

This is an extraordinary situation Does one of SA s JSE-listed giants with net profits in excess of R1-billion and producing awesome economic benefits need special protection from government?

If it cannot stand on its own feet, should it not be converted into a public utility so that it can still deliver the economic benefits listed above but without boosting fuel prices?

These questions have taken on new urgency as the first signs have emerged that the oil cartel is about to break up as SA leaves the sanctions age

At the heart of the cartel is a commercial agreement between Sasol and the oil companies whereby Sasol has limited its retail activities to about 8% of the national market through blue pump sales on the forecourts of service stations owned or supplied by the other oil majors

The oil companies in return market Sasol s synthetic fuel from Secunda (100 000 barrels a day) and from its 64% owned refinery, Natref (75 000 barrels a day)

Conventional refiners Shell BP Mobil (now Engen) and Caltex have curtailed their own refining activities but have been paid R1-billion from government s equalisation fund since 1985 to make up this loss

Now Sasol has asked government to be allowed to sell its Natref product at its own service stations while insisting that synthetic fuel be marketed by all oil companies on a pro-rata share basis

A proposed similar arrangement between the oil companies and Mossgas has led these companies to refuse to market Mossgas product should Engen take up its 30% stake in the fuel from-gas plant

The oil companies say they cannot compete against a competitor which is subsidised by government. It amounts to government using the tax revenue of one company to support a competitor intent on destroying the first company in the market-place

This may have been the stuff of apartheid but is hardly the way to run a democratic market economy

Sasol gets hot under the collar if it is suggested that the benefit it gets from the equalisation fund (R600-million last year) is a subsidy It insists this is tariff protection

It says the protection it enjoys has averaged 11 4% since 1979, much lower than the 30,2% average protection enjoyed by South African manufacturing industry as stated by Finance Minister Derek Keys in the summary report of the NEM.

"Does one of SA's JSE-listed giants, with net profits in excess of R1-billion and producing awesome economic benefits, need special protection from government?"

S/Times (Buss) 28/3/93

But while Sasol s support has some of the characteristics of tariff protection Sasol does not operate in a competitive environment. Its commercial agreement and cartel membership ensures that its product is bought by the oil companies at government-administered prices

This protects Sasol on both price and volume Add something else and it can only be a subsidy (Sasol cannot have a belt and braces, says a leading economist)

Monopoly

At more than one-third of pre-tax profits of R1.5-billion last year the subsidy is pretty lucrative for Sasol

The oil companies add that Sasol gets a further subsidy — worth hundreds of millions annually — from Petronet s charge of 10 9c a litre for moving petrol up-country a claim which Sasol says is nonsense

Petronet last disclosed these figures in 1989/90 showing profits of R325 million from revenue of R421 million

This monopoly pricing policy acts as a barrier to entering the inland fuel market artifically boosting both Sasol s and Petronet s profitability by several hundreds of millions of rands annually

There are of course other South African companies which are highly protected but few have the deal which Sasol has carved out for itself when total onslaught was the overriding policy consideration

Sasol and government have popularised the notion that Sasol, which is protected below $23 a barrel by government, sacrifices some of its revenue when oil prices rise above $28 a barrel

But the 'sacrifice reportedly R16 million to date looks minute in relation to payments from the equalisation fund of R1 76 billion since 1985

Engen s Rob Angel has said that Engen is unlikely to take up its stake in Mossgas because of the level of government support needed to make the investment worthwhile

Attractive

Mossgas reportedly has a positive cash flow at $14 a barrel As a utility it benefits the economy through job creation technology transfer foreign exchange earnings (R120-billion over its lifespan according to one estimate) and potential down stream investments

But if privatised it will need to raise fuel prices to ensure it is sufficiently attractive for private investors

Sasol undoubtedly makes a major contribution to the economy but thrives in a highly regulated and controlled environment which artificially boosts fuel prices raising all prices and making SA less competitive as a nation

If Sasol is to remain a private sector company it must then compete as one Its shareholders must shoulder the risks of their investment, not the taxpayer

But, senior oil and petrochemical executives argue if Sasol is to remain dependent on government support and largesse for its profitability then it should be converted into a utility

Sasol is clearly intent on creating its own lifeline to motorists by developing its own service stations A compromise appears unlikely as the oil companies are not prepared to compete head-on with a subsidised competitor

The break up of the cartel is likely with a price war on the way

Pick n Pay chairman Raymond Ackerman has taken legal advice and says he cannot discount fuel at present

But Pick n Pay is prepared to lead a fuel price war We are ready for the mother of all price wars says Mr Ackerman

It's fruits of the vine for Europe

S/Times (Buss) 28/3/93

By DON ROBERTSON

UNIFRUCO the R1-billion a year fruit exporter, is to enter the European wine market in a big way In response to requests from a number of large European supermarkets which Unifruco supplies with fruit, a tentative entry into the wine market was made last year and the response was encouraging

This year the company expects to export a full range of wines — mainly under its own brand name Oak Village — to the United Kingdom Ireland, Holland, Germany and Denmark.

A new company Vinfruco has been formed in which Unifruco, plus 11 other partners, have an interest. These include four co-operatives, a number of well-known estates and about 250 grape growers in the Stellenbosch area. Wines from some of these estates and co-ops will also be offered to the local market

Unifruco managing director Louis Kriel says supermarkets, such as Tesco in the UK, asked Unifruco to offer a range of wines for the European market. These will be sold through supermarkets using Unifruco's existing infrastructure.

Mr Kriel says the wines are in the upper price range and will sell for about £4 a bottle This compares with the average price of wines in Europe of about £3,60 a bottle last year Because of the recession, the average price has since fallen to about £2,55.

Unifruco's venture into Europe is not aimed at taking on KWV, which enjoys considerable acceptance with its own wine range, insists Mr Kriel

"They are able to offer wines at far cheaper prices than we do. I don't know how they do it. Our export effort has the full blessing of KWV as they realise it enhances the reputation of South African wines in these markets."

Nuclear price bombshell

ST Times (BUSS) 28/3/93

By CIARAN RYAN

SCIENTISTS have disputed the R700 million to R800-million cost of developing a nuclear bomb given by President de Klerk this week

One estimate puts the cost of developing the bomb at 10 times this figure

Friedel Sellschop, a noted nuclear scientist and former head of the Schonland Nuclear Research Facility at the University of the Witwatersrand, says the given figure appears low· "I wouldn't have been surprised if the figure was much higher."

Johan Kruger, an energy specialist at the Bernard Price Institute, says a figure of R800-million a year for the development of a nuclear bomb is more plausible

Professor Sellschop says production of weapons grade material requires enriching uranium to more than 90%, compared with 4% enrichment for nuclear fuel

"This is a very expensive process," he says.

But Atomic Energy Corporation head Waldo Stumpf insists that the project cost no more than R70-million to R80-million a year over a 10-year period.

"This is less than about 0,5% of the annual defence budget and it enabled Armscor to avoid development of a fighter aircraft which would have cost around R22-billion "

President de Klerk disclosed that SA had developed six nuclear fission devices since 1974 These have since been dismantled, along with the plant where they were manufactured.

Dr Stumpf says the highly enriched uranium used in the bombs has a resale value of between R15-million and R20-million World prices are depressed because of a glut of highly enriched uranium coming onto the market from Russia

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Mothballed

"The material is worth five to six times this amount if we use it as fuel in our Safari nuclear reactor for the manufacture of medical isotopes."

Dr Stumpf confirmed that AEC had the technical capability of downgrading the highly enriched uranium for commercial use.

AEC operates a semi-commercial uranium enrichment plant to supply Eskom's Koeberg power station with about 100 000 separative work units (SWUs) a year at a cost of $200 per SWU. Russia could supply the same material at $68 per SWU

Eskom has scaled down its generating capacity at Koeberg, which now accounts for less than 5% of its total electricity output

In view of Eskom's surplus generating capacity it was speculated that Koeberg could be mothballed, allowing the government to close down AEC's enrichment plant, resulting in savings of hundreds of millions of rands a year. The AEC enrichment plant has a production capacity of 250 000 SWUs and currently exports enriched uranium.

AEC supplies one of Koeberg's two reactors; the second is supplied by a third country after being treated in France.

Sales of nuclear fuel to Eskom will be worth about R103-million this year. AEC will receive R469-million from government this year. It has been funded by taxpayers to the tune of R3,6-billion since 1987 to produce sales of just over R600-million, most of this to Eskom

Dr Stumpf says AEC plans to increase self-funding from the current 30% to 75% by the year 2000 Ten companies have been established and several world patents have been registered whole page

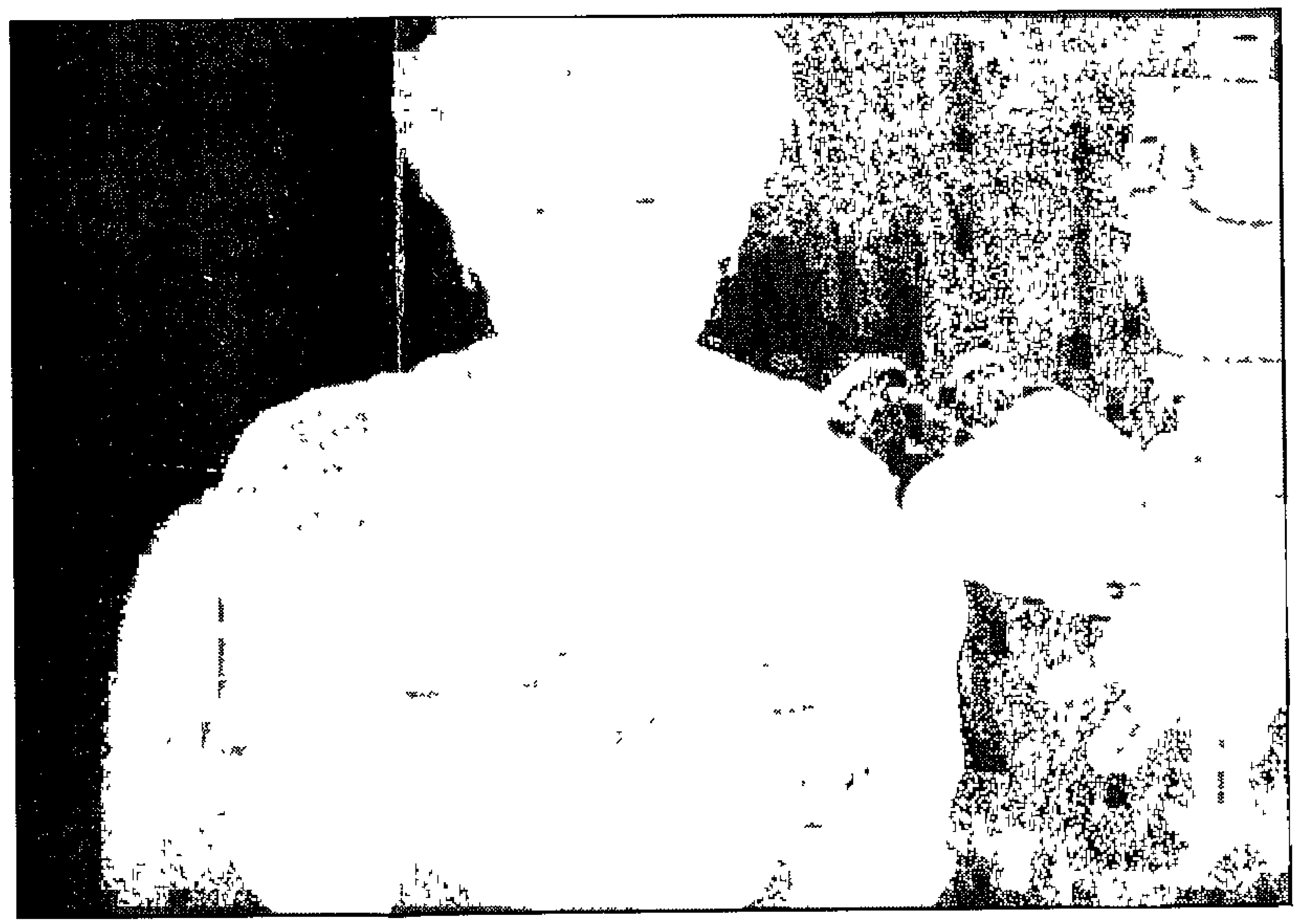
P70-1

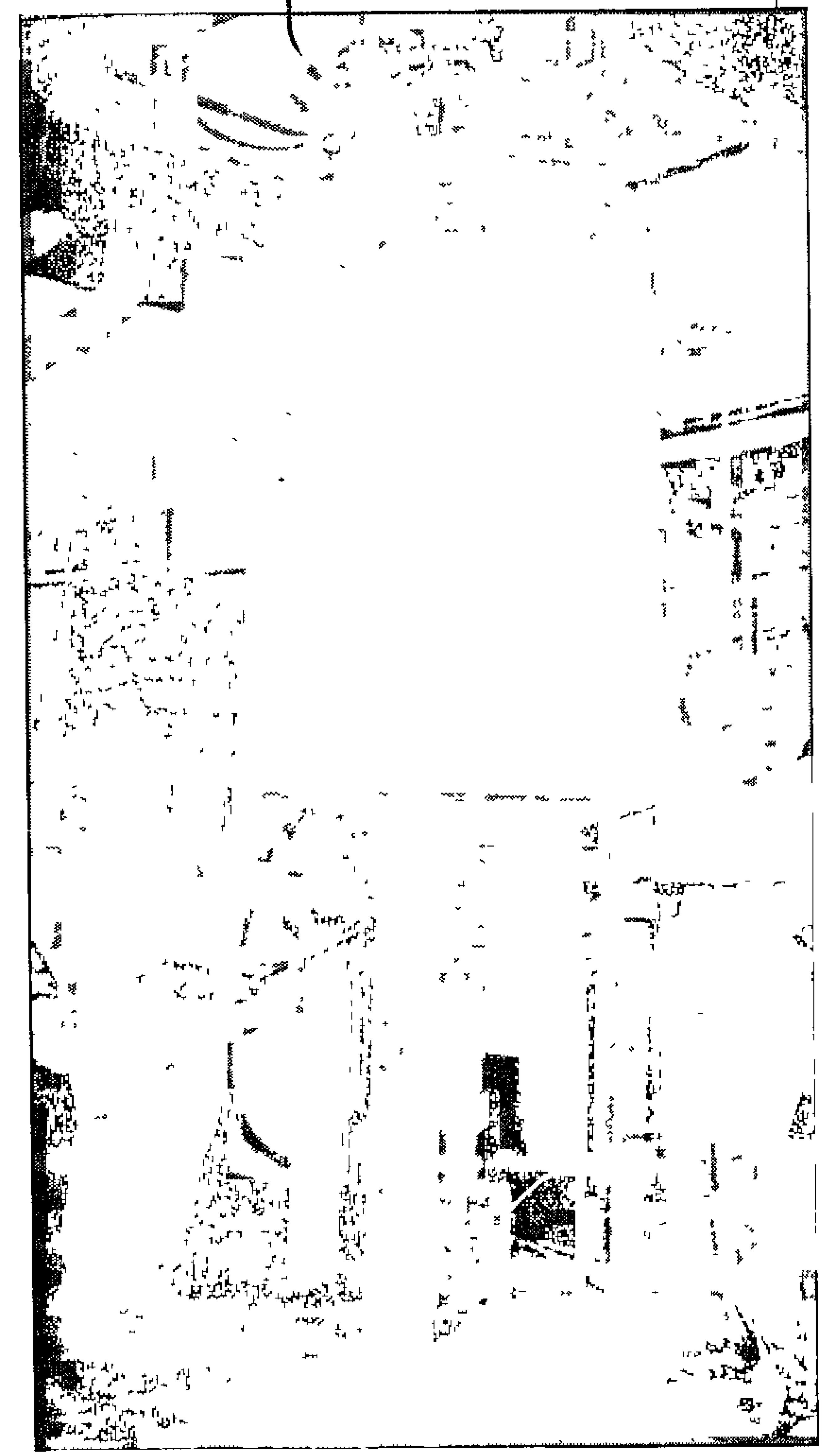
(183)

New age: The modern consumer is making new demands on manufacturers of all sorts of products, which must now be "environment friendly" and "preservative free" Scientists, however, have risen to the challenge.

RESEARCH *groups respond to market needs by seeking solutions*

Breaking ground for science and economy





Diverse skills CSIR's diversity of chemical and engineering skills has allowed it to assist in the development of a broad range of economic sectors.

A special chemistry exists between CSIR and the South African economy

CSIR's diversity of chemical and engineering skills has allowed it to assist in the development of a broad range of economic sectors, from the food, pharmaceutical and agricultural, to energy and catalytic requirements and polymer and material science

"Environmentally friendly", "naturally occurring", and "no preservatives added" are rapidly becoming criteria demanded by the modern consumer when buying food and other household products

The same demands are currently being made of agricultural chemicals

Research

Research organisations worldwide are responding to these market requirements and many scientists are seeking satisfactory solutions

CSIR's division of Food Science and Technology (Foodtek) is striving to provide high quality organic chemistry research through the Food and Agricultural Chemicals Programme

This research particularly benefits the food, agricultural, fine chemical and pharmaceutical industries Foodtek's clients vary from large chemical companies to small chemical businesses and entrepreneurs

The programme is actively involved in discovering and commercialising, in collaboration with industrial partners, naturally occurring organic chemicals from botanical or microbiological sources

Programme manager Dr Marthinus Horak says "We are presently investing considerable effort into this research as we believe these are the chemicals of the future and we want to be at the forefront of their development in South Africa."

Promising results have already been obtained in the areas of species-specific bilharzia-snail control, mosquito repellents, pharmaceuticals and herbicides. Development of the procedures are made

Also within Foodtek, the Biotechnology Programme plays an important role in developing chemical processes and products for industry Here the emphasis is on fermentation processes and the application of biotechnology to the agrochemical sector of the market.

The programme has a well-developed infrastructure and skills for the development of fermentation processes from laboratory conception through to small pilot scale The CSIR has been a partner with AECI in the development of a biotechnological process for the production of lysine. This is an animal-feed supplement to be competitive "world chemical village" and therefore needs to continually increase its technological base CSIR's research and development resources offer companies a technological advantage, assisting them to improve performance and efficiency standards

The CSIR's division of Materials Science and Technology (Mattek) runs the Chemical Products and Processes Programme, which consists of an integrated team of chemists, engineers and technicians undertaking innovative research into, and development of, chemical manufacturing processes

Mattek exploits its major industry

Through a dedicated effort to advance their scientific and technological excellence and actively participating in industrial partnerships, Mattek develops and implements process technologies for the manufacture of chemical products by local industry

To underline the drive to implement process technologies, Mattek has a wide range of pilot facilities, which are used to do scale-ups of the manufacturing process

It is also used to produce limited quantities of products required for testing or market trials.

Once the process has been the Food and Agricultural Chemicals Programme have a strong organic chemistry background and infrastructure They have the expertise and facilities to improve processes, evaluate project specifications and undertake custom synthesis

Close collaboration with their microbiologist colleagues allow the organic chemists at the CSIR to apply enzymes or whole organisms to effect biotransformations in their synthetic processes

The CSIR's Division of Energy Technology (Enertek) was awarded a contract by the Department of Mineral and Energy Affairs to demonstrate the duff, discards and coal slurries, while organic sludges, wood waste, spoilt cattle fodder and discarded PC boards have also been incinerated successfully

This technology is well suited for the incineration of chemical wastes, particularly solid and liquid wastes that are difficult to incinerate in conventional fuel burners

In 1989 Enertek received one of the South African Institute of Mechanical Engineers' four awards for the engineering expertise involved in the design, installation and commissioning of a fluidised-bed, hot-gas generator

Fluidised-bed technology has [illegible]

Enertek also completed the development of a fluidised-bed dryer to address the problem of fine and ultra-fine coal drying

Enertek operates a roll briquetting test facility to investigate the technical and economic potential fo briquetting for producing reconstituted solid fuels and compacts from fine materials, with partial support from the Energy Branch of the Department of Mineral and Energy Affairs

Binders largely contribute to the cost of briquetting, Enertek therefore also investigates the use of alternative binders and techniques for reducing or eliminating the need for binders.

independent assessment of commercial catalysts, through to longer-term catalytic process development

Enertek has also set up the first industrial explosion test laboratory in Africa In SA at least one dust explosion takes place every week so Enertek's laboratory will assist industry in eliminating the dust explosion risk

All the chemical activities at the CSIR are supported by extensive analytical and engineering skills

All these individual skills and the unique opportunities created by the collaboration and [illegible] anc pur icat on o these natural products is undertaken in the laboratory and subsequent evaluations of possible scale

1995 in a planned R300 million fermentation plant

The local chemistry industry today finds itself in the very

and ability to interact with the broad technical skills and facilities available at CSIR, to service the needs of the chemical

cess can be implemented at their partner's premises

Both the Chemical Products and Processes Programme and

bustion for utilising duff coal

Since then Enertek's national fluidised-bed combustor has been successfully used to burn

client who wished to incinerate aqueous waste containing up to 80 percent water

Towards the end of last year

ys s Programme. The team provides assistance ranging from working on novel or improved catalyst formulations,

the CSIR to confidently tackle many of the complex chemical problems arising in the public sector of the SA economy

Hi-tech R300-m plant to be launched

AECI is launching itself firmly into the field of biotechnology with the announcement last month that a R300 million hi-tech plant to manufacture lysine is going to be built at the group's Umbogintwini Factory on the Natal South Coast

This is the first project in the group's strategy embarked upon in 1987 to develop a skills base in biotechnology in order to take advantage of business opportunities in this growing new technology

The project, a 60-40 joint venture between AECI and the Industrial Development Corporation (IDC), will manufacture 11 000 t a year of lysine, an amino acid used in pig and poultry feed

"Supplementary lysine must be added to the diet of pigs and poultry in order to balance the feed composition more closely to the needs of the animal than can be achieved with conventional protein sources such as fish meal and oil cake

"Because of this balancing, the animal utilises the protein in its feed more efficiently and excretes less nitrogenous waste Lysine thus reduces both the cost and the environmental impact of animal production," says AECI

The group says that lysine was first produced commercially in the 1960s and international demand has been growing rapidly since then

"This trend is expected to be maintained for the foreseeable future since environmental concerns in many parts of the world will increase pressures to reduce introgenous effluents caused by intensive animal rearing"

According to AECI, the plant will be the first lysine production facility in Africa and construction is expected to begin in the third quarter and start-up is planned for 1995

"The project is a first for SA and will export about 60 percent of its production It is the culmination of six years of development and will allow AECI to take advantage of business opportunities in this growing new technology," says AECI

A healthy spin-off of the project is that it will give work to about 80 people on the plant and about 300 people will be involved in the construction of the plant

Lysine is produced by the aerobic fermentation of sugar The organism also requires nitrogen in the form of ammonia and its salts After fermentation, the lysine is extracted using ion exchange The product is then concentrated, reacted with hydrochloric acid, crystalised and dried

The broth from the fermentation contains microbial residues and remaining nutrients, largely ammonium and potassium sulphate The so-called cell mass or biomass is separated from the broth and sold as an animal feed The broth is conentrated for use as a liquid fertiliser These by-products are nutritious and non-toxic

"The basic raw material will be sourced from the Tongaat-Hulett sugar refinery in Durban African Products will supply soluble protein and companies within the AECI group will supply other raw materials and services used in the process The plant will comprise mostly stainless steel equipment which will largely be fabricated in South Africa"

AECI has undertaken an environmental impact assessment (EIA) as the principle of integrated environmental management has been employed in the design of the plant In line with the group's sustainable development policy, waste has been minimised by recycling or conversion into useful products

AECI says that because the project is based on the harnessing of natural processes and living organisms, the process is intrinsically not hazardous

"The EIA concluded that the plant will have little impact on the environment under normal operating conditions Under upset conditions, the plant may be required to discharge diluted residual nutrients from the fermentation to sea These nutrients will normally be recovered and sold Toxicity tests have shown that these by-products will have no adverse impact on the marine environment," says the group

From a visual point of view, the project site is visible from the adjacent residential area and the landscape will change as a result of the plant structure

"However, there will no flares and no increased glare from plant lighting because external illumination will be provided by lights located at the lower levels of the process building A landscape architect will be retained to ensure pleasing overall aesthetics This will include planting of trees and landscaping"

AECI concludes that with this base in biotechnology, the group will establish a leading regional position to expand into other biotechnology businesses The group has identified opportunities in the production of other micro-ingredients for human and animal nutrition and health care.

Industry warms to use of hydrogen peroxide

Hydrogen Peroxide is fast becoming the preferred oxidant in the textile, paper, chemical and water-treatment sectors as SA industry moves towards environment-friendly processing

Keith Harris, general manager of Alliance Peroxide, the only SA manufacturer of hydrogen peroxide, says it is made up of hydrogen, air and water, is odourless and reacts to form water and oxygen

"Since Alliance Peroxide began manufacturing at Umbogintwini on the Natal South Coast in 1991, we have pioneered many successful applications for the product in partnership with some leading industries," he says

Hydrogen Peroxide is mostly used for bleaching and brightening pulp for the paper and textile industries but it has wider applications in the mining, chemical, herbicide, food and packaging industries as well as effluent treatment

Harris says many of the major industrial concerns have converted to using hydrogen peroxide rather than chlorine-based oxidisers

Among other uses, hydrogen peroxide is widely used overseas at water-purification plants and its properties for oxygenating water are well documented A new local application for the product was recently found when it was used to treat water, which had poor oxygen levels as a result of the drought and increased effluent concentrations.

"A couple of companies have, with our assistance, successfully treated contaminated streams and lagoons with appropriate quantities of hydrogen peroxide on a number of occasions and thereby prevented large scale fish death"

He says when hydrogen peroxide is added to dirty water or water that has reduced oxygen levels it causes a natural chemical reaction during which the contaminants are "attacked" and oxygen is released, which raises the levels of available oxygen in the water, thereby assisting fish to survive

Through working in partnership with industry, the application of hydrogen peroxide has resulted in breakthroughs in technology, once not possible or economically viable

One such product is the process which enables the manufacture of a plasticiser for PVC from soya bean oil Chemserve Polymer Sciences produces this plasticiser for the manufacture of flexible PVC used for making shoe uppers, upholstery for cars and food packaging

Another partnership has seen locally manufactured hydrogen peroxide being used by Orchem in the manufacture of accelerators for the tyre industry

A lesser-known application of specialised grades of the product is in the sterilsation of asceptic packaging used for products such as milk and fruit

Domestic uses for the product include cleansing of wounds, shock dosing swimming pools and bleaching hair

STAR 29/3/93 POWER OF CHEMICALS (183) Star Advertising Survey

white page.

Directory of products, suppliers to be published

A comprehensive directory containing details of about 8 000 chemicals and about 290 suppliers in the chemical industry will be published in May/June this year

The third edition of Chemdata, published by the CSIR Information Services, is a useful source of information for companies in the local chemical and allied industries which are looking for alternative local sources of supply

It also assists companies to spot opportunities for new ventures in the manufacture of chemicals

The directory, which can also be of value to interested oveseas parties, is user-friendly as it lists chemicals and suppliers alphabetically and has ample cross-references

According to the CSIR, the information is gathered by means of questionnaires sent to every possible source in the chemical and related industries

Information is actively followed-up by the Information Services staff Every company active as a supplier of chemicals is entitled to a free listing in Chemdata

"Chemdata is regularly updated so as to remain a reliable source for the industry In addition to the two previous editions' listings of local manufacturers and importers of chemicals, this improved edition includes local agents for overseas manufacturers of chemicals," the CSIR says

Apart from this, Chemical Abstract registration and United Nations hazardous classification are also added to this edition, where applicable

Subscription costs about R200 Chemdata will be published every two years For more information telephone (012) 841-4300 or fax (012) 86-2869

EVER-GREEN *material is 100 percent recyclable*

Fantastic plastic — Perspex is king

Design freedom: Perspex can be bent or moulded into almost any conceivable shape or it can be worked with like wood· machined or sawed and then drilled, tapped and screwed, bolted or cemented together.

"PERSPEX is the prince of plastics," says Keith Gall, national sales and marketing manager of Acrylic Products

"It finds application in many different areas from kitchenware to signage, skylights, sanitary ware, furniture, ornaments and even bullet-proof products — it is totally versatile"

In its finished form it is durable and long lasting

"Another of Perspex's strong points is that it can be pigmented to any corporate or customer colour specification, which makes colour matching consistent," said Gall

Outstanding

"This design freedom has resulted in Perspex becoming one of the best known and most widely used general purpose plastics"

Perspex is popular in the building industry and is used for roof domes and skylights

"It has outstanding resistance to outdoor exposure After many years under damp tropical conditions and extremely high ultra-violet exposure associated with Transvaal's highveld conditions, the degree of colour change of both clear and coloured Perspex is extremely small, making Perspex an ideal sign material," explained Gall

"The excellent optical properties of Perspex also lends itself to glazing applications It can be tinted in order to regulate heat and light to suit environmental conditions

"Opal Perspex can be used to ensure even light dispersion for overhead indoor lighting

"It is one of the hardest thermoplastics showing a high degree of abrasion resistance, and being a cell-cast acrylic exhibits a high-gloss finish, which it will retain even after many years of use

"A big benefit of Perspex is that it is a 'green product'

"It is 100 percent recyclable, instead of ending up as scrap it can be reprocessed," he said

Acrylic Products, which is a wholly owned subsidiary of AECI, has been manufacturing Perspex in South Africa for more than 25 years and is associated with the original manufacturer of Perspex, ICI

Acrylic Products has built up a wealth of experience with regards to specific properties, applications and fabrication techniques of Perspex

"This experience together with the detailed technical literature and a well equipped technical service laboratory make up the excellent back-up service we provide our customers," said Gall

"Although Acrylic Products also produces acrylic and PET mirrors, Thoran polycarbonate sheeting and extruded acrylic sheet in various impact strengths, it is Perspex that we have become most famous for, after all there is only one Perspex," concluded Gall

Prince of plastics . Keith Gall, national sales and marketing manager of Acrylic Products says Perspex is totally versatile

Balancing benefits and risks

"MONSANTO views SA as a vital link in its worldwide research and ... network. Informa-

Fulton adds that with changing political circumstances, agricultural ...

"We would merely aggravate the problem of world starvation

AGRICULTURAL & VETERINARY CHEMICALS

field trials carried out here and in other parts of the world is pooled within the various Monsanto research centres," Gordon Fulton, managing director of Monsanto South Africa, says

According to Fulton, Chemical compounds are being developed that will have considerably less environmental risk than many products commonly used today, and yet they will be more effective over a wider range of weeds

Much of the research and development effort is being concentrated on compounds to improve weed control in important crops

"Monsanto South Africa's research and development section will be heavily involved Other work is being carried out in refining and improving existing herbicides and in the development of new fungicides"

The power of chemicals in agriculture and general industry cannot be overestimated

Fulton says "Without herbicides and pesticides agricultural production would decline sharply and as a result, food prices would rocket"

At the same time he is most conscious of the environmental responsibility that falls upon multinational chemical companies such as Monsanto "Internationally we spend 10 percent of our turnover on research and development and environmental-impact studies The development of a new product takes between six and seven years and the cost averages out at about R100 million

"Our research and development work not only focuses on meeting the needs of the farmer and making it easier and more economical for him to produce healthier crops and higher yields, but also on the vital aspect of ensuring that our herbicides are as safe and environmentally friendly as possible"

"We have exported maize to the Far East South African wines are making strong inroads overseas, table grapes, citrus and deciduous fruit are in demand and there is potential for timber products exports from our forestry industry

"All of these crops, if they are to be competitive on world markets, are dependent to a great degree on chemicals in the form of herbicides, pesticides and fertilisers"

Turning to safety, Fulton stresses there is "no such thing on earth as absolute safety" and that safety cannot be bought at any price

"But safety is worth something and degrees of safety are attainable at a price The question is, just how much safety does the market want and how much is it prepared to pay for it?

"Through research and development work and effective regulation governing the use of herbicides and pesticides we have already achieved exceptionally high levels of safety"

Fulton says Dr Sandford Miller, dean of biomedicine at the University of Texas, says pesticide risks to consumers have reduced one-thousand-fold since 1946

"American food safety experts show that the pesticides consumed even 15 years ago by the average young American adult totalled about 40 milligrams a year — with a total toxicity equal to one aspirin or the caffeine in one cup of coffee Since then, new technology has seen the volume of pesticides and herbicides applied reduced by 50 percent

"The price attached to using purely organic techniques in agriculture would be very high They would lead to lower food production and higher prices because of higher production costs and demand for scarcer supplies

"This is a price we are surely not willing to pay and therefore there must be a compromise point where the benefits of herbicides are worth the price"

Fulton adds that the benefits and risks of chemicals can be determined by experts but, particularly in the case of agricultural chemicals, these are not immediately obvious to the average individual

"There is a tendency to take note of the perceived risk side of the equation only and this is often based on incorrect information and influenced by partial or total lack of knowledge

"However, most of us are quite happy to use weed killers on our lawns, insecticides on our roses, chemicals to control fleas on our pets and our kitchens normally contain many chemicals Because the benefits of these products are tangible and affect us directly, we seem more prepared to accept them without question"

Agrochemicals generally are very low-risk, provided the products are applied and used correctly

"The registration laws in most countries — and SA is one of them — see to it that herbicides are subjected to exhaustive and vigorous trials and tests before they can be registered and sold

"We also have industry bodies, such as the Agricultural and Veterinary Chemicals Association of SA which, among other services, provide very important education and training in the correct use of chemical products

"Modern herbicides are much more user-friendly than those of 20 years ago Rigorous safety screening programmes are employed so that product safety levels receive as much attention as product efficacy"

Modern-day technology key to feeding world

"The only way to achieve cost-effective and sufficient food production to ensure a healthy nation is through using the modern-day technology of plant protection and animal health products against diseases, pests and weeds," said Jan Kleynhans, executive director of the Agricultural and Veterinary Chemicals Association of SA

The United Nations Population Agency's medium-term projection is for world population to reach 6,1 billion by the year 2000 and about 8,2 billion by 2025, before stabilising at about 10 billion towards the end of the 21st century

The world population is therefore exploding at a rate of 75 million a year, or 200 000 every day

"If the present per capita consumption of food stays constant, population growth will require that annual world food production expand by 70 percent over the next 37 years," Dr Norman Borlang, Nobel Peace Prize winner and father of the Green Revolution, wrote in 1988

"If diets improve among the poor and undernourished, annual world food demand by 2025 could be as great as nine billion tons, more than double the 1988 harvest

"Had the world's food supply been distributed evenly during 1988 it would have provided an adequate diet for six billion people — one billion more than the actual population

"However, had the people in developing countries tried to obtain 30 percent of their calories from animal products — as in the First World countries — a world population of only 2,5 billion people could have been sustained, half of those who were alive in 1988"

In SA, the population was estimated at 38 million in 1990 and is expected to grow to 60 million by the year 2 008

"It must be remembered that only 13 percent of SA's land can be cultivated and a large percentage of this is inherently of poor fertability In addition large areas of the country are plagued by periodic droughts," said Kleynhans "In order to ensure a healthy nation, not only grain crops, but also sufficient fruit, vegetables, meat and dairy products must be produced at affordable prices for everyone

"This cannot be achieved without proper protection of crops and animals against the onslaught of weeds, pests and diseases through using the modern-day technology of plant protection and animal health products," he said whole page.

THE POWER OF CHEMICALS

There is hardly any sector of the SA economy to which the chemical industry does not supply some strategic need. This survey was edited and compiled by ALF JAMES. Advertising KARIN KAHN.

Range and service keep company on top

THE Chemical Services group's managing director, Lex van Vught, ascribes the group's continued success after 46 years in the market place to its selection of niche markets and to the high quality of its people

"The company is fortunate to have not only many highly qualified employees, but people who are entrepreneurs and innovators," said Van Vught

"Whereas bulk 'commodity' chemical manufacturers rely mostly on the chemical properties of their products we sell our speciality products with comprehensive advice and technical support service "

Unlike the giants of the industry, Sentrachem, AECI and Sasol, Chemical Services is not particularly capital intensive

"Our investment is in the application, know-how and calibre of our marketing, technical-service and chemistry staff We try to optimise the performance of our products for our customers," said Van Vught

The Chemical Services group has a diverse and broad range of products, which are supplied to every conceivable industry Van Vught believes that the SA economy is too small for his group to have a narrow chemical focus

"Our diversity is our strength, no industry dominates our business We might be more active in the food and mining industries, but neither commands more than eight percent of our turnover," he said

"We must continue to change and diversify in order to remain successful There are new developments all the time in 'speciality chemicals' and we must stay on the cutting edge and replenish our mature products," he added

Chemical Services has, over the years, built up a base of 80 international agencies and has established relationships with over 30 leading international chemical companies, from Burmah Castrol PLC in Britain to Westvaco Corporation in the US, which through joint venture or by licence, have made their technology available

The group has been listed on the JSE since 1967 and has featured in the top 100 listed companies — based on returns for investors — nine out of the last 10 years

The chemical industry is often perceived as being one which causes deterioration of the environment However, Chemical Services believes that it is possible to operate in an environmentally responsible manner and has made such a responsibility its policy

"Many of the chemicals produced or distributed by the group are, in their proper use, contributing to the reduction of pollution and the improvement of industrial processes in South Africa," said Van Vught

"The group regards the protection of the environment as vital to the contribution it aims to make towards the improvement of the quality of life of all the people of SA "

Diversity is strength Chemical Services managing director Lex van Vught

WORK BEGINS *on plans to erect a penicillin plant in SA*

US donates R1-m for feasibility study

■ Gift for future: Last week a grant from the US government was ratified, which could see SA build the first penicillin plant in Africa.

IN THE first grant of its kind since the introduction of sanctions, the United States Trade and Development Agency (TDA) has made over R1 million available to AECI for a feasiblity study into the production of penicillin in SA

AECI will match the amount and the study will begin immediately Should the results be positive, AECI will propose the erection of the first penicillin plant in Africa It will be designed to manufacture 600 t of penicillin a year

It is expected that the plant will be located at the company's Umbogotwini factory near Durban

The grant was ratified at a signing ceremony in Cape Town last week ambassador of the United States Princeton Lyman signed on behalf of the US and John van Leeuwen, executive director of AECI signed for the company

According to Lyman, the US government sees this as an opportunity to assist development in the region "A penicillin plant in SA will contribute substantially to a system of primary health care both here and throughout southern Africa," he says

The demand for penicillin in southern Africa has grown at a rate of six percent a year over the last decade It is widely prescribed in large hospitals as well as in rural clinics because of its efficiency and moderate cost

AECI's skills in biotechnology, chemical operations and marketing, combined with proven technology, provide the base for launching a project of this nature in this region AECI also views this project as spearheading further investments in health care and nutrition-related biotechnology products

In recent years, AECI has placed an emphasis on developing value added fine chemicals from local resources

This is a shift away from the group's more traditional business operations. Biotechnology was identified as a key technology to achieve this goal and the first project in this new area, namely lysine, was announced last month (see Page 17)

When the lysine project was announced it was stated that the biotechnology process could be adapted for the production of other micro-ingredients for human and animal nutrition and health care.

The production of penicillin would be a natural progression from the lysine fermentation process

A penicillin plant would also be a platform for diversification into other essential medicines, such as TB drugs, for which there is a growing market in developing Third World countries.

The capital cost for this project is estimated at more than R200 million

The production plant envisaged by AECI would produce generic penicillins through the fermentation of glucose feedstock derived from sugar About half of the production would be supplied to southern Africa and the balance to the rest of Africa and other overseas markets

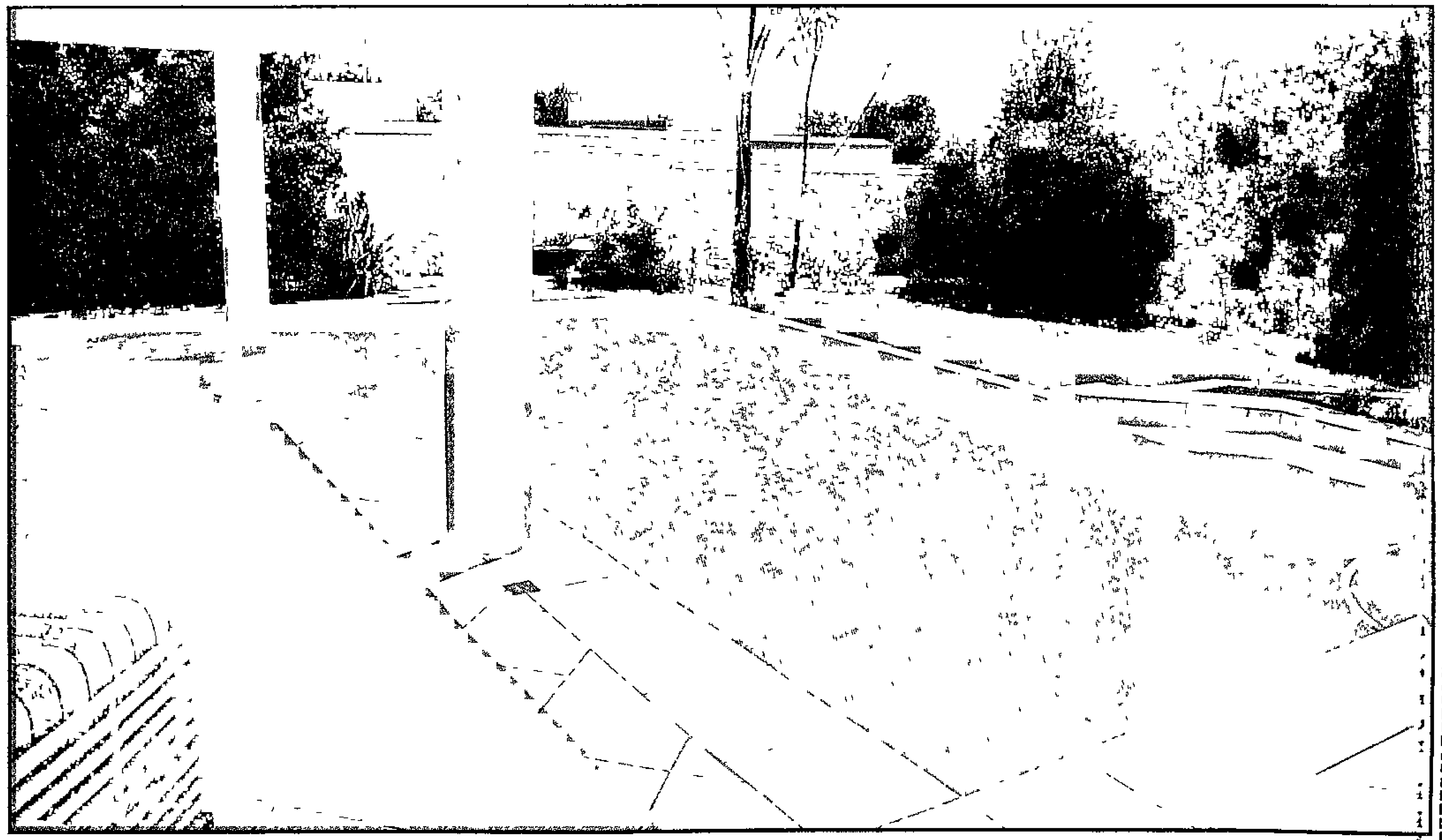
Bulk penicillins are currently imported into South Africa from Europe, the UK and the US by local pharmaceutical companies, for the production of finished products

If the project goes ahead, AECI will aim to supply the raw materials for generic penicillins to formulators of finished products in sub-Saharan Africa

SA, through its geographic position and well developed infrastructure, is well placed to serve this region — a region in which its involvement is growing AECI would also co-operate with pharmaceutical companies which have strong networks in Africa to contribute to the promotion of finished products in these countries

All the penicillins under investigation by AECI are on the World Health Organisation essential drug list

The World Health Organisation is interested in encouraging each region to become self-sufficient in drugs and in promoting an added-value culture



Sparkling clear HTH dry chlorine can also be used for the disinfection of public drinking water

Chlorine

THOUGH more commonly associated with swimming-pool care, the applications of HTH dry chlorine are far more diverse, being

ment processes The accumulation of algae in reservoirs can be effectively controlled by treatment with HTH dry chlorine solutions and disinfection of public drinking water.

The disinfection of sewage effluent depends on the destruction of the disease-producing organisms in the treatment of sewage. Disinfection is necessary to protect receiving waters which may subsequently be used for water supplies or bathing areas. The correct treatment of sewage ensures the protection of public health.

On average, satisfactory disinfection of secondary wastewater effluent can be obtained when the chlorine residual is 0,5 parts per million after 15 minutes contact. The amount of HTH dry chlorine solution required will vary, depending on the concentration and conditions of the final effluent.

Whenever possible, disinfection should be controlled by laboratory methods. Disinfection can be realised when the chlorine residual, after 15 to 30 minutes contact, lies between 0,6 and 1,0 part per million.

No water supply may be considered adequate for human consumption unless protected by disinfection chemicals.

A water plant will often find the low initial investment and the economical operating cost of HTH dry chlorine hypochlorination well within their allocation.

Disinfection is accomplished in two steps:

- Enough HTH dry chlorine solution must be added to satisfy the initial chlorine demand of the water and to effectively control bacteria and satisfy other oxidisable matter present.
- Sufficient additional solutions must be added to provide a chlorine residual (in usual water works practice, a chlorine residual of 0,1 to 0,2 parts per million after a

inexpensive protection

minimum contact period of 10 minutes is standard).

The usual method of application is by means of a hypochlorinator, which pumps the HTH dry chlorine solution into the water as it flows past a selected point. When a uniform rate of flow is maintained, a constant rate hypochlorinator can be used.

Small water treatment plants that experience filtration, coagulation, sedimentation or taste problems due to slime can greatly reduce this incidence by the proper employment of split hypochlorination.

Application of pre-hypochlorination dosage should be made at a point which will ensure a chlorine residual of three to five parts per million at the influent of the mixing tank (or first treatment operation). Post-hypochlorination dosage should be applied after the water leaves the final plant treatment step in sufficient quantity to provide a chlorine residual of 0,1 to 0,2 parts per million in all water entering the storage or distribution system.

The additional HTH consumption will be found to be far outweighed by the savings in labour and time due to the elimination of algae.

The growth of algae in reservoirs often causes unpleasant tastes in the finished water. It also clogs filters and interferes with the efficient operation of all treatment can best be controlled by continuous hypochlorination of the streams feeding the reservoir.

Suitable feeding points must be selected on each stream at least 45 m upstream from the points of entry into the reservoir. Feeding is done either by mechanical hypochlorinators or by gravity-type feeds.

When the usual sources of raw water fail or fall below normal demands due to drought, it is often necessary to lay emergency lines to less desirable sources to supplement available supplies.

Existing chlorinating equipment is seldom sufficient to accommodate supplementary supplies due to the higher pollution or to the distant location of the supplementary water supply. In theses cases, distance precludes treatment by the existing installation before entry into the distribution or storage system.

Emergency HTH feeding equipment can very often be utilised to solve the problem. Gravity or mechanical hypochlorite feeders should be set up at the most appropriate point on the supplementary line and then adjusted to dose supplementary water entering the system to a minimum residual of 0,2 parts per million after a contact of 20 minutes.

Where drought has completely paralysed the water system so that trucking or shipping of drinkable water to stricken communities is required, the entire disinfection of the shipped water, the protection against contamination during shipment and the assurance of safe hauling and handling become a problem.

Tanks, hoses, filling and discharge equipment should all be thoroughly scrubbed and cleaned before being used.

Immediately before the shipping container is filled at the loading point, all surfaces which may come into contact with the drinking water should be sprayed, flushed or swabbed with a solution containing 30 g HTH dry chlorine for each 20 l of water (about 500 parts per million).

The container should be permitted to stand for 10 minutes to ensure complete action.

It may then be rinsed thoroughly.

After or during the filling process, the water should be dosed with enough HTH solution to provide a residual of at least 0,2 parts per million upon arrival at the distribution point.

Mossgas ships alcohol export

(183)

JOHANNESBURG — Mossgas' first export consignment of alcohol left Mossel Bay for Brazil on the bulk liquid tanker Batumi on Saturday, Mossgas said

CT 29/3/93

The denatured anhydrous motor fuel alcohol, a byproduct of Mossgas' synthetic oil from the offshore gas process, was used as a blending compound in motor fuel, Mossgas spokesman Harry Hill said

The export of the alcohol followed the conclusion of a contract between Mossgas and the US company, Itec Refining and Marketing, for all of the alcohol produced by Mossgas

The contract prohibited disclosure of volume, price or value of the consigment, Hill said

However, he said Mossgas produced alcohol, worth between R50m and R60m annually

Production of alcohols at Mossgas commenced in November 1992

NAPW members enjoy 17,5 percent discount in competitive market

Star 30/3/93

Wholesaler has key drug role

THE pharmaceutical manufacturing industry is highly competitive and no one manufacturer has more than 10 percent of the market, according to Lex Tannenbaum, president of the National Association of Pharmaceutical Wholesalers (NAPW)

Competition is on perceived quality and price, he says

A cogent example is that of Zantac and Losec, two medicines with differing chemical compositions that act on the gastro-intestinal tract, perceived as expensive

Many of the active ingredients are imported and the price of medicine rises with deteriorating exchange rates

Tannenbaum cites the key role of cost-effectiveness

He points out that the development of medicine leads to fewer illnesses, thus resulting in less time lost to reduced productivity.

He notes that sophisticated medicines like Zantac and Losec are often alternatives to expensive and disabling invasive surgery

"This is cost-effective as we all gain from the benefits of the advances in medicine," he says

Tannenbaum also compares medicine with other essentials

"The price of essentials is high and medicine is one of them But there is an emotive content to medicine as no one wants to get sick"

The wholesaler has an indispensable role to play in the safe and efficient distribution of medicine countrywide

NAPW members enjoy a discount of 17,5 percent from most manufacturers on which their professional are allowed 2 percent after tax

Discounts allowed by NAPW members to their customers can thus not exceed or even equal 17,5 percent

According to the NAPW, conclusive evidence exists in the marketplace that some non-member competitors are offering discounts substantially higher than 17,5 percent to retail outlets ~~and other~~ customers

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Grey market

Evidence also exists that manufacturers supply some retail pharmacies and dispensing doctors at more favourable prices than those available to NAPW members

Some competitors gain a price advantage by obtaining products via pharmacies and dispensing doctors favoured by suppliers

The product ranges and magnitude of volumes offered by competitors to customers of NAPW members at more competitive prices excludes the possibility that only stock procured on the grey market is involved

Wholesalers who procure normal medicines through normal channels distribute around 75 percent of all private sector drugs

NAPW believes that this 75 percent of wholesale trade thus subsidises and sustains discounts of more than 17,5 percent allowed by manufacturers to selected customers

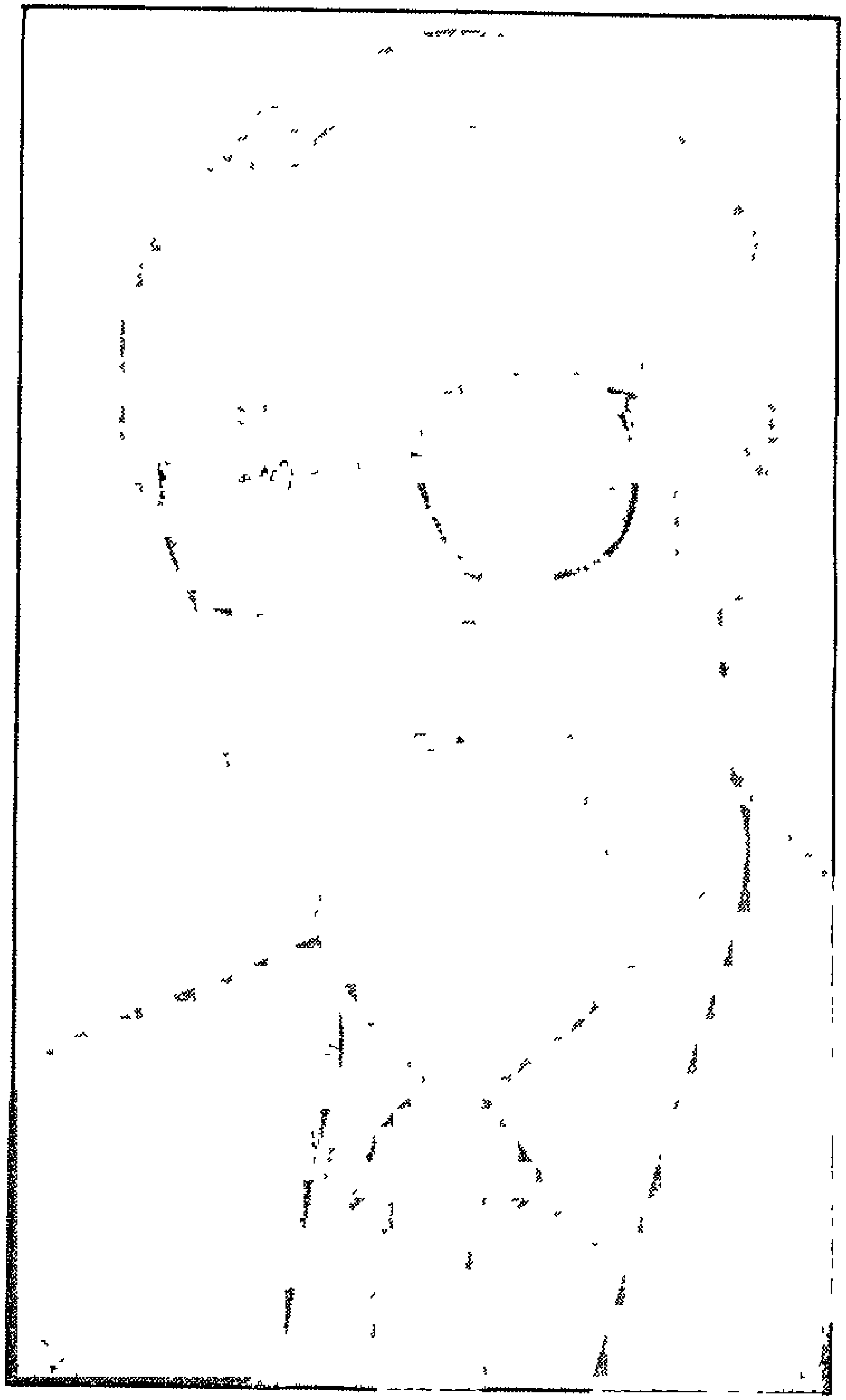
The NAPW has concluded that manufacturers choose to practise price discrimination against its members in the belief that one or more of the following assumptions may be true

- Products will reach customers which suppliers assume are not serviced by NAPW members
- Overall sales volumes will be increased.
- Selling prices to end consumers may be lowered

NAPW, however, asserts that none of these assumptions is valid·

- NAPW members service all customers legally entitled to purchase medicines in terms of Act 101, 1965.
- Volume supplied at highly discounted prices to selected customers in a specific geographic area merely serves to cannibalise potential volume supplied at normal discounts to the majority of customers
- Prices to consumers over and above the normal market-related discounts are not reduced

End suppliers who procure direct from suppliers at more favourable prices do not extend the benefit to consumers



Price of illness "the price of essentials is high, and medicine is one of them But there is an emotive content to medicine as no one wants to get sick," says NAPW president Lex Tannenbaum.

Star 30/3/93.

SAD hoists earnings 70%

By Stephen Cranston (183)

Improved productivity and output and a switch to a more marketing-oriented strategy enabled SA Druggists (SAD) to report a 69,7 percent increase in earnings per share to 47,19c in the six months to February

Turnover increased by 68,2 percent to R925 million, partly because of the inclusion of the companies bought from Malbak, Protea and Akromed

The original SA Druggists' companies improved turnover by 35 percent to 40 percent

The operating margin increased from 4,5 percent to 5,2 percent despite price-cutting in some sections of the pharmaceutical trade.

SAD re-entered the state tender market, boosting output substantially Lennon, the Port Elizabeth generic manufacturer, doubled production and now turns outs 8 to 10 million tablets a day

Chief executive Peter Beningfield says that as a result, Lennon is now looked upon as a reliable supplier

The pharmaceutical division's turnover increased by 113,4 percent to R338,7 million, but operating income was up 197,9 percent to R43,0 million

Exports, mainly to African countries and the UK, now account for 15 percent of the division's turnover

Intramed, which manufactures injectible products, had a more troublesome start-up than expected and did not contribute during the period, but volumes are now satisfactory and the plant is running smoothly

The more volatile pharmaceutical distribution business increased turnover by just 2,4 percent to R368,4 million and lifted operating income by 7,3 percent to R11,4 million

Volumes were reduced to the retail trade because of the econ omy and continuing discounting in the wholesale market

Beningfield says the wholesale division is now an appropriate size and its volatility no longer exerts an undue influence on the group as a whole

The chemical and medical trading division had a reasonable performance, with turnover up 793,9 percent to R212,9 million, mainly because of the inclusion of the former Protea companies, but operating income increased by only 80 percent to R9,15 million

Beningfield says that each business has been given full financial authority The quality of buying and cost control has improved across the group

Pamphlets explaining SAD products and the role of generic medicine have been introduced, which he says is a small move with a large effect

The balance sheet has been strengthened, with borrowings down 8,5 percent to R159 million Gearing has been reduced from 90,2 percent to 41,9 percent.

Funds employed increased by 46 percent to R540 million, but permanent capital rose by 97 percent to R378 million.

The effective tax rate fell from 47,7 percent to 34,6 percent, mainly because of increased exports.

Beningfield predicts that earnings per share will be 110c to 120c in the full year

He says the group will make a contribution to the drive towards affordable healthcare by manufacturing cost-effective medicines and by supplying the the tender market

Let's just be fair, pleads drug boss

Star 30/3/93

ACCORDING to John Toerien, executive chairman of the Pharmaceutical Manufacturers Association (PMA), while the price of medicine in South Africa is continually described as "high", the criticism is never substantiated in terms of defined economic norms

The PMA is well aware of the fact that the price structure of medicine in South Africa is high compared with that of overseas countries But this is a fallacious argument, particularly if one compares medicine expenses in South Africa to a percentage of the total health bill

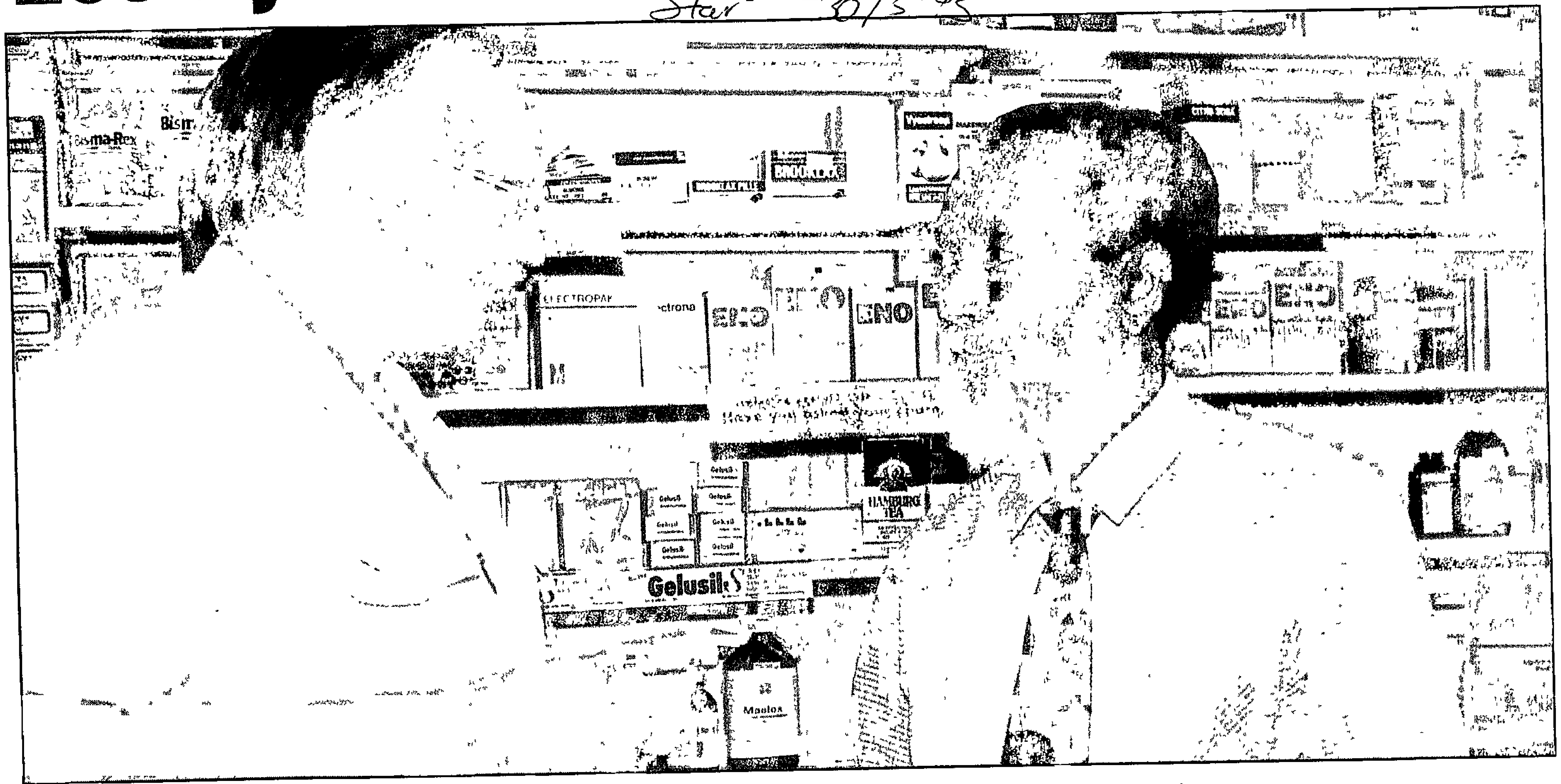
"In a country like America for instance, other expenses in the health bill, compared with those applicable in South Africa are much higher — with the result that in the total health care bill the percentage of medicine in that country could be much

> See the price of medicines whithin the South African context

smaller than the total payout in South Africa But this again is a fallacious argument because one is not comparing apples with apples

"We should, therefore, see the price of medicine within the South African context The weakening of the Rand over a number of years has also contributed to higher input costs which are not under the control of the industry per se"

Criticism is sometimes levelled against the industry because of price variation in the private sector compared with that of the State It should be remebered, says Toerien, that the service to the private sector is a total service, whereas the service to the State is meeting tender obligations



The needs of all .. a pharmacist patiently attends to the requirements of Charlie Ndedele.

It is also interesting to note he says, that the Competition Board (Report No 34) in a recent investigation to consider the possibility of introducing one exit price (all legal buyers of medicine should be treated at t... price level sub ect to quantity discounts) in fact excluded the public tender market

"The State purchases are high-volume requirements and this allows the industry to introduce cost-effective econom... ...rthermore, in many instances, the State's requirements are not in terms of private sector requirements in view of bulk deliveries to limited outlets

"All these factors contribute to a more cost-effective manu... ...stribution benefit

"Simply to demonstrate that in many instances the pharmaceutical manufacturing industry is wrongly attacked became clear last year when a weekly financial publication compared the price ... the patient in three instances with that applicable in the United States and the United Kingdom

"The manufacturer of these three products subsequently provided evidence that the price of medicine at manufactur... level was cheaper than that applicable in the two countries mentioned

"Naturally, by selecting certain medicine price differences between the public and private sectors without looking at the total spectrum of medicine supplied must of necessity brin... then highlighted as the norm."

Toerien adds that one must always accept the fact that the price of medicine is a sensitive issue because it is a forced purchase — no one plans to get ill and when this happens it has an impact on everyone's cash flow position

In the private sector the pharmaceutical manufacturing industry must also render a comprehensive information service to both the prescriber and the dispenser

"The main difference between the public sector and the private sector is that in the public sector the service is provided at limited points with concentrated professional groupings.

"In the private sector the factual situation is completely different, calling on a high number of professionals situated throughout South Africa Our demographics are very much different, for instance, from the demographics in countries like Germany, Sweden and Japan, among others

> In the public sector, the service is provided at limited points

"On the other hand it would be highly irresponsible for the pharmaceutical manufacturing industry not to provide this professional/information service, particularly to those who are responsible for presribing medicine The interaction between the company representative and the prescriber is most definitely in the interests ultimately of the patient"

Toerien says future amendments to the Medical Schemes Act could possibly increase competitive pricing in the private ...

(183)

Engen may not take up its Mossgas rights

(183) CT 30/3/93

JOHANNESBURG. — Engen has warned that it will not follow its 30% rights in Mossgas because the scheme depends on government protection for its commercial survival.

Chairman Bernard Smith, who is also Mossgas CE and MD, said it would not make commercial sense for Engen to invest in the scheme.

The Mossel Bay site, which produced petrol and diesel from gas, would be cash-positive before finance charges on a price of \$14-\$19 a barrel. But it would never make a decent return on the R10,5bn cash poured into it.

Mineral and Energy Affairs has undertaken to top up revenues per barrel to \$23 — the same level of tariff protection given to Sasol's synthetic fuel operations.

"We wouldn't want to invest in a scheme where protection could be removed at the stroke of a pen," said Smith.

Engen bought the 30% rights to Mossgas in 1987 for R30m, but had warned late last year that the scheme might not meet Engen's stipulated 8% return on investment.

Smith said this was partly due to construction costs nearly doubling from the original R5,5bn estimated in 1987. The \$14-\$19 price per barrel range suggested Mossgas's yearly operating costs would be at least R520m, before interest payments.

He dismissed reports that Mossgas's costs would outstrip its revenues.

Engen would make a final decision in September. Meanwhile, its continued management of the scheme was being discussed with the Central Energy Fund.

SA Druggists reports massive earnings rise

183

CT 30/3/93

From MARCIA KLEIN

JOHANNESBURG — Extensive surgery to South African Druggists (SAD) since its acquisition by Malbak in October 1991 saw a healthy improvement in earnings in the six months to end-February

The group improved attributable earnings by 205,7% to R24m from R7,8m in the six months to end-March of the previous year Earnings rose by 69,7% to 47,19c (27,8c) a share after an 80% increase in the shares in issue An interim dividend of 23,75c was declared.

Results are not strictly comparable as the group acquired Malbak's pharmaceutical and related interests and was completely restructured

CE Peter Beningfield said although results were skewed by re-organisation and acquisitions and were off a low base, "all performance indicators have surged strongly upwards"

Turnover rose by 68,2% to R925,2m from R550m, and operating profit nearly doubled to R48,5m (R24,7m)

Beningfield said the improvement in the operating margin to 5,2% (4,5%) was a step towards bringing the group to its objective of 8%

It was not possible to achieve this target as a group until there was further improvement in the high turnover, low margin distribution division

Shrinkage in this division was under control But volumes had been disappointing in the retail sector due to the economy and to discounting in the pharmaceutical wholesale market The expected introduction of "one exit price" legislation should stabilise the wholesale sector, Beningfield said

The pharmaceutical division, the major contributor to operating income, had improved productivity and market share, and volumes to the private and public markets had increased The commissioning of the Intramed plant was slower than expected, but it was now fully operational

The chemical and medical equipment division had performed in line with expectations

Gearing of 41,9% was maintained at close to August 1992 levels, enabling finance cost cover to increase to 4,3 (2,6) times

A decline in the tax rate to 34,6% from 47,7% was largely due to a greater contribution from export activities Exports for the six months had already equalled those of last year, and exports currently made up 15% of the pharmaceutical division's turnover

Beningfield said Africa was a huge market for exports, and the group was looking at increasing exports to the region

There was only a 19% use of generic drugs in SA compared with 45% in Europe, and SAD was ensuring that it received its share of this growing market

SAD's extensive restructuring and refocusing had unlocked the group's true potential Retrenchments had led to improved efficiencies, and output was boosted substantially The main manufacturing complex in Port Elizabeth had doubled its output

Its share of the private and tender markets had increased, and there had been a steady increase in the number of prescriptions written for SAD products

According to Beningfield, Intramed would start to make a meaningful contribution to earnings in the near future

He expected another sound performance in the second half on the back of continuing rationalisation benefits, further efficiency improvements, greater market penetrations and strict financial discipline

Earnings would be between 110c and 120c a share, with the second half growth off a higher base This translated to an annual growth of between 25% and 30%

Star 31/3/93

Industry sited in SA under disadvantage

By Stephen Cranston

183

The world's most competitive manufacturing facility in any industry might not retain its status as an attractive investment if it were located in South Africa, says AECI chairman Gavin Relly.

He says in AECI's annual report for the year to December the comparative disadvantage is caused by the small size of the local market, the lack of skilled people, the risk of disruption and social instability, capital costs, tariff structures and the tax regime

The combined effect is to raise the rate of return required by investors and to reduce the actual rate of return after tax

Investment in productive assets is unlikely to flourish in this climate.

All practical resources should be deployed to redress the skills shortage and there needs to be harmonisation of the tax regime and tariff structure with those prevailing in other countries.

The present demands on the fiscus and political perceptions, however, militate against a speedy restructuring of the existing tax regime.

In the short term, the abolition of protective measures against imports would have a profoundly negative effect on employment, fiscal revenues, foreign reserves and growth.

Exposed to world surplus product at marginal realisations many facilities would close.

Relly proposes a phased and co-ordinated approach to tax and tariff policy adjustment with alignment to international norms as the aim.

He says priority should be given to allowing the cost of expenditure on plant and equipment to be offset in real terms against taxable income, and the replacement of complex tariff structures by a straightforward mechanism such as specific duties denominated in foreign currency.

AECI's PVC business did not enjoy effective protection against low-cost imports, which affected local sales volumes and prices. Export volumes increased but margins remained under pressure in most markets.

Polyethylene sales volumes increased although at lower prices.

The decline in demand for explosives from gold mines moderated during the year, but there was decreased demand from other mining sectors such as platinum and diamonds.

Market share was lost in the explosives and accessories markets but this was more than offset by a successful drive to improve operating efficiencies and reduce fixed and overhead costs.

Demand for fertiliser dropped six percent from the previous year.

Six workers shocked

SIX workers were treated for shock following a nitroglycerine explosion in a mixing house in the explosives area at the AECI Modderfontein factory yesterday

A spokesman said the ~~blast~~ happened at about 9 30am. 183

According to an ambulance spokesman six workers were taken to a clinic on the premises where they were treated for shock. Sowetan

The AECI spokesman said the new plant had been designed to reduce risk to workers 31/3/93.

He said an investigation was underway to identify the cause of the accident.

Engen acceleration slows in 'difficult' half-year

BIDAY 1/4/93

(183)

MATTHEW CURTIN

ENGEN'S rights issue honeymoon, heightened by windfall profits won during the 1990/1991 Gulf conflict, is over. The Gencor group fuels producer barely achieved real earnings growth in the half-year to February 28 as earnings rose 10%.

Earnings a share rose to 147c from 134c and the group declared a 55c interim dividend, up from 50c in 1992

Revenue showed a modest increase at R3,56bn (R3,23bn) However, the group's success at the operating level — operating profit jumped 42% to R270m (R190m) — was counteracted by a sharp drop in net financing income, down at R12m from R67m

That reflected Engen's shift into debt, with cash resources of R430m reported in February last year being replaced by net borrowings of R218m Engen's debt stood at 8% of total equity and is likely to increase to 15% by year-end

Capital spending stood at R212m in the period and the group's cashflow felt the impact of its refinery expansion programme, for which it raised cash in its 1991 rights issue

Construction for the second phase of the expansion of its Genref Durban oil refinery has started The R2,5bn project is set for completion early in 1995 Phase one was finished in mid-'92, coming under its R670m budget

Pre-tax profit rose to R283m (R257m) and taxation rose to R55m (R50m) Engen's effective tax rate was static at 19,5%, implying the group will gain little relief from the lower company tax rate announced in the Budget, while bearing the brunt of the 15% levy on distributable profit Attributable earnings rose 10,7% to R228m (R206m) and included a R25m transfer from Engen's inventory reserve

MD Rob Angel said yesterday the group was set to maintain its record of consistent earnings growth, but the first half of the current year proved "difficult" Results were "satisfactory" in the circumstances

Overall sales — Engen refines and distributes a wide range of oil products, from petrol to lubricants and chemicals — were flat, but prices improved Petrol prices were lifted by a 4c increase in the wholesale marketing margin

Petrol volumes were knocked by township unrest — leading to the closure of 15 sites — and the transition from the Mobil to Engen brand name

The performance of new Engen petrol stations was good, but offset by a slide in custom at remaining Mobil sites Angel said the brand name switch was accelerating — three sites were being given new livery every day — a move which would cut the cost of the programme by R20m to R120m

Genref's performance was "disappointing" because of continued disruptions to the plant's power supply, causing a 20% loss in output and lower recoveries Angel said Eskom was addressing "unacceptable" transmission problems The lowered refining capacity hampered Engen's ability to meet export orders in Africa which grew 2%, accounting for more than 10% of turnover

Engen had made good progress in securing sources of crude oil at a lower cost to and outside of the Central Energy Fund, until 1992 solely responsible for SA oil procurement

Angel said he was fairly optimistic for the rest of the year The highlight would be benefits the group would gain from Genref running at full capacity Refining margins seemed to have "bottomed out", but the increase tax on petrol would curb any increase in SA fuel consumption

Mossgas diesel fuel 'affected some engines'

ARGT 1/4/93

Staff Reporter

MOSSGAS has confirmed that its diesel fuel manufactured from natural gas has caused problems in some diesel engines.

However, Mossgas diesel was made strictly according to South African Bureau of Standards and industry specifications and problems were being investigated, a spokesman said

Mossgas manufactures a variety of products from gas, including two octanes of petrol, diesel and kerosene.

Farmers, especially in the Mossel Bay area, had complained that seals in the fuel pumps of their tractors and bakkies started to leak after using pure Mossgas diesel for a time, said Mossgas spokesman Mr Harry Hill.

"Problems started in mid-February when Mossgas diesel was sold unmixed with other makes," he said.

"It seems the fuel pumps of certain makes of diesel vehicles have seals which start to leak when Mossgas diesel is used These makes are John Deere agricultural vehicles and some Toyota diesel bakkies."

But it seemed that when the seals were replaced, the problem disappeared

"We are investigating all complaints and doing tests to see what happened.

"Mossgas has its own fleet of test vehicles and we certainly did not come across such problems. Mossgas diesel is actually a very clean product with a very low sulphur content, making it environmentally friendly compared to other products," Mr Hill said.

● Mossgas-manufactured alcohol has been exported to Brazil, where several makes of cars run on an alcohol/petrol mix. The first consignment left Mossel Bay on Saturday.

"The consignment consisted of denatured anhydrous motor fuel alcohol which is a by-product of Mossgas's synthetic oil from offshore gas process," Mr Hill said.

A contract for the export of Mossgas alcohols to Brazil had been concluded with the US company Itec Refining and Marketing.

New Cape oilfield looks like a winner

(183) ARG 1/4/93

TOM HOOD, Business Editor

PROSPECTS of a new oilfield off the Cape south coast were disclosed today by Engen's chief executive, Mr Rob Angel, in the company's interim report.

Engen has partnership agreements in certain exploration acreage with Soekor in the Bredasdorp Basin, he said

A successful appraisal well was drilled in the E-BT prospect in which Engen has a 20 percent interest

The well flowed at a rate of 9 580 barrels of high-quality crude oil and Engen and Soekor were busy with a feasibility study to produce this well

Earlier this year Engen acquired a 10 percent stake in Bukha gas-condensate field in Oman Mr Angel said this was a significant step because it put Engen into the Middle East, the site of 70percent of the world's oil reserves.

In the North Sea, development of the Alba oilfield in which Engen has a 2,2 percent stake made "solid progress" Alba is expected to yield 70 000 barrels a day by early 1994

However, the Cape-based oil giant showed it felt the pinch of the recession in the half-year to end-February, with interim earnings failing to achieve real growth

Net profit rose 10percent to R228 and the interim dividend has been increased 10 percent to 55c (50c)

"Real growth of 13 to 15 percent was not achieved but in the light of the circumstances surrounding industrial groups, the 10 percent increase is a rewarding result,"said Mr Angel

Operating profit jumped 42 percent to R270 million, reflecting a severe cost-containment exercise, a moderately higher crude throughput and a higher industry wholesale margin

It also reflected the full effect of the July 1992 increase of 4c a litre in the wholesale margin

Turnover rose 10 percent to R3,6 billion on static sales volumes

Exports, up two percent, comprisd about one-tenth of turnover

Mr Angel said growth of three to four percent in marketing sales had been expected, but did not materialise.

He attributed static sales volumes to the poor state of the economy and a slight loss in market share caused by the change of name from Mobil to Engen

Social unrest also impacted on volumes, with 15 service stations forced to close

Genref refinery failed to make its expected contribution to earnings growth The Durban refinery operated below capacity for half of the interim period because of teething problems associated with the start-up of the Phase 1 expansion

The group had net borrowings of R218 million at the end of February, reflecting a rise in working capital requirements and investment opportunities made

Honeymoon over for fuel producer Engen

(183) CT 1/4/93

From MATTHEW CURTIN

JOHANNESBURG — Engen's rights issue honeymoon, heightened by windfall profits won during the 1990/1991 Gulf conflict, is over — the Gencor group's fuels producer barely achieved real earnings growth in the half-year to February 28 as earnings rose 10%.

Earnings a share rose to 147c from 134c and the group declared a 55c interim dividend, up from 50c in 1992.

Revenue showed a modest increase at R3,56bn (R3,23bn). However, the group's success at the operating level — operating profit jumped 42% to R270m (R190m) — was counteracted by a sharp drop in net financing income, down at R12m from R67m.

That reflected Engen's shift into debt, with cash resources of R430m reported in February last year being replaced by net borrowings of R218m. Engen's debt stood at 8% of total equity, and is likely to increase to 15% by year-end.

Capital spending stood at R212m and the group's cashflow felt the impact of its refinery expansion programme cash for which it raised in its 1991 rights issue.

Construction for the second phase of the expansion of its Durban oil refinery, Genref, has started, and the R2,5bn project is set for completion in early 1995. Phase one was finished in mid-92, coming under its R670m budget.

Pre-tax profit rose to R283m (R257m) and taxation rose to R55m (R50m). Engen's effective tax rate was static at 19,5%, implying the group will gain little relief from the lower company tax rate announced in the Budget, while bearing the brunt of the 15% levy on distributable profit.

Attributable earnings rose 10,7% to R228m (R206m) and included a R25m transfer from Engen's inventory reserve.

MD Rob Angel said yesterday the group was still set on maintaining its recent record of consistent earnings growth, but the first half of the current year proved "difficult".

Overall sales were flat, but prices improved, aided by a 4c increase in the wholesale marketing margin.

Petrol volumes were knocked, however, by township unrest — leading to the closure of 13 sites — and the transition from the Mobil to Engen brand name.

Engen scoops Oman gas field stake

ENGEN has secured a 10% stake in a Middle East gas field.

MD Rob Angel told a news conference yesterday that the group's interest in the venture was a small, but significant move for Engen — "the key to finding our way into the Middle Eastern oil business". The liquid petroleum gas field would be operated by the US's International Petrol Corporation in Oman and would come on stream at the year-end.

Engen, which has stated its intention of securing half its crude oil supply from its own operations by the year 2000, already has interests in the North Sea. It has a 2,2% stake in £660m Alba field, which is operated by US oil company Chevron and is set to start pumping 70 000 barrels of oil a day in the fourth quarter this year. The Alba field is underlaid by a large reserve of natural gas, the Brittania field, in which Engen also has a stake.

Angel said Engen and Soekor had identified a commercial oil find in the Bredasdorp Basin — a development well was producing 10 000 barrels of oil a day — and the small field would start commercial operations in early 1995.

Star 11/4/93

Recession impacts on Engen earnings growth

(183)

By Leigh Hassall

Engen is feeling the pinch of the recession, with interim earnings failing to achieve real growth.

For the six months to February, Engen's net income rose 10 percent to R228 million (R206 million) — earnings a share of 147c (134c)

The interim dividend has been increased 10 percent to 55c (50c)

Chief executive Rob Angel said yesterday "Real growth of 13 to 15 percent was not achieved

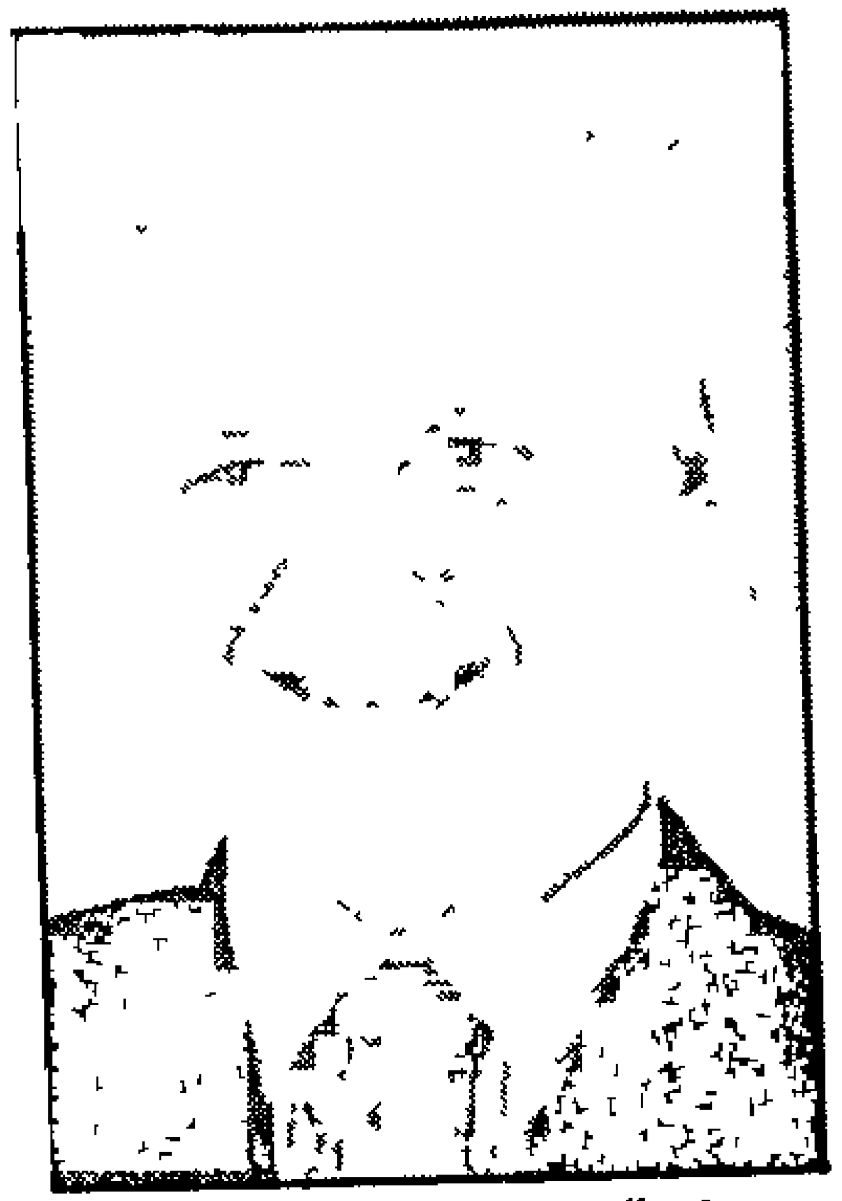
"In the light of the circumstances surrounding industrial groups, however, the 10 percent increase is a rewarding result."

Operating profit jumped 42 percent to R270 million (R190 million), reflecting a severe cost-containment exercise, a moderately higher crude throughput and a higher industry wholesale margin

It also reflects the full effect of the July 1992 increase of 4c a litre in the wholesale margin

Turnover rose 10 percent to R3,6 billion (R3,2 billion) on static sales volumes

Exports, up two percent, comprise about one-tenth of turnover



Rob Angel . . . rewarding result

Angel said growth of three to four percent in marketing sales had been expected, but did not materialise

He attributed static sales volumes to the poor state of the economy and a slight loss in market share caused by the change of name from Mobil to Engen.

Social unrest also impacted on volumes, with 15 service stations forced to close.

On the refinery side, Genref failed to make its expected contribution to earnings growth The Durban refinery operated below capacity for half of the interim period because of teething problems associated with the start-up of the Phase 1 expansion

Production at Genref was also hampered by several external power failures.

Angel said the difficulties at Genref were compounded by lower international refining margins

A lower net interest income of R13 million (R67 million) bore down on higher operating results

The group had net borrowings of R218 million at the end of February, reflecting a rise in working capital requirements and investment opportunities made

Gearing is eight percent, but the group expects it to be closer to 15 percent at year-end

Engen recently gave the go-ahead for Phase 2 of the Genref expansion programme, which is likely to be financed by debt However, a rights issue has not been ruled out.

The effective tax rate of 19,5 percent was maintained, making for a tax charge of R55 million (R50 million)

Angel said the new 15 percen tax on dividends would not affec the bottom line, but would affec cash flow

On upstream investment Angel said a small commercia discovery had been made in the E-BT Prospect in the Bredasdorp Basin in which Engen has a 20 percent stake.

This well should yield about 10 000 barrels a day of good quality oil

Earlier this year Engen acquired a 10 percent stake in Bukha gas-condensate field in Oman Angel said this was a significant step because it put Engen into the Middle East, the site of 70 percent of the world's oil reserves

"In the North Sea, development of the Alba oil field in which Engen has a 2,2 percent stake made solid progress and the implementation of the project is expected to be on schedule and very close to budget," said Angel

Alba is expected to yield 70 000 barrels per day by early 1994

On results for the second half, Angel said "The fundamentals are in place to see us back to 20 percent growth"

Sentrachem confidence in plant unwavering

BDAY 1/4/93.

(183)

SENTRACHEM still sees merit in a gas-cracker plant in the eastern Cape, provided gas deposits are adequate

The company said the R6bn project, which would produce ethylene and propylene from fuel provided by Mossgas, could be competitive and commercially viable, even though there is a glut in world supply

The Mossel Bay plant could undercut international prices, Sentrachem senior executive director Roy Pithey said, and bring in a foreign exchange inflow of R180m-R250m

Doubts about the project were raised two weeks ago by AECI and Engen, two former proponents, who said the cracker would not have the muscle to compete internationally Mossgas had also warned that it was not clear sufficient gas reserves existed to fuel the plant

But Pithey said Sentrachem studies had shown the plan could work, provided sufficient reserves existed

Though forecast world capacity of 85,2-million tons could outstrip demand by 25-million tons by 1996, Pithey said the closure of less efficient naptha crackers in Europe would reduce the imbalance

ANDY DUFFY

The cracker would initially export 60% of its 450 000 ton capacity, Pithey said While European costs per ton of ethylene were around $350, and US costs were $250, the SA costs would come in at $200

He also added that the ability of Far Eastern producers to offer cut-price plastics would be hampered by their high production costs

"We remain convinced that a cracker at Mossel Bay can be viable in the long term and competitive in the short term"

Around R2bn would be needed to establish the plant, with the balance made up through capacity to produce plastics such as polypropylene and polyethylene

Pithey warned that Sentrachem could not go ahead with the project on its own The company is to approach AECI and Engen over the next week to discuss their involvement in the scheme

Sentrachem has also approached Sasol as a possible investor, and several overseas companies, although Pithey declined to name them

Durban's project to tackle power failures

(183)

MATTHEW CURTIN

THE Durban Corporation electricity department, the joint supplier of electricity to industry in Durban with Eskom, is building a new R15m substation in Isipingo to improve erratic electricity supplies which have cost local industry millions of rands in lost production

Power failures and power dips have blighted industry in the area for some time Engen's Genref oil refinery lost 20% of its output between October and February this year — only months after finishing a R670m plant upgrade and expansion — because of supply problems.

Genref's poor performance dented Engen's exports of fuel, chemicals and lubricants to southern and central Africa — exports account for more than 10% of its R3,6bn turnover The fuels group imported product to meet demand It is understood Mondi Paper's mill and the Shell/BP oil refinery have also been affected

Eskom communications manager Bongani Khumalo said yesterday Eskom and the Durban Corporation regarded the problems faced by customers in a serious light.

B/DAY 2/4/93.

He said reinsulating problem lines to meet "adverse environmental conditions" was "already in hand" and would be finished this year

Genref MD Errol Martin said yesterday even irregular electricity supply could seriously damage equipment and lead to shutdowns for repairs, while the costs of the refinery providing its own power were prohibitive

He said the problem had its roots in the refinery having to draw its power from electricity generated in the Transvaal and transmitted over hundreds of kilometres of cables to Durban Dirt on lines damaged insulation

"A programme to clear sugar cane from beneath affected high voltage lines is under serious and urgent investigation," Khumalo added

SA Drug opts for rights issue

CT 2/4/93

Business Editor

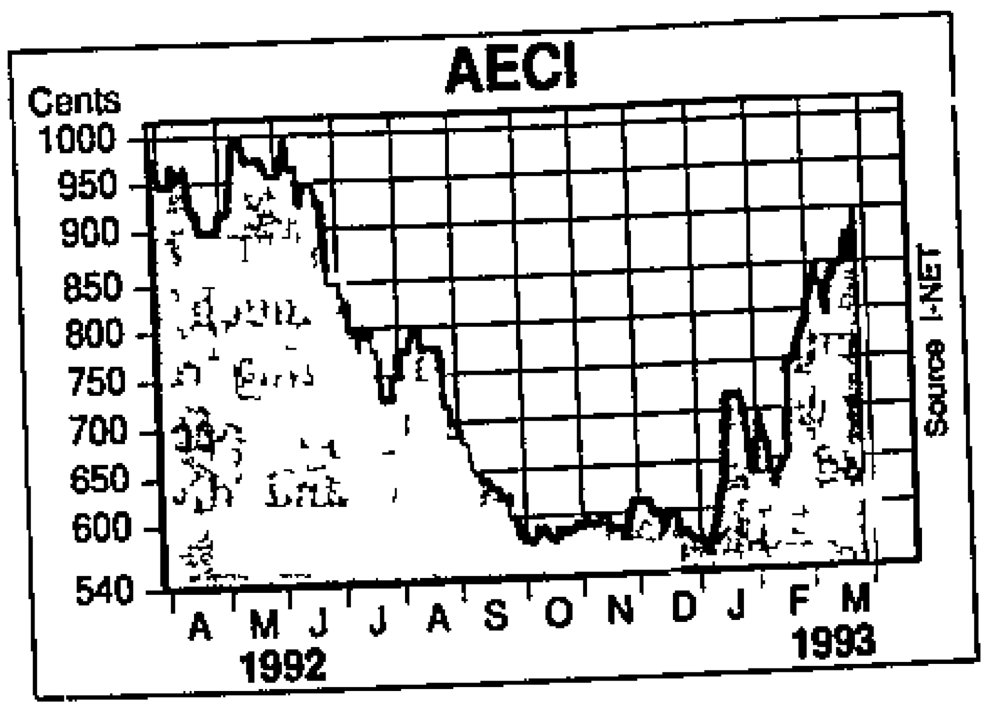
THE restructured SA Druggists (SA Drug) — which lifted attributable earnings by 205,7% in the six months to February — aims to raise R201m through a rights issue

Announcing this yesterday CE Peter Beningfield said the money would be used to reduce gearing, currently 43%, and fund further growth

The rights offer is of 18 new shares for each 100 held at close of business on April 23, at an issue price of R22 per share

Just over nine million new shares will be issued. The offer is underwritten by parent company Malbak, which bought SA Druggists in October

Beningfield said the proceeds of the rights offer would be sufficient to fund SA Drug's plant expansion and upgrading programme, and put it in a strong position to make new acquisitions



AECI FM 2/4/93.

Some rays of light (183)

Activities: *Chemicals, explosives and plastics, manufacturer and trader*
Control: *Amic (40%), ICI (38%)*
Chairman: *G W H Relly, MD M A Sander*
Capital structure: *154,7m ords Market capitalisation R1 354bn*
Share market: *Price 875c Yields 6,6% on dividend; 12,1% on earnings, p.e ratio, 8,3, cover, 1,8 12-month high, 1 025c, low, 560c. Trading volume last quarter, 681 781 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	289	460	477	454
LT debt (Rm)	334	331	470	341
Debt equity ratio	0,41	0,55	0,46	0,35
Shareholders' interest	0,44	0,44	0,50	0,51
Int & leasing cover	5,4	3,9	2,6	2,7
Return on cap (%)	19,3	15,8	10,3	10,6
Turnover (Rm)	4 757	5 031	5 280	5 359
Pre-int profit (Rm)	604	521	422	440
Pre-int margin (%)	12,7	9,9	7,6	7,5
Earnings (c)	203	154	121	106
Dividends (c)	87	87	58	58
Net worth (c)	874	906	1 303	1 331

Publicity surrounding AECI's diversification into the potentially high value-added (and, therefore, profitable) area of biotechnology, together with its renewed export drive, seems to have had the desired effect of reversing negative investor perceptions about the group and its growth prospects

Since early January, the share price has rebounded from 560c — its lowest in almost a decade — to 875c, reducing the year-on-year decline from about 43% to 11%

Sparking the turnaround appears to have been the long-awaited confirmation that AECI, with the Industrial Development Corp, will establish a R270m plant to make lysine, using sugar as feedstock, and the announcement shortly thereafter that the US Trade & Development Agency is to fund a feasibility study to determine the viability of a penicillin plant based on similar fermentation biotechnology

Both these ventures would be heavily export-orientated In similar vein, AECI is spending substantial amounts on upgrading plant and technology to exploit export markets more effectively A case in point is the R500m the group expects to spend at SA Nylon Spinners by 1995, to broaden and improve its product range to suit foreign markets.

This programme underlines problems fairly typical of SA industry, as well as the kind of structural adjustment needed as SA re-enters the real world Isolated for too long and with too much emphasis during this period on merely satisfying the needs of a small domestic market, the progressive lifting of sanctions — instead of being a bonanza — has highlighted how uncompetitive local industry has become, in quality and price

In AECI's case, this was implicitly recognised when, a year ago, chairman Gavin Relly noted that major new investment would not be undertaken unless the projects concerned were clearly capable of being internationally competitive in all aspects, including unit costs of production and after-tax return on investment The search for investment avenues which meet these criteria has not been good for the group from a short-term growth perspective (probably contributing to investors' ex-growth perceptions) but, given the limited size of the domestic market, this is the only route to go if long-term growth objectives are to be achieved

However, even when such projects are found, they still need to be financed and, more important, brought to profitable production AECI, like most other companies, has been materially weakened by years of recession, particularly in profitability This adds to the risk profile of new ventures

DIVISIONAL PROFITS

Trading profit (Rm)

	1990	1991	1992
Chlor-Alkali/Plastics	189	133	110
Explosives/Chemicals/ Agricultural Products	154	110	165
Speciality Products/ Services	156	159	128
Total	499	402	403

Since 1989 (the group's profit peak), gross return on total assets has, despite a marginal uptick last year, plunged from 19,3% to 10,6% The most favourable calculation of current return on capital employed, excluding interest-free liabilities and revaluation reserves, is only 18% Though positive against present commercial interest rates, that leaves little room for error — as happened with Soda Ash Botswana

Leaving aside difficulties with the plant (which seem to have been overcome), the market for soda ash, in quantity and price, has gone to the dogs MD Mike Sander says the first-time inclusion of losses attributable to this venture cost the group R18m in earnings last year Given that total group earnings were down R23m (12%), the importance of this drain cannot be underestimated, particularly as further losses are forecast for this year

The message is that while AECI looks to be moving in the right direction — and has received appropriate recognition from the market — it's unlikely to regain its blue-chip status until it proves it can deliver the goods

Management's forecast for 1993 (which does not take into account the reduced corporate tax rate) envisages a "moderate" earnings improvement if there are some favourable developments on the political/economic front But, given future funding needs and as dividend cover is well below historical norms, it's a foregone conclusion that this will not filter through to distribution

The recent improvement in the share price has reduced the yield from 10,4% at January's 560c low to 6,6% Current index yields suggest there is room for further improvement, but this may have to wait for confirmation that the earnings downtrend has been arrested

Brian Thompson

FM 2/4/93 (183)

SA DRUGGISTS FM 2/4/93

Medicine showing results

Earlier strong medicine, administered by Malbak when it acquired control of SA Druggists (SADrug) from Fedvolks nearly 18 months ago, is starting to show healthy results

(183)

Comparisons are not really meaningful as the group has undergone significant changes since being brought into the Malbak stable This included an accounting spring-clean which had wiped R61,7m off the bottom line by the August year-end, as well as the injection of about R340m of Malbak's pharmaceutical interests into SADrug, settled by the issue of 22,6m consolidated shares

But the remedial treatment is now largely over CE Peter Beningfield says some minor write-offs and rationalisation costs occurred in the six months, but these were absorbed in earnings He does not expect any further surprises

That leaves SADrug with a relatively clean balance sheet from which to grow And growth is certainly apparent in the results It's clear, though, that market conditions are tough and competitive in the pharmaceutical industry

SADrug's operating margin, while better than the previous period, has been squeezed from 6,7% at the year-end to 5,2%, some way off the 8% margin Beningfield is aiming for in this financial year Of the three divisions, distribution seems to be taking the most strain

The trading environment in the wholesale market is extremely competitive, with something of a discounting war going on among manufacturers Beningfield expects an improvement, though, with the likely introduction of pricing legislation which the main players in the industry feel will stabilise that sector of the market He notes that retail sales have also been disappointing, a symptom of the depressed economy and pressure on discretionary income

Gearing has more than halved from a year ago, but, at 42%, it's still pretty high for the pharmaceutical sector, where some of SA-Drug's main competitors are ungeared Yet the group has also been spending money — R34m in the six months — on improving efficiencies and expanding capacity, which should pay off later

Perhaps the most important change in SADrug is a refocusing of operations, moving from what Beningfield says was a predominantly product-driven company to one which now places great emphasis on marketing

"This is unlocking the true potential," he says "We are becoming totally market-driven and the factories have responded well to our new focus"

Exports have increased to the point where they are making a useful contribution, about 15% of the pharmaceutical division's turnover of R339m Africa remains the major market for exports, though Beningfield says there has been an encouraging increase in exports to the UK

With volumes and market share growing, SADrug is confident of achieving real growth in EPS over the second half Management is predicting an annual advance in EPS of 25%-30%

Performance of the share price has been equally impressive, showing the market discounting the latest strong results The price has nearly doubled to R26,50 since late last year and the share has been rerated to the point where it is now almost in line with Adcock Ingram Like most in the sector, SADrug shares can no longer be considered cheap But, on these results, it could still have some way to go

Shaun Harris

SA Druggists aims to raise R201m

BDay 24/4/93. (183)

MALBAK's health care subsidiary SA Druggists (SAD) is to raise about R201m in a rights issue aimed at providing funds for future growth

The group this week reported a 69,7% earnings rise to 49,2c (27,8c) a share for the six months to end-February It said it would offer 18 new shares for every 100 ordinary shares held at the close of business on April 23 Just over 9-million shares would be issued at a price of R22 a share

The share closed yesterday at R24, off a February high of R27,50 and an April 1992 low of R11,50.

The offer is being underwritten by holding company Malbak, which acquired SAD from Fedvolks in October 1991 Following the Malbak acquisition, SAD acquired all Malbak's health care interests

SAD CE Peter Beningfield said the proceeds of the offer would be used to eliminate debt SAD's gearing was currently 43% In the results published this week, gearing was 41,9% at end-February compared with 90,2% at end-March 1992

MARCIA KLEIN

Beningfield said the offer would place SAD in a strong position to fund acquisitions by using shares or debt, or a combination of the two The proceeds would also provide funding for SAD's plant expansion and upgrading of its capex programme

An analyst said Malbak was in a strong cash position and it made sense for SAD to undertake an offer which could be underwritten by a strong parent

Since Malbak acquired SAD and merged it with its own health care interests, SAD had undergone major rationalisation and reorganisation. Results to end-February, where attributable earnings surged 207% to R24m from R7,8m in the six months to end-March 1992, indicated the acquisition had yielded significant improvements to SAD's performance.

The group's rerating over the past year was attributed to expectations of a turnaround under Malbak, the analyst said

Star 2/4/93

SAD going to market for R201-m

By Stephen Cranston

SA Druggists (SAD) plans to raise R201 million in a rights issue to fund further growth

The announcement yesterday might explain why the SAD share price has drifted from a R27 high to R24, despite the recent 70 percent climb in earnings per share for the six months to February.

The share price is being pitched at R22, a discount of a little over eight percent on the current market price, but at almost three times net asset value of 744c.

Shareholders will be offered 18 new shares for every 100 ordinary shares held at the close of business on April 23.

Proceeds

Just over nine million new shares will be issued The offer is underwritten by parent company Malbak.

Chief executive Peter Beningfield said yesterday the proceeds of the rights issue would be used to eliminate debt in the company, which has 42 percent gearing.

The balance sheet for the end of February shows R159 million worth of interest-bearing debt.

SAD will then be in a strong position to fund acquisitions, either by shares or debt

The proceeds will provide funding for SAD's plant expansion and capital expenditure programmes.

SAD is expecting to show an improvement in earnings of 100c to 120c a share, which puts the rights issue on a forward P/E ratio of 18 to 22

This is demanding, but is still below the 30,1 P/E ratio at which the sector leader Adcock Ingram trades

Soekor strikes best new oil field

183

CT 3/4/93

By DAN SIMON

SOEKOR has announced its most successful oil strike to date — a field near Arniston that is capable of producing 10 000 barrels of oil a day.

The state exploration company and Engen recently announced that the oil field in the Bredasdorp basin could be in full production by 1995 if feasibility studies found it to be economically viable.

Soekor and Engen believe that with the latest technology oil from the field could be produced economically by a floating production facility

A Soekor official said yesterday that the well, about 154km south of Bredasdorp, had been "discovered" on January 25

Although the find was promising, scientists were appraising the field to determine the amount of oil it held and its production lifespan, the official said

"It is the best find we have had in terms of flow-rate"

If production went ahead, Soekor and Engen would be able to tap the resource cheaply through a semi-submersible converted oil rig, the official said

If the project was viable, an environmental impact study would be done

The oil would be pumped into a tanker that would conduct a shuttle service to a shore-based refinery.

The official added that if the project was found to be viable, an environmental impact study would be done

Omnia earnings knocked

BDay 5/4/93 JONO WATERS (183)

THE drought and domestic recession ate into profitability at Omnia Holdings in the year ended December 31 1992, despite an 11% increase in turnover Reduced margins resulted in operating income falling by a fifth

Earnings in the agricultural and chemical group fell by 39% to 51,1c a share compared with 83,2c a share in the 1991 financial year, but the company increased its final dividend by 14% to 40c (35c) a share

A decision was taken to maintain dividend payments by at least the rate of inflation even though this resulted in a fall in the dividend cover to 1,49 from 2,38

Turnover amounted to R487m (R438m) and operating profit fell to R51,2m (R63,2m). Financing costs of R28,5m (R28m) swallowed up more than half of the group's operating income resulting in a 36% fall in pre-tax profit to R22,7m (R35,2m)

Chairman Joachim Winkler said the poor results were a once-off event and would not affect the long-term trend of strong growth

Negotiations were continuing following Omnia's November cautionary announcement and shareholders should still exercise caution when dealing in their shares

COMPANIES

AECI considering new plant

KELVIN BROWN and EDWARD WEST

AECI was considering commissioning a new R500m plant and closing three existing plants at its Midlands operations in Sasolburg, sources said on Monday.

This was one of the options under consideration for bolstering flagging PVC sales.

AECI PVC plastics development manager Geoff McIlleron said yesterday the international market for PVC (polyvinyl chloride) was oversupplied and prices abnormally low. BDAY 7/4/93

He said AECI was investigating several options to make it's PVC business internationally competitive. These ranged from upgrading current technology to building a new plant. No decision had been taken yet.

AECI employees on site said they had been told by management that the VCM coalplex plant and the acetylene and carbide plants were under consideration for closure. The three plants, possibly, would be replaced by a new plant costing between R300m and R600m. (183)

They added that a feasibility study on the construction of a modern PVC plant at Midlands was under way and would be completed at the end of the year.

PVC exports accounted for much of AECI's business. Last year AECI exported more than 50 000 tons of PVC at about \$500 a ton.

McIlleron said the major world competitor in the PVC market was the US–

Cadbury Schweppes planning sweeter year

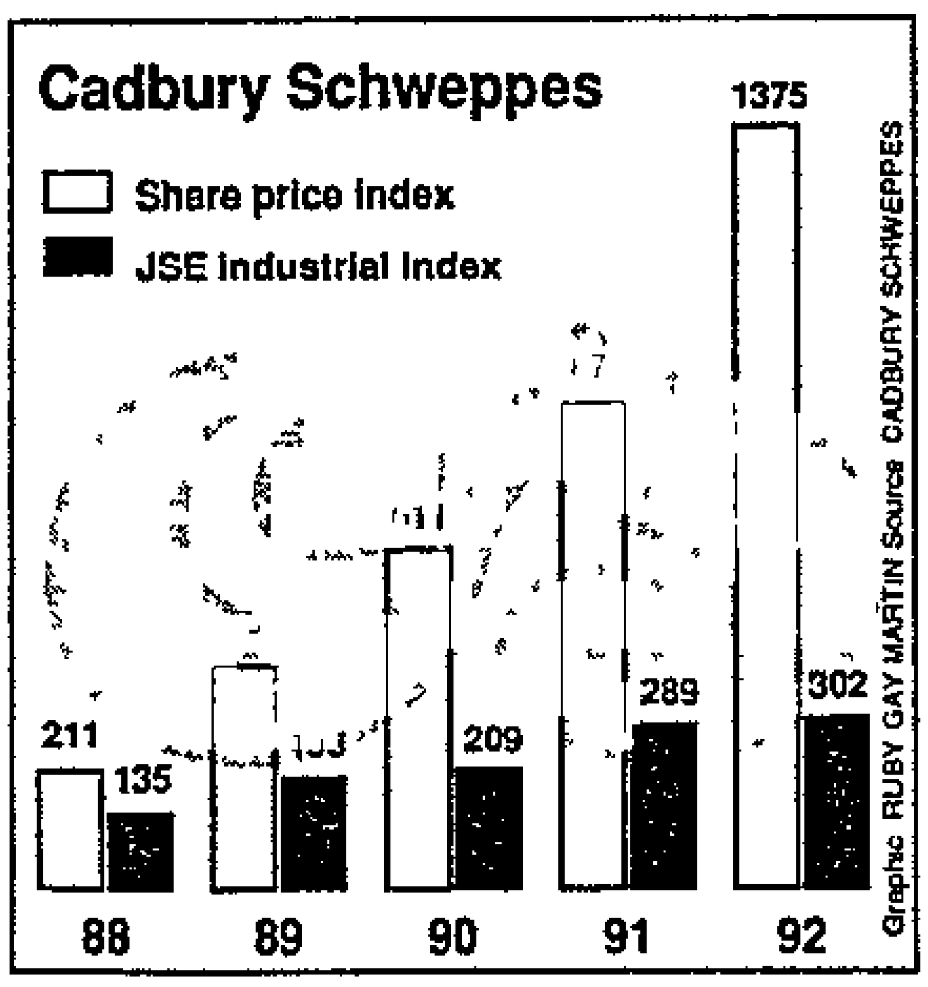
(186)

MARCIA KLEIN

CADBURY Schweppes (Cadswep) was planning "further worthwhile real growth in earnings" in the coming year, chairman Alan Clark said in the annual review.

The group, which recently announced a 23,1% rise in earnings to 164,4c (133,6c) a share on an 18,6% turnover growth to R723,6m (R610m) in the year to end-December, did not expect much improvement in its markets.

But its balanced portfolio of businesses was focused clearly "in areas of consumer resilience and potential growth", Clark said. Cost and efficiency benefits stemming from the group's reconfiguration over the past two years were expected. In addition, Cadswep would consolidate and aim to improve market share by "rigorous attention to our brands".



Clark said the past year had been difficult, but Cadswep's creditable performance was achieved due to "strategic balance, capable management and consumer confidence in the integrity and quality of our brands".

The confectionery market declined in volume in the year, and market shares came under severe competitive pressure. "Deep discounting" by competitors saw Cadswep lose some ground in chocolate, but it gained share in sugar confectionery. Marketing expenditure increased to 13,2% (12,4%) of sales in order to "defend and nourish" brands.

Ranges of Cadbury biscuits and ice-creams were successfully launched on a franchise basis.

The Bromor foods division had an excellent year, increasing sales volumes and market share largely on the back of a swing to squashes and cordials.

CE Peter Bester said despite pressure on companies to curtail investment expenditure, the group had continued to invest increasingly each year. Capex in 1992 was at an all-time high, bringing investment over the past two years to over R100m. The benefits of the investments, which were largely on manufacturing facilities, would be felt "in 1992 and beyond".

FM 9/4/93. (183)

ENGEN FM 9/4/93 (183)

Indifferent forecourts

Engen has had six months of swings and roundabouts And a certain measure of luck, both good and bad, has played a part in its interim results The 10% gains in earnings and dividends were less than most analysts expected CE Rob Angel describes them, forlornly, as satisfactory, "but not where we hoped to be"

The good luck came from government's

CHANGING DOWN

Six months to	Feb 29 '92	Aug 31 '92	Feb 28 '93
Turnover (Rbn)	3,23	3,33	3,56
Operating income (Rm)	190	203	270
Attributable (Rm)	206	223	228
Earnings (c)	134	141	147
Dividend (c)	50	[illegible]	55

July increase in the wholesale margin, it helped boost Engen's operating margin to 7,6%, from last year's 5,9% That was on turnover which rose only 10%, reflecting static petrol sales and a slight decline in diesel sales

Angel admits the company lost market share in a few areas Part of the problem seems to be the change of name and livery from Mobil to Engen While the programme is ahead of schedule and has been well received by consumers, the remaining Mobil outlets seem to be losing business

"What we didn't realise was that by playing up the Engen name, the Mobil side has suffered," Angel says Still, the change should be completed by the end of the year

While fortuitous aid from government helped Engen at operating level, bad luck at Durban's Genref refinery knocked an estimated 20% off crude production This came from from what Angel calls "teething problems," probably to be expected in the start-up of the phase one expansion programme, but exacerbated by a series of major power failures

Apart from the obvious effect on profits, the power failures, which averaged about two a month over the first half, are apparently fairly scary for workers and engineers on site, who have to run around in the dark without much time to make decisions The problem is being addressed but the result is that Genref didn't make its expected profit

The second phase of the refinery upgrade has been approved, which will cost about R800m and should be completed in 1995 Capital spending (R212m in the six months) has taken its toll on the balance sheet, using up the remainder of the cash pile from the R1,1bn rights issue in 1991 and tipping Engen into a borrowed position of R218m, from cash of R430m a year ago

Gearing is a comfortable 8%, but the immediate effect of the change in balance sheet structure is a sharp drop in financing income, to R13m from the year-end R140m Angel is philosophical "It was nice while we had it, but we knew we wouldn't always"

Local investment, coupled with Engen's continuing quest to source its own crude and explore potential oil sites — latest is a 10% interest in Oman with International Petroleum Corp — should fuel results in the long term For now, it seems that, short of a major shake-up in the global industry or unexpected problems with Genref, second-half results should show some improvement

It is harder to read what might happen to the share price, which has extended its slide since February, dropping 21% to R41,50 A number of reasons have been advanced looming deregulation, continuing noises from Gencor about unbundling Most likely, though, is that the market has discounted a share which was overpriced Any thought of buying must take into account what could happen to local and international oil industries On fundamentals, though, Engen is probably worth looking at if the share price continues to fall *Shaun Harris*

Hospitals rebel over SABS-backed gloves

S/Times 11/4/93

By CHARIS PERKINS

MORE than 21 hospitals are refusing to use surgical gloves carrying a SA Bureau of Standards mark of approval — on the grounds that they are dangerously defective

The hospitals have told the Transvaal Provincial Administration the gloves tear easily, do not fit and are sometimes discoloured or holed

The hospitals fear the poor quality of the gloves could lead to the spread of AIDS and infections during surgery

The gloves, supplied by Union Drug, a Taiwanese-owned factory on the Natal North Coast, have been used in all Transvaal and military hospitals, and in most homeland hospitals, since September 1990

Now, after years of persistent complaints, including a sworn statement from a former foreman about unhygienic practices at the factory, the TPA has suspended the supply of the gloves and asked the standards watchdog to think again

SAFE HANDS: these surgical gloves may look sterile, but are they really? Doubts hang over gloves supplied by a factory in Natal Picture CHRISTINE NESBITT

Johan Keuler, manager of the SABS rubber and plastic division, said yesterday he "wouldn't like to hazard a guess at what went wrong"

SABS inspectors visited Union Drug once a month, but they had not picked up anything irregular It was the first time the SABS had heard any complaints, said Mr Keuler

"We are perturbed that a thing like this can happen, but our inspection only lasts a few hours and we cannot control what happens during the rest of the month," he added

"We will investigate as a matter of urgency"

The SABS awarded its mark — which covers the product, the manufacturing company and its facilities — in April 1992

Cheap

In a letter sent to the SABS late last month, the Chief Director of Procurement Administration in the Department of State Expenditure, Mr C Dreyer, wrote

"This chief directorate is perturbed by the fact that the quality of a SABS mark-bearing product could be questioned, and it is considered essential that the complaints be thoroughly investigated"

Union Drug's managing director, Mr Morgan Wu, said he was happy with the quality of his product.

"The hospitals are against me because I am from Taiwan," he said "I am disappointed We are doing a good thing for this country by producing cheap gloves, but no-one appreciates us"

He added he could do nothing about ill-fitting gloves because the sizes had been specified by the SABS

The State Tender Board awarded a two-year contract for the supply of the gloves to Union Drug in September 1990, on the recommendation of the TPA's standing tender committee, chaired by General Coen Scheepers

A senior TPA source, who asked not to be named, said the award had been "highly irregular"

The gloves did not have an SABS certificate of compliance at the time, and they did not undergo a standard Clinical Trials Committee test, he said

He added the TPA did not inspect the factory until General Scheepers visited in April last year

Despite continuing complaints, the State Tender Board re-awarded the tender to Union Drug in October last year on the TPA's recommendation

TPA spokesman Lenette Roeleveld said Union Drug's tender had been the lowest, but the Sunday Times has learnt that a competing quote was only 0,03 cents higher

In 1991, the TPA ignored an urgent appeal from Union Drug's production foreman, Mr Moonsamy Naidoo, to investigate appalling conditions at the factory

In a sworn statement, he said that although there was a laboratory for testing gloves, there were no lab technicians and the gloves were not tested for tensile strength.

He said tests were sporadic and were carried out by untrained workers Gloves were inspected for obvious tears and cuts, but pinprick holes went undetected

Masks

He said none of the employees wore uniforms, caps or masks, and workers did not wash their hands before packing. "In fact, food was even eaten while packing," he said

Mrs Roeleveld said this week the affidavit had been "a matter between Union Drug and its employee" She claimed Mr Naidoo's lawyer had, in fact, requested the TPA to ignore the affidavit.

The Sunday Times visited the factory at Verulam this week and found that conditions had only improved slightly since Mr Naidoo made his sworn statement.

The Sunday Times's inspection found that.

- A microbiologist is now employed as a quality controller, but she was eating lunch in her "sterile" laboratory during the visit,
- Most staff now wear surgical gowns, caps and masks But one worker said they only changed their masks once a week,
- Cleaners in ordinary overalls were sweeping the floor in a room where women were inflating gloves to check for holes in a cloud of powder;
- The factory's production lines, in a big open-ended warehouse, are exposed to dust blown in from outside.

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Spinoff for US from aid to SA

BIDAY 15/4/93 183

SIMON BARBER

WASHINGTON — The Clinton administration wants to help fund the planning costs of SA capital projects to promote domestic investment by SA companies — and win contracts for US ones.

The first SA firm to benefit from the scheme is AECI, which has received a R1,5m grant for the planning phase of a major biotechnology plant to produce penicillin for both local and regional markets.

The grant will be used to hire a US engineering firm to design the facility and will cover more than half AECI's projected preparation costs.

The US Agency for International Development (USAID) has placed a notice in the commerce department's Business Daily, the bulletin board for US government contracts, on AECI's behalf

Bidders have until mid-May to submit proposals to Dr P J Gubb, GM of AECI's biotechnology unit in Modderfontein.

According to the notice, the new facility will produce 650 tons of basic penicillins a year using local sugar and grain as feedstocks, and 600 tons of related products.

The grant, the first of its kind to an SA entity, is being provided by USAID's Trade and Development Agency (TDA) It represents 10% of TDA's total budget for Africa this year.

AECI has agreed that at least 80% of the proceeds will flow to a US contractor, with the remainder restricted to South Africans

TDA regional director for Africa and the Middle East John Richter said his his agency's mandate was to provide technical assistance for development in "low income" countries and to help position US firms to compete for business "in the procurement stage".

The AECI grant met both those objectives, he said, and would ideally lead to the successful bidder for the design phase receiving the engineering contract as well.

The grant had "enthusiastic support" from US ambassador Princeton Lyman who saw it sending a strong signal that "SA companies should be investing in the SA economy for the future", Richter said.

Further grants in other sectors are being evaluated.

SA became eligible for TDA assistance last year when then secretary of state James Baker declared it a "friendly" country.

BP to recycle used motor oil

BIDAM 15/4/93

MARIANNE MERTEN

BP HAS initiated a plan to collect used motor oil with a view to recycling it

A recent BP market research survey said South Africans dumped thousands of litres of used motor oil every year, polluting vast quantities of underground water supplies (185)

BP commercial brand manager Anthony Kemp said in a statement yesterday it took only one litre of oil to contaminate up to 1-million litres of fresh water and up to one hectare of surface water.

He said as part of an educational campaign, BP had established a network of 180 agents and service stations nationwide who would store used motor oil at no extra cost to motorists

BP had offered payment to participating agents for every 210*l* drum filled

Exports spur Sentrachem earnings

CT 16/4/93

183

Own Correspondent

JOHANNESBURG — Sentrachem's earnings grew 25% in the six months to end-February after a 62% growth in export sales and lower interest and tax charges, MD John Job said

Earnings a share climbed 25,6% to 32,2c (interim 1992 25,7c) The dividend was lifted to 7c (6c)

Turnover climbed 13,3% to R1,33bn (R1,17bn)

Operating income was marginally lower than the same period in 1992 at R114,6m (R116,8m) because of non-recurring items in the first half of last year and lower margins on the increased export turnover

Exports of crop protection chemicals by the 50%-owned Sanachem, of automotive components by Mega Plastics and of plastics by Safripol, resulted in exports soaring to R189m (1992 R117m), making up 13% (9%) of total sales

A combination of lower interest rates and a R67,8m decline in interest-bearing debt to R423,1m (R490,9m), after strong cash flows and a tight rein on investment spending, reduced finance costs 14,5% to R35,4m (R41,4m)

The debt-to-fixed capital ratio fell to 0,47 (1992 0,57) Job said the group aimed to achieve a ratio of 0,40 in the second half by lowering debt further Tax dropped by nearly a third to R26m (R36,9m)

A R15,3m extraordinary item related to R3m expenses written off following an investigation into Australian-based Chemplex and closure of the Styrochem plant The plan to acquire Chemplex for R350m was scotched in December

The group planned to invest R24m in the Sasol/Sentrachem alkylamines venture, R28m for technology at Mega Plastics and R22m for a fungicide plant this year

Surge in exports boosts Sentrachem

BDAY 16/4/93. (183)

EDWARD WEST

SENTRACHEM'S earnings grew by a quarter in the six months to end-February 1993 after a 62% growth in export sales and lower interest and tax charges, MD John Job said

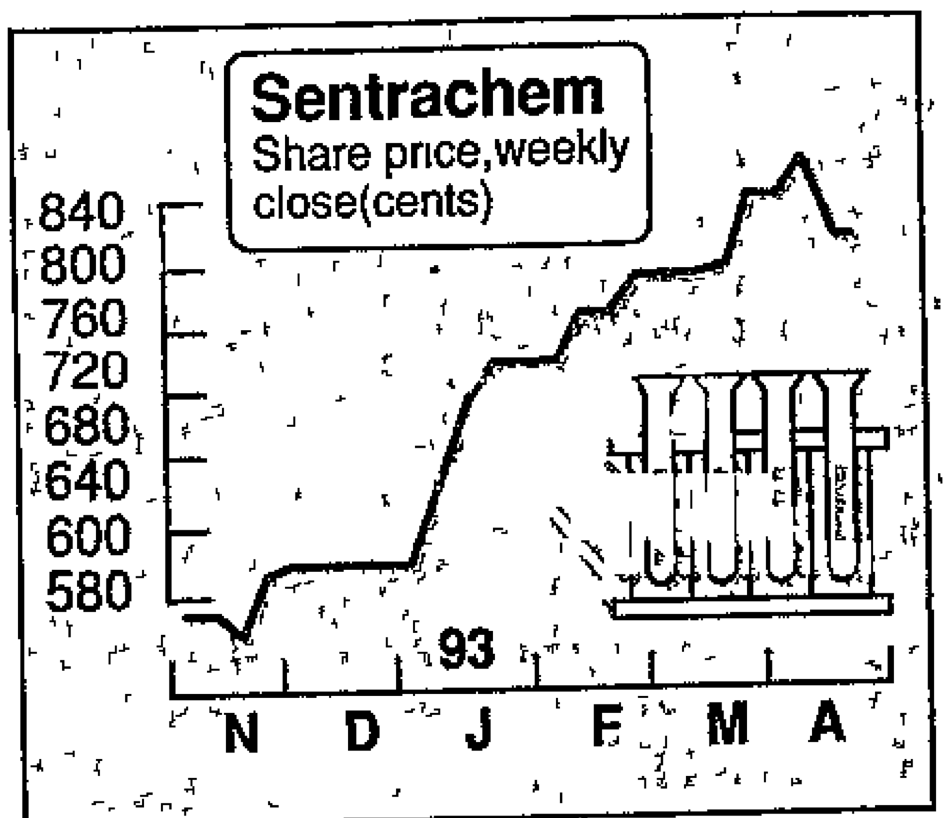
Earnings a share climbed 25,6% to 32,2c (interim 1992 25,7c) The dividend was lifted to 7c (6c). Job expected earnings for the full year to be higher than last year, but less than the growth achieved in the first half of 1993

Turnover climbed 13,3% to R1,33bn (R1,17bn) from increased business following last year's acquisitions and exports, which made up about 6% of the sales growth, said Job

Directors of Sankorp's chemical group said Karbochem, Mega Plastics and Agrihold achieved satisfactory sales increases NCP's sales were static, while the Specialities division's sales declined

Operating income was marginally lower than the same period in 1992 at R114,6m (R116,8m) because of non-recurring items in the first half of last year and lower margins on the increased export turnover

Job said the operating profit which climbed 10% over last year, masked the underlying performance of divisions But on consolidation, operating profit fell due to technical accounting procedures



Graphic LEE EMERTON Source I NET

Exports of crop protection chemicals by the 50%-owned Sanachem, of automotive components by Mega Plastics and of plastics by Safripol, resulted in exports soaring to R189m (1992 R117m), making up 13% (9%) of total sales

A combination of lower interest rates and a R67,8m decline in interest-bearing debt to R423,1m (R490,9m), after strong cash flows and a tight rein on investment

□ To Page 2

Sentrachem

BDAY 16/4/93 - (183)

□ From Page 1

spending, reduced finance costs 14,5% to R35,4m (R41,4m)

The debt-to-fixed capital ratio fell to 0,47 (1992 0,57) Job said the group aimed to achieve a ratio of 0,40 in the second half by lowering debt further.

Tax dropped by nearly a third to R26m (R36,9m) The tax rate improved mainly because of the reduced company tax rate announced in the March Budget. The rate for the full year was expected to remain at the current level of 33%.

A R15,3m extraordinary item related to R3m expenses written off following an investigation into Australian-based Chemplex and closure of the Styrochem plant. Job said Styrochem had been uncompetitive for the past five years after being constructed under the import relacement policies of the past

The plan to acquire Chemplex for R350m was scotched in December after closer examination of contracts and earnings potential.

The group planned to invest R24m in the Sasol/Sentrachem alkylamines joint venture, R28m for technology improvements at Mega Plastics and R22m for a fungicide plant this year, he said.

Job described the results as pleasing in the recessionary economy, but the group was still suffering from pricing pressure as a result of world oversupply of many of the group's chemical products

Sentrachem easily beats forecasts of earnings rise

Star 16/4/93

183

By Stephen Cranston

Sentrachem has reported a 25,6 percent increase in earnings per share for the six months to February, well up on market expectations of a 17 percent rise.

The improvement took place at a time when, says MD John Job, there has been no rise in world chemical prices

Exports increased by 62 percent to R189 million and now account for 13 percent of group turnover, up from nine percent in the first half of last year

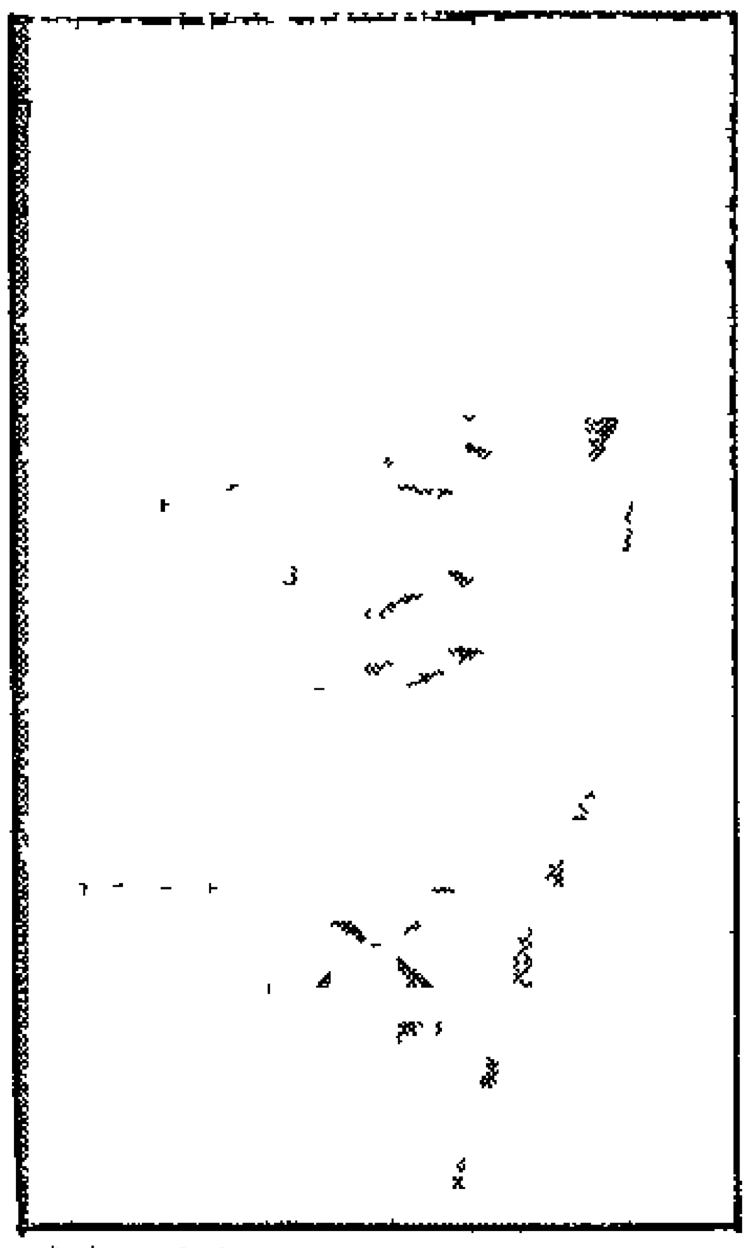
Job says highlights included exports of Mega Plastics's automotive components to Europe and Safripol's polyethylene and polypropylene sales to Hoechst's operations in South and North America, India and Europe, and sales worldwide by agricultural chemical producer Sanachem

The latter has invested in added-value products, which can be sold for up to R20 a kilogram, compared with R3 a kilogram realised by more basic products

Group turnover rose by 13,3 percent to R1,33 billion and there were satisfactory sales increases by Karbochem, Mega Plastics and Sanachem

Because of low solvent prices, NCP's sales were static

The disappointing performer was the specialities division, in



John Job .. expects gearing to fall

which sales fell by seven percent.

Polystyrene producer Styrochem was closed after the bottom fell out of international polystyrene prices

The closure was the main component of the R15,3 million extraordinary loss, which also included the cost of investigating the purchase of the Australian chemical group Chemplex

Group operating income fell by 1,9 percent to R114,6 million, although this was distorted by the inclusion last year of non-recurring items such as the writing back of a provision to the lessors of Afprene

The trading income from the six Sentrachem divisions increased by 10 percent.

Net debt fell from R491 million to R423 million and gearing fell from 57 percent to 47 percent

Combined with lower interest rates, this enabled interest charges to fall 14,5 percent to R35,4 million

Job expects gearing to fall to 40 percent by year-end as the group collects its summer season debts

Tax was reduced by 29,5 percent to R26 million The tax rate improved mainly because of the reduced rate announnced in the Budget

Job says the changes in the tax rate boosted Sentrachem's earnings by two cents a share

But the rate of tax in the second half of last year was unusually low as Sentrachem made use of assessed losses and brought the rate for the full year down to 33 percent.

Job expects the effective tax rate for this year to be maintained at that level

He says earnings for the full year should show real growth, but at a slower rate than that reported in the first half

FM 16/4/93 (183)

BOWLER METCALF (183)

Going like a train

Activities: *Makes plastic and plastic mouldings*
Control: *Directors 75,7%* FM 16/4/93.
CE: *H W Sass*
Capital structure: *25m ords Market capitalisation R30m*
Share market: *Price 120c Yields 4,2% on dividend, 9,0% on earnings, p e ratio, 11,1, cover, 2,2 12-month high, 120c, low, 49c Trading volume last quarter, 76 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	0,5	0,9	0,6	0,1
LT debt (Rm)	1,6	1,5	0,5	0,3
Debt equity ratio	0,35	0,1	0,18	0,08
Shareholders' interest	0,52	0,49	0,38	0,41
Int & leasing cover	3,5	4,9	7,4	n/a
Return on cap (%)	21	26	33	38
Turnover (Rm)	12,3	14,5	17,5	21,4
Pre-int profit (Rm)	1,85	2,86	3,87	5,2
Pre-int margin (%)	15,0	19,7	22,1	24,1
Earnings (c)	5,6	6,8	7,3	10,8
Dividends (c)	2,25	2,75	3,5	5,0
Net worth (c)	18,1	21,7	17,9	22,5

Entry into rigid plastic packaging must have been as daunting in 1987 when Bowler Metcalf (Bowler) was listed on the DCM as it is now But during the four-and-a-half year recession it has gained market share from bigger competitors, while increasing profits much faster than most listed companies

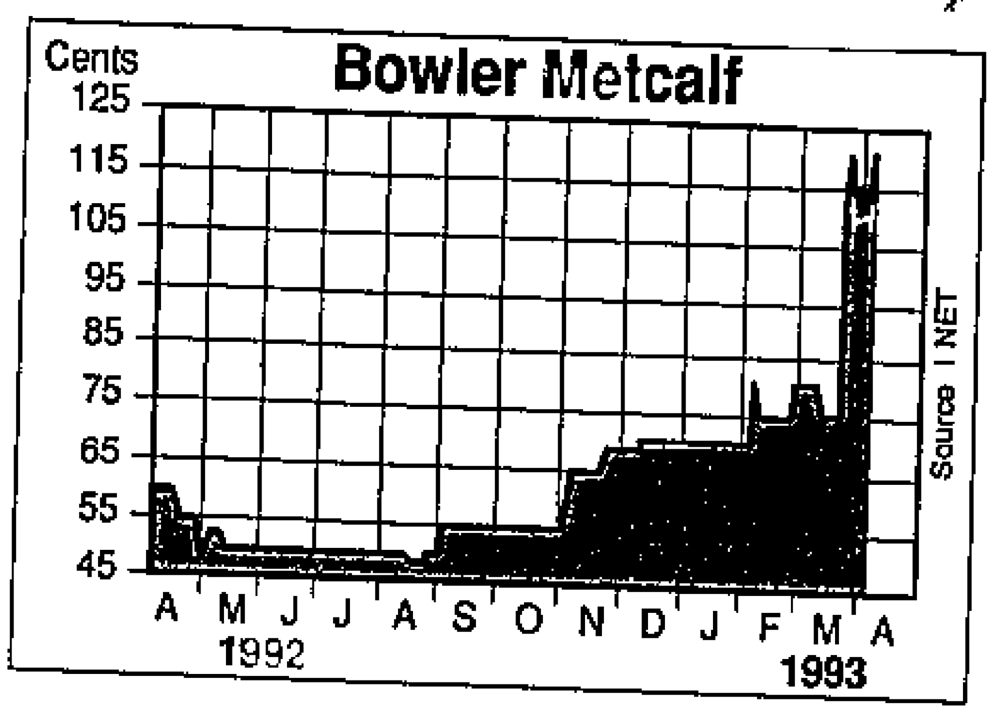
Bowler moved from the DCM to the pulp and paper sector in 1990 It has continued to expand profits and assets by financing long-term growth with short-term borrowings

Yet, imprudent as this practice may have appeared — especially in a tough economy — Bowler paid cash for all its purchases and cut long-term liabilities by 31%

Turnover grew by a commendable 22% However, the real plaudits apply to the productivity increase reflected in the one-third rise in pre-interest profit and the 48% jump in EPS, despite a tax rate of 48%

CE Horst Sass points out that the industry average tax rate is about 35% He also says R3,3m capital expenditure is planned for the next three months, of which R1,3m will be funded from cash and the balance by bankers acceptances and on instalment sale. So the practice of financing long-term investments with short-term instruments persists

The share has climbed from 60c a year ago



to a new high of 120c With its earnings growth of the past four years, it was only a matter of time before the market rerated the counter Sass is reluctant to predict a 1993 EPS increase similar to that of 1992, but says growth will "remain above average" Favourable rerating is fully deserved

Gerald Hirshon

FM 16/4/93. (183)

OMNIA (183)

Raindrops keep falling

It's amazing what a little rain can do for the price and rating of an agriculture-based share like Omnia The price was languishing at an annual low of 380c at the height of the drought in August and interim results con-

SOWING SEEDS

Year to Dec 31	1991	1992
Turnover (Rm)	438	487
Operating income (Rm)	63,2	51,2
Attributable (Rm)	32,2	23,1
Earnings (c)	83,2	51,1
Dividends (c)	35	40

FM 16/4/93.

firmed the worst — slack demand for fertiliser, which accounts for the bulk of Omnia's turnover, as well as seed, resulted in a halfway loss of R4,5m

Then came the November rains and the price took off, gaining 30% in a month to reach a high of 550c Since the interim was published, the p e ratio has widened dramatically from 2,6 to 10,4.

Unfortunately, though, the rains came too late to save earnings They declined largely because of the 19% drop in operating profits Omnia is traditionally a strong second-half company, earning most of its profits during the summer planting season

Recovery was strong, claims deputy chairman Mike Fearfield, in terms of volume, with the second half producing the best sales ever — and the halfway loss was turned into a R23m profit

But margins were slashed by what chairman Joachim Winkler says was a "major disruption" in the market, which caused local prices to fall in absolute and real terms to below import parity

He won't detail the "disruption" but one suspects it was Sasol lowering fertiliser prices by about 20% and starting to sell directly from its factories However, prices have been restored since an increase at the beginning of this month Maize farmers are smiling again, so are shareholders

Despite the drop in earnings, they received a 14% bigger payout, following a policy decision a few years ago to increase dividends at least in line with inflation That hacked dividend cover from 2,4 to 1,5 times, but Fearfield says it sent out a strong signal that 1992 was a one-off, abnormally bad year and that with Omnia's capex programme reaching conclusion and the prospect of at least a normal agricultural year, the company should again achieve earnings growth

At 515c, the share is probably fully priced with the market having already discounted a decent year ahead

Shaun Harris

ROYCHEM FM 16/4/93.

Playing hard to get (183)

Once again, Del Monte Royal has the market abuzz with speculation, though this time it concerns its chemical and pharmaceutical arm Roychem But the cautionary on March 16 should have come as no surprise

The *FM* raised the question of the company's future last year (*Fox* October 23), when Royal Group was negotiating the R2,1bn deal with DMFI It was suggested that some arrangement with AECI was likely, especially if the Del Monte bid, engineered with Anglo, proved successful

FM 16/4/93. (183)

Originally the group's core business, Roychem's importance has paled as managerial time and skills were increasingly channelled into the burgeoning food interests Roychem's share price, which climbed 43% to 200c in October on expectations about its future, has floundered around that level since With a market cap of R92m, the share trades below its 210c NAV

Synergistically, it makes sense that Chemserve should be a willing partner Chemserve is in good shape with long-term debt down, cash reserves of R15,4m and gearing at a healthy 10%, putting it in a good position to pursue acquisitions

However, Chemserve is apparently just one of several parties holding discussions with Roychem's advisers It's difficult to identify likely interested companies, especially given the materiality provision in the JSE rules, by which a potential buyer need not issue a cautionary if the acquisition represents less than a tenth of its total assets It seems no-one's been affected because interest has not been signalled by any party Since synergies with listed companies other than Chemserve are few, most possible candidates are unlisted.

Del Monte Royal, Roychem's largest shareholder, is said to be anxious to sell its 57,8% stake, however, it is playing its hand on the basis of waiting to see what offers are forthcoming Minorities will have to hang around till later this month for the outcome

Marylou Greig

SUNDAY TIMES, Busi

S Times (Buss. Times)

Sentrachem dual tax boost

18/4/93

By ZILLA EFRAT

SENTRACHEM's results are one of the first to reflect the benefits of the dual tax system announced in the Budget.

Attributable earnings rose 25,6% in the six months to February. Without the tax change they would have risen 18% — still an impressive showing for a chemical company in the current tough economic environment.

The dual tax system, which entails a fall in company tax to 40% and a secondary tax of 15% on dividends payouts, bolstered Sentrachem's earnings a share by an extra 2c to 32,3c (25,7c).

Managing director John Job says that because this addition is insignificant in Sentrachem's total funding, the benefits have not been earmarked for anything.

He does not expect the tax change to lead to a major shift in Sentrachem's dividend policy, especially in the current year. The group has always had a conservative dividend policy, with annual cover usually three times.

Dividend cover has traditionally been more conservative at the half-way mark — as can be seen by the 4,6 times covered interim dividend of 7c (6c) announced this week.

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Squeeze

Sentrachem's interim earnings also benefited from a 14,5% dip in net financing charges and a 62% spurt in export sales. Exports now account for 13% (9%) of the group's turnover, which rose 13,3% to R1,3-billion in the six months.

Operating income, however, was down 1,9% at R114,6-million, even though the consolidated results from Sentrachem's six divisions rose 6%. This is due to "certain non-recurring items" and a squeeze on operating margins.

The group this week approved a R20-million expansion of its Mancozeb fungicide plant at Sasolburg. Some larger projects, which could cost between R50-million and R200-million, are being examined.

The income statement includes a R15,3-million extraordinary item, which largely relates to the closure of the unprofitable Styrochem plant.

Of the amount, R3-million was spent on investigating the acquisition of Australian chemical company Chemplex. This amounted to 1% of the purchase price and Dr Job says the money was well spent in helping the group to decide not to go ahead with the deal.

He expects earnings for the year to be ahead of last year's, but growth is likely to be less than the 25,6% of the first half.

Premier and MCC form new medical supply group

Star 20/4/93

183

By Sven Lünsche

A new medical supply company has been formed through the merger of the Premier Group's wholesale pharmaceutical business with Medical Cash and Carry Holdings (MCC).

In a statement today the Premier Group said the new group, United Pharmaceutical Distributors (UPD), would have annual turnover of R1,5 billion and assets of R500 million.

The merger was given the go-ahead when the Competition Board announced yesterday it would not investigate the merger.

MCC will acquire management control of the new company and will have a 52 percent shareholding in UPD. The remaining 48 percent will be held by Premier, through its subsidiary Gresham Industries.

The effective date of the transaction still has to be decided.

In terms of the deal, Gresham's wholesale pharmaceutical business (PDC, ACA and Salters) and First Choice Druggists, which are currently controlled by Premier Pharmaceuticals (previously Twins Pharmaceuticals), will be sold to UPD in exchange for loans in favour of Gresham and Premier.

In his statement Competition Board chairman Pierre Brooks said the board had taken cognisance of the fact that the merged entity would have a substantial share of the market.

"However, relatively low barriers to entry, and the fact that the demand for prescription medicine is created by the prescriptions issued by medical practitioners and not through the promotional practices of pharmaceutical wholesalers, means that even a substantial market share does not confer market power on a pharmaceutical wholesaler, enabling it to manipulate prices and the market to its advantage."

Brooks said this was amply illustrated by the growth in the number of pharmaceutical wholesalers in the 1980s and in particular by the market share attained by MCC over a comparatively short period

Medical supply firm formed

ANDY DUFFY and DUMA GQUBULE

(183)

THE Premier Group has announced the formation of a new medical supply company with an initial turnover of R1,5bn and assets of R500m

The company, United Pharmaceutical Distributors (UPD), was formed as part of Premier's merger of its wholesale pharmaceutical distribution businesses — Gresham Industries and PDC — with Medical Cash & Carry Holdings (MCC)

The company's formation was planned after Premier acquired Twins Pharmaceuticals from the Krok brothers in August last year Twins changed its name to Premier Pharmaceuticals at the time

UPD, which would be owned 52% by MCC and 40% by Gresham, would acquire MCC's businesses in exchange for a loan against UPD UPD would also acquire the businesses of Gresham and First Choice Druggists in exchange for loans against UPD in favour of Gresham and Premier

3/4/93

In terms of the merger, which would rationalise the constituent businesses of the parties, day-to-day management control of the company would rest with MCC

The merger had received the sanction of the Competition Board, despite the combined businesses having a substantial share of the wholesale market, board chairman Pierre Brooks said yesterday It would not be able to exploit this to manipulate prices because demand for prescription medicine was created by medical practitioners, "not through the promotional practices of pharmaceutic wholesalers" The transfer of the control of a business to a company with no group affiliations had also led to the clearance

Under the deal, Premier retains a minority stake in the MCC-managed business

HOUSE OF DELEGATES

INTERPELLATION

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

General Affairs

183

Leakage of chlorine gas at Prospecton

1 Mr M RAJAB asked the Minister of Manpower

(1) Whether any chlorine gas leaked into the atmosphere at Prospecton on or about 15 March 1993, if so, what was the cause of this incident,

(2) whether he or his Department has taken or intends taking any steps to prevent a recurrence of incidents of this nature, if not, why not, if so, what steps?

D173E INT

The MINISTER OF MANPOWER Mr Chairman, the answer to the first part of the interpellation is yes, but the cause of the incident is still under investigation

The answer to the second part is yes A formal inquiry is being conducted by inspectors of the Department of Manpower in terms of section 24 of the Machinery and Occupational Safety Act, 1983 A preliminary report from the regional director in Natal reads as follows·

> Initial investigations at Crest Chemicals have shown that the apparent cause of the incident resulting in the release of chlorine gas on 15 March 1993 may lie in the incorrect coupling of the hydrochloric acid in a tanker to a tank containing sodium hypochlorite solution As the hydrochloric acid was pumped into the sodium hypochlorite solution, a reaction occurred which resulted in chlorine gas being emitted from the vents in the storage tank A cloud of gas resulted which was conveyed on the gentle southwesterly breeze into the Metro Trade Centre across the road At this stage it appears that 94 people were affected to various degrees by the inhalation of chlorine gas

This incident is still under investigation and no further detail is available at present

Mr M RAJAB Mr Chairman, as the hon the Minister has just indicated, on 15 March 1993, 58 people had to be hospitalised as a result of that particular incident An invisible gas began felling people at the trade centre in Prospecton All of these people complained of severe chest pains and one, in fact, suffered a heart attack Fortunately, all of them recovered

I was a little surprised to hear the hon the Minister indicate that the cause of this near tragedy is still under investigation However, according to media reports the cause has been traced to someone who accidentally pumped hydrochloric acid into a wrong tank at Crest Chemicals

A few days later a similar occurrence led to schoolchildren being evacuated from their school Those in charge quite correctly took a decision to evacuate the school timeously

I want to tell the hon the Minister, and I am sure he will agree with me, that this state of affairs is quite unacceptable to us Indeed, it is unacceptable in any society It is bad enough through apartheid to juxtapose residential and business areas to industrial areas, as is the case in Isipingo and Prospecton, but it is totally irresponsible not to ensure that accidents of this kind do not take place in future I am indeed disappointed that the hon the Minister, although he has indicated that he is not sure what the reasons for this mishap were, has not given us an assurance that his department will, in whatever way it can, prevent the recurrence of an incident of this nature in future

Mr P GOVENDER· Mr Chairman, I want to thank the hon member for Springfield for raising this issue When I heard about this matter at quarter to nine on 15 March, I went to the nearest hospital and visited some of the patients What surprised me was that it had taken the authorities two hours to clear up the situation and bring it under control

I contacted the hon the Minister of Mineral and Energy Affairs and asked him for a full investigation and report, and this is what I received from AECI·

> An independent investigation committee including international and local experts is to be appointed as a matter of urgency The committee's task will be to audit the existing production and handling facilities as well as all the operating and safety procedures involved in the manufacture of chlorine at Umbogintwini It will specifically be asked to assist the local community close by the plant and recommend corrective measures if necessary They are not prepared to operate this kind of facility in any area which poses a material risk to our employees and the surrounding community or the environment

[Time expired]

Mr N SINGH Mr Chairman, on behalf of this side of the House, I should like to congratulate Mr D Naidoo on his appointment as the new hon member for Glenview

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I wish to endorse what the hon member for Springfield has said, namely that we on this side of the House are very disturbed at the fact that this matter is still under investigation This incident took place on 15 March and we believe that by this time a final report should have been presented As the hon member said, a similar incident occurred in the same area a few days later Do we have to have more fatalities before these investigations are carried out more expeditiously?

It is common knowledge that people of colour were dumped in areas such as Merebank and Isipingo, areas which are highly industrialised and in which there is a great deal of air, traffic and other kinds of pollution Therefore the State has a responsibility to the people who live in these areas not only to introduce legislation which would make it safe for them to live there, but also to ensure that such legislation is enforced [Time expired]

Mr A RAJBANSI Mr Chairman, I want to draw the attention of the hon the Minister to the fact that this is a mini Bhopal If this had occurred on a wider scale, the hon the Minister responsible would have been lynched by a mob in Isipingo by now Notwithstanding the fact that this occurred twice, what would the position have been if the leak had occurred at night when the community would have been asleep?

I read in an editorial that the private hospital that was treating these patients could not get this particular institution to give it the formulas in respect of the gases that had affected the people so that an analysis could be made and the kind of treatment that should be meted out decided on

This occurred not once but twice, and therefore very serious consideration should be given to whether the manufacturer of this particular gas should move his factory to a different site [Time expired]

Mr M RAJAB Mr Chairman, I must agree with the hon member for Arena Park who said this could have been a mini Bhopal I must disagree with him, however, when he lays the blame entirely at the door of the hon the Minister

Mr A RAJBANSI I did not say that I said, if

Mr M RAJAB I take the hon member's point The simple fact is that legislation in this regard is in place I would expect the hon the Minister to tell us this afternoon that he has instructed the people in his department responsible for this aspect to ensure that the legislation is not only enforced thoroughly, but is policed as well

Talking about the legislation, I trust that the hon the Minister will take us into his confidence this afternoon and tell us precisely what the department can do in similar cases

The MINISTER OF MANPOWER Mr Chairman, I should like to thank all the hon members who took part in this debate and I should like to endorse the sentiments expressed by various hon members with regard to this particular incident Undoubtedly the department and I are just as concerned about this incident as hon members are One should not take issue with one another when it comes to that The crux of the matter is simply that what we are dealing with here is an investigation I assure hon members that I shall impress upon those involved in this investigation that they should speed matters up and not drag their feet

I should like to tell the hon member for Springfield that we should also like to have completely new legislation in this regard We have done a lot of work in this field We have published legislation after having scrutinised it and canvassed it with various interested parties The fact of the matter is that we are living in a modern society and we have to live up to the expectations of that society Consequently one will have to respect the need for the security of the workers on the one hand and that of the people who could be affected by whatever is happening in the industrial community on the other

I would like to assure the hon member, therefore, that we are not indifferent to this matter We shall see to it that this issue is scrutinised in

cont'd

depth and that we get modern, up-to-date legislation on the Statute Book in this connection

Debate concluded 183

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

Transport Advisory Council: Grosskopf Commission

*1 Mr M RAJAB asked the Minister of Transport

Whether the Transport Advisory Council has (a) examined and (b) reported on the report of the Grosskopf Commission in regard to compulsory balance of third party insurance, if not, why not, if so, what are the relevant details? D162E

The MINISTER OF TRANSPORT

(a) Yes

(b) Yes, the Transport Advisory Council, taking note of the recommendation by the Grosskopf Commission that the compulsory balance of third party insurance not be made compulsory as well as similar recommendations by the Wessels Commission and the South African Insurance Association, reported to me that it does not see its way clear to recommend that such insurance be made compulsory

Purchase of school textbooks: tender basis

*2 Mr A RAJBANSI asked the Minister of State Expenditure

(1) Whether school textbooks are purchased on a tender basis by the various education departments, if so, what are the relevant details, if not, (a) why not and (b) what is the position in this regard,

(2) whether he will make a statement on the matter? D169E

The MINISTER OF CORRECTIONAL SERVICES (for the Minister of State Expenditure):

(1) Yes, in respect of schools under the control of the Administration House of Delegates, the Administration House of Representatives and the Department of Education and Training Purchases of school books are made in accordance with the State Tender Board Act and regulations issued in terms thereof

No, as far as schools under the control of the Administration House of Assembly are concerned, including those which are administered by the four Provincial Administrations

(a) Seeing that state sponsored schools (Model C-schools), which constitute 94% of all the schools under the control of the Administration House of Assembly, do their own purchases, no period contracts are arranged on a tender basis

(b) The remaining public schools, which are primarily smaller primary schools, purchase their textbooks on an individual tender basis under the standing powers delegated to state departments by the State Tender Board as the arranging of period contracts are not cost effective

(2) No

Mr A RAJBANSI Mr Chairman, arising out of the hon the Minister's reply, is he aware that the schools under the Administration House of Delegates adopted the same procedure as that adopted by Model C schools under the Administration House of Assembly, and that the State Tender Board gave instructions that the order for textbooks be placed out to tender? Secondly, will the hon the Minister agree that it is unfair competition for a firm—publishers, wholesalers, authors, bookbinders, retailers, etc—to compete with retailers only?

The MINISTER Mr Chairman, as I am replying to this question on behalf of the responsible hon Minister, I suggest that the hon member table his questions so that he can receive a reply from the hon the Minister of State Expenditure

Mr A RAJBANSI Mr Chairman, further arising out of the hon the Minister's reply, having made that request, will he be prepared to convey to his colleague that it is unwise for White Schools not to follow the tender procedure which is imposed on Indian schools?

The MINISTER Mr Chairman, ~~as I have indicated~~, I am replying to these questions on behalf of my hon colleague, and I do not have an intimate knowledge of what is going on with regard to the procedures of the State Tender Board I request that the hon member table his question again so that my hon colleague can reply to it in full

Production of nuclear devices: cost

*3 Mr A RAJBANSI asked the Minister of Defence

What was the total cost of producing the nuclear devices referred to by the State President in the course of the joint sitting on 24 March 1993? D171E

The DEPUTY MINISTER OF DEFENCE

About RM 800

Mr A RAJBANSI Mr Chairman, arising out of the hon the Deputy Minister's reply, I would like to ask whether, in view of the fact that R800 million was spent, it would not have been wise to have referred the dismantling of these nuclear weapons to the multiparty negotiating forum before dismantling them?

The DEPUTY MINISTER It is not quite clear to me what the hon member for Arena Park's question is Could he repeat it?

Mr A RAJBANSI My question was that since R800 million was spent—if one takes inflation into consideration this amount would be higher today—should the multiparty negotiating forum not have been privately informed of the State's intention to dismantle the nuclear weapons before such dismantling took place?

The DEPUTY MINISTER Mr Chairman, I can reply to the hon member for Arena Park by saying that the situation which existed when this project was started, which was some 15 years ago, has no bearing on what is happening at the moment I think the hon the State President was quite entitled to enlighten South Africa and its people about this project

I can expand by saying that the amount which I mentioned covers the cost of the whole project and not only of the devices I think that the spin-offs South Africa has had, such as the fact that we have become world leaders in the medical field with regard to the production of isotopes for medical use, and that money is going to accrue from enriched uranium, are sufficient to justify this amount of money

Dr K RAJOO Mr Chairman, arising out of the hon the Deputy Minister's reply, I would like to know whether, in view of the particularly low cost of R800 million in respect of this nuclear device, and considering the fact that this project was started 15 years ago, is this the final figure for this project, or are we going to discover later on that more monies were spent?

The DEPUTY MINISTER Mr Chairman, this amount was announced by the hon the State President This is the total amount for the whole project since its inception It was not started with a view to making these devices, but as a uranium enrichment plant As a result of the difficulties experienced during those years, it eventually came about that these devices were also produced To the best of our knowledge R800 million is the final figure for the whole project

Toxic gases: deaths

*4 Mr M RAJAB asked the Minister of Manpower

(1) Whether any deaths as a result of incidents involving toxic gases were reported during the lastest specified period of three years for which statistics are available, if so, how many,

(2) whether he or his Department has taken or intends taking steps to prevent a recurrence of such incidents, if not, why not, if so, what steps? D174E

The MINISTER OF MANPOWER

(1) Yes Nine

(2) Yes Formal inquiries were conducted by inspectors of the Department in terms of section 24 of the Machinery and Occupational Safety Act, 1983

These incidents were assessed to review current safety standards and were statistically classified, but no prosecutions resulted from any of them

As I indicated earlier on, during the debate on the interpellation, we plan to

contp

Engen to import crude directly

EDWARD WEST 183

ENGEN would import ~~crude~~ oil directly from oil-producing countries in future, logistics GM Pete Bartlett said yesterday

The move to operate outside the state procurement agency, SFF Association, set up to source crude for SA's oil refiners during the sanctions era from 1981, would prepare the group to operate in a deregulated environment.

Bartlett said that the relaxation on crude oil procurement structures was made possible by a steady evolution of political perceptions of SA over the past 18 months. BIDAY 21/4/93.

The re-establishment of links by members of Arab League countries with SA's fuel industry, was an example of this change in attitudes, he said.

Although small quantities of crude had been purchased outside leviable crude oil supplies for re-export purposes for a number of years, oil companies had begun sourcing from outside the SFF since 1992, said Bartlett.

He declined to disclose the quantity involved, but the volume of crude oil sourced from the SFF was falling monthly.

Engen had eliminated a level of costs as a result, but the irony was that savings could not be passed on to the consumer because of price control by government.

Although sourcing outside the SFF would prepare Engen for deregulation, the decision was political.

A number of issues would have to be addressed first, such as reconciliation of deregulation with SA's protected synfuels producers, Sasol and Mossgas, Bartlett said.

BDM 21/4/93

Malbak renounces some rights in SAD issue

MALBAK, controlling shareholder of SA Druggists (SAD), said it would renounce some of its rights in the pharmaceutical company's coming rights issue, to improve the marketability of SAD's shares. (183)

Malbak currently holds 84% of SAD's share capital. Malbak executive chairman Grant Thomas said in a statement it would renounce two-thirds of its rights in the rights issue to institutional and other investors, reducing its shareholding to 76%.

Malbak was concerned the narrow shareholder profile inhibited tradeability. "We expect that having SAD shares more widely held and better able to trade will benefit all SAD shareholders," he said.

Earlier this month SAD announced a rights issue to raise R201m to eliminate debt and provide funds for expansion. The offer opens on April 30. — Reuter

SAD's tradeability improved

STAR 21/4/93.

By Stephen Cranston (183)

Malbak will renounce some of its rights in SA Druggists (SAD) to institutional and other investors

Earlier this month SAD announced a rights offer to raise R201 million to eliminate debt and provide SAD with funds for expansion

Malbak holds 84 percent of SAD's share capital and has been concerned that this narrow shareheolder profile has inhibited the tradeability of its shares

To facilitate a better spread and improve the marketability of SAD shares, Malbak will renounce two-thirds of its rights and place the shares with institutional investors, individuals and SAD employees treated, gold produced and after-tax profits have drifted steadily downwards

night weakness in New York, succumbed to the strong finrand and shed 125c to R73,50c.

The shares have gained 90c over the past week, after falling to 780c in the wake of the Bob Aldworth scandal.

DUMA GQUBULE

Sentrachem set to buy some SA Cyanamid interests

B/DAY 22/4/93 (182)

HEADS of agreement have been signed for the purchase by Sentrachem of a portion of the non-cyanide interests of SA Cyanamid, Sentrachem said yesterday.

Sentrachem aims to take over the SA Cyanamid's plants producing aerofloat collectors and chemicals for water treatment and paper production

Sentrachem executive director Ralph Oxenham said the purchase price would be around R6,3m

On conclusion of the negotiations, the American Cyanamid Company would enter into an appropriate technology and licensing agreement with Sentrachem

This would include the use of American Cyanamid's patents and trademarks, Sentrachem said.

If negotiations were concluded, the relevant portion of SA Cyanamid's non-cyanide chemical businesses would be integrated with those of Sentrachem subsidiaries NCP, Karbochem and Poly Resin Products, Oxenham said — Sapa.

SENTRACHEM

FM 23/4/93.

Evidence of change

183

Further evidence of Sentrachem's transformation from its previous import-replacement culture to a more open, export orientation (*Companies,* November 13) is evident in surprisingly sound halfway results

Real growth in turnover has been depressed at operating profit level by a declining margin, partly the result of baggage from the past which has finally been jettisoned

MD John Job ascribes "certain non-recurring items in the comparative period" largely to the closure late last year of Afprene Lessor Trust, set up in the early Eighties from funds generated under what government then classed as strategic tax allowances

"Effectively, those tax allowances were distributed to members of the trust That inflated last year's operating profit by about R4m, which is why the comparison shows a 1,9% decline Without that distortion, operating profits were up about 10%," Job says Clearly, it's all done by mirrors

The operating margin was also tighter because of the bigger contribution from exports These sell at thinner margins, though Job is quick to add all exports are profitable

Over the year exports increased by 61,5%, and now account for 13% (or R189m) of turnover Job says this is close to the initial target of 15% This increase worked through to the bottom lines of Mega Plastics (automotive components to Europe), Safripol (plastics to Europe and the Far East), and Sanachem, which exports agricultural and chemical products to most parts of the world

Earnings were also helped significantly by a lower tax bill, down nearly 30% to R26m Job notes the tax rate in the second half of last year was low, though the company also benefited from the recent cut in the nominal corporate tax rate

Job estimates this added 2c to earnings He expects the tax rate for the full year to remain at about 33%, with deferred tax provisions still to be revalued under the new tax structure At the other end, Job says it's unlikely that the 15% tax on distributable reserves will result in changes to dividend policy — covered a healthy three times — though the issue is still to be decided

A breakdown of the R15,3m extraordinary item shows R7m spent on closing the loss-making Styrochem plant, R4,8m on other discontinued operations and R3,5m on investigating the aborted Australian Chemplex deal

Job admits the investigation cost was high, but says considering the investment would have been in the region of R350m to have done less would have been imprudent

What went wrong? "Basically, the plan wouldn't come together The sellers were hoping for too high a price, their performance didn't turn around as expected, which would have required a lot more management input from us, and several contractual agreements were terminated by third parties

"It was disappointing, but I think our shareholders respect the decision," Job says

What did emerge from the exercise was evidence of support from shareholders for a rights issue should Sentrachem decide on any sizeable acquisition this year The group has strengthened the balance sheet considerably, reducing debt and getting gearing down to 47% from the year-end 57%

"In the past we've seen the effect of financing large acquisitions through debt We now have a slightly different approach, and might be persuaded to go to the market to finance future acquisitions," Job says

Sentrachem's changing emphasis is reflected in the share price Since the annual results were reviewed, it's gained R2 to R7,50 on a rerating It looks more attractive than it has for some years *Shaun Harris*

CHANGING THE MIX

Six months to	Feb 29 '92	Aug 31 '92	Feb 28 '93
Turnover (Rbn) ..	1,17	1,26	1,33
Operating income (Rm)	117	110	115
Attributable (Rm)	29,7	41,8	37,3
Earnings (c)	25,7	36,3	32,3
Dividends (c)	6	14	7

German firm gives lift to SA research

(4) KATHRYN STRACHAN (183)

A GERMAN pharmaceutical company is to invest millions in SA research to investigate new methods of fertility control — as well as to develop a new, non-hormonal contraceptive for men.

The company, Schering AG, signed the three-year research agreement — which provides for the payment of R1,2m a year — with the Medical Research Council (MRC).

The agreement was signed in Cape Town recently by Schering AG's Gunter Stock and Dr Roger Stewart of the MRC's strategic health research group.

Stock said his company awarded the contract to the MRC because work by the Tygerberg Hospital Reproductive Biology Unit, which is supported by the MRC, was at the "cutting edge" of research in this field.

Stewart said that the MRC would coordinate the drive in SA to develop new approaches to the issue of fertility control, which would also benefit infertile couples. B|DAY 23|4|93.

B/DAY 23/4/93

AECI workers strike

MORE than 4 500 SA Chemical Workers' Union members at AECI's Modderfontein plant outside Johannesburg yesterday entered the second day of a strike in solidarity with two security guards who were suspended for observing the April 14 stayaway.

AECI said most black employees had stayed away that day. The dispute began when disciplinary action was taken against two security personnel who failed to follow procedure. (152) (183)

5 000 workers go on strike

Sowetan 23/4/93.

By Joe Mdhlela

ABOUT 5 000 workers at the AECI plant in Modderfontein downed tools yesterday in protest against the suspension of two of their colleagues.

Company spokesman Mr Michael Blizzard yesterday confirmed the strike

He said the dispute followed disciplinary action taken against two security workers He said the company was talking to the SA Chemical Workers Union in a bid to resolve the dispute

■ Two suspended after heeding stayaway call:

Sacwu spokesman Mr Tsepang Mika said Mr James Mphahlele and Mr Thabo Pebane had been suspended because they had heeded a stayaway call last week following the assassination of SA Communist Party leader Mr Chris Hani

"But the strange thing is that the two security officers were singled out among many other workers in the company who had heeded the call," Mika said

FM 23/4/93

EYEGLASS INDUSTRY

183

Creating a spectacle

A monopoly is keeping prices excessively high but mavericks are undercutting the market to the delight of consumers This time the battle is over eyeglasses and it's being played out in the courts and in parliament

FM 23/4/93.

Says DP MP Robin Carlisle "The optometry and optical-dispensing professions have, through legislative protection, become an extraordinary monopoly by placing restrictions on entry to the professions, marketing, price competition and freedom of association The impact has been to drive the cost of lenses and frames to unrealistic and unjustifiable levels, placing spectacles beyond the reach of millions of South Africans "

Parliament was scheduled to debate the issue this week Meanwhile, two criminal court cases and a civil action are pending against companies that offered discounts of up to 50% on prescription lenses and frames

One company, Frames Unlimited, has been charged with violating the Medical, Dental & Supplementary Service Professions Act because it sells glasses but is not owned by a qualified optometrist or optical dispenser

Frames Unlimited MD Irwin Schaffer points out the anomoly "We aren't even allowed to employ qualified optometrists or optical dispensers " But he denies that he's compromising health-care standards "We don't do any testing ourselves We merely send eye prescriptions — mainly from opthalmologists (physicians specialising in eye care but who also can't legally dispense glasses) — to the same manufacturers who supply the optometrist "

183

Schaffer has been offering discounts of up to 42% in the past year at his 30 outlets countrywide He's determined to fight the charges against him.

Another business that's fallen foul of the SA Medical & Dental Council is Spectacle Warehouse Established this year in Cape Town, this one-stop service is owned and run by five fully qualified optometrists Their alleged sin was a 10-day extensive media campaign that advertised discounts of up to 50% on lenses and frames They've been silenced by a temporary interdict — the return date is in August — and are deciding whether to oppose the civil action

Says director Chris Faul: "We know we have contravened the law by advertising, but we have to make the public aware that they can obtain this service."

Faul adds that only 20% of the population is covered by medical schemes. "This means that most people have little or limited access to affordable eye care. It's quite possible that a new government could relax the requirements of entry into the profession to alleviate this problem, but this we believe isn't the route to go "

He says Spectacle Warehouse is able to offer such huge discounts only because it operates on large economies of scale — made possible through advertising "We are a volume business that benefits from low-rent premises and highly efficient staff."

Possibly the worst case of protectionism is demonstrated by the criminal case against Optilab, a Cape-Town based lense manufacturer Optilab MD Greg McGilp has been manufacturing lenses for the past 32 years Three years ago he began bypassing optometrists and optical dispensers by selling directly to the public The reason Groote Schuur Hospital and cash-strapped government welfare organisations asked him to help patients who could no longer be subsidised but who couldn't afford high optometrist bills

McGilp is defending himself — he can't afford an attorney He hopes that a favourable decision will pave the way for wide-scale discounting "Of course, optical dispensers who are now graduating from technikons and can't find work have the most to lose But in reality, all they do is order the glasses from us and stick them on the patient's face, or get their receptionists to do the job "

Health Minister Rina Venter says she will try to determine what is in the public interest — particularly regarding safety standards But she warns "I don't want to protect any specific occupational group at the cost of the patient "

Meanwhile, MP Carlisle is pushing his proposals to reform the industry, and if government approves, optometrists and optical dispensers will be seeing a lot more competition

Mirryena Deeb

(183)

UNBUNDLING

Another coup for Genmin

FM 23/4/93

Unbundling is developing momentum Gencor's wholly owned subsidiary General Mining Metals & Minerals (Genmin) has just bought the interests of Old Mutual, the Industrial Development Corp (IDC), Natsel and Indsel in Richards Bay Minerals (RBMH) for a handsome R671,2m. The acquisition doubles Genmin's stake in RBMH to 50% and gives investors and the market, for the first time, an indication of RBMH's worth — a substantial R2,7bn

Indsel and Natsel will receive their disposal consideration as a mixture of cash (R102,1m) and 4,4m Engen shares The disposal constitutes a material change in the portfolios of Indsel and Natsel and will obviously affect the distribution to be offered to shareholders in their planned unbundling

The IDC sale follows government directives last year to mobilise finance for industrial development and is linked to its unbundling of investment trust subsidiaries Indsel (52,1% owned) and Natsel (50,8%)

How the IDC will unlock the value of investments within these two companies has occupied investors' minds since the first cautionary four months ago A dividend *in specie* including a cash option close to underlying NAV was deemed the most feasible (*Fox* December 11). Shareholders will be offered either cash or shares

To help shareholders to value their investments in Indsel and Natsel, IDC has disclosed portfolio details allowing for pre- and post-disposal NAVs to be placed on the two companies. Indsel increases NAV by 14,6c to 320c a share and Natsel by 16c to 341c

Indsel is trading at 280c and Natsel at 285c Discounts of 12,5% and 16,5% respectively emphasise the way unbundling can unlock wealth for shareholders' benefit Specific terms will be announced only once there is clarity concerning unbundling legislation — which is not expected before end-June

Gencor will in total pass on 9,1m Engen shares and 1,5m Malbak. Had the additional RBMH stake been included in 1992 results, there would have been a modest 1,0% increase in Gencor's EPS, says chairman Brian Gilbertson However, Genmin's contribution would have risen to nearly 35% from 31%

In setting the payment terms, he says Gencor wished to keep enough cash not to impair its ability to finance major projects The Engen and Malbak shares are surplus to its needs, he says Indeed, 9,1m Engen are only 6% of its equity, which will leave Gencor holding some 56%, while 1,5m Malbak are only 0,5% of its equity

By coincidence, Malbak also announced this week that it is renouncing about two-thirds of its entitlement in SA Druggists (SADrug)'s pending R201m rights issue SADrug will place the shares with institutional and private investors and staff

This will cut Malbak's stake from 84% to 76% of an enlarged equity, so will certainly make the SADrug share more marketable, as well as conserving cash for Malbak

But if these deals are any indication, Gencor seems prepared to unbundle only to the extent of not losing control. And while the IDC is divesting itself of RBMH, concentration of 50% ownership at Gencor (RTZ owns the other 50%) is the reverse of unbundling

Kate Rushton & Michael Coulson

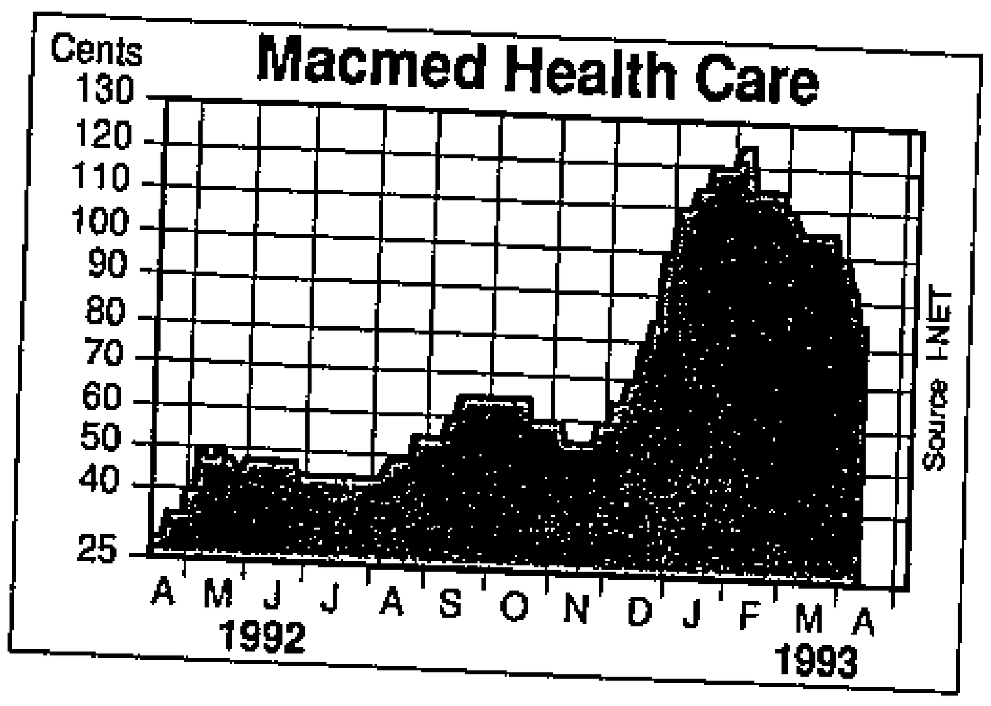
MACMED Fm 23/4/93

Roasting the Receiver

Activities: *Makes and distributes medical products*
Control: *Directors 29,3%* 183
MD: *D I McArthur*
Capital structure: *33,9m ords Market capitalisation R27,1m*
Share market: *Price 80c Yields 0,9% on dividend, 7% on earnings, p e ratio, 14,3, cover, 3,2 12-month high, 125c, low, 30c Trading volume last quarter, 293 000 shares*

Year to Dec 31	'91	'92
ST debt (Rm)	0,16	0,14
LT debt (Rm)	0 27	0,22
Debt equity ratio	n/a	0,07
Shareholders' interest	0,19	0,33
Int & leasing cover	10,3	31,0
Return on capital (%)	31,2	20,0
Turnover (Rm)	22,1	22,3
Pre-int profit (Rm)	2,9	2,9
Pre-int margin (%)	13,3	13,0
Earnings (c)	4,8	5,6
Dividends (c)	2,0	1,75
Net worth (c)	6,3	15,4

The general wave of rebellion, it seems, isn't confined to the mass democratic movement Making its stand among the larger companies is Macmed, transferred a year ago from the DCM board to the Pharmaceutical & Medical sector The target of its rebellion is the Receiver of Revenue, the issue, the controversial change in revenue practice relating to tax breaks on film investments



Instead of receiving allowances for film investments during 1988 and 1989, Macmed was told by the Receiver it owed additional tax of R2,3m In the light of the controversy surrounding the issue and uncertain outcome, CE Don McArthur decided it would be "incredibly unfair" to reflect the amount as a charge against current earnings, especially as the company had a good year

"Had we shown the amount in 1992 results, EPS would have been a negative 1,6c a share instead of the 65% increase to 5,6c we recorded," he says Instead Macmed, realising it would be prudent to make a provision in case objections against the assessment are overruled, has shown the R2,3m as an adjustment to opening retained earnings

One consequence is a qualified auditor's report because treating the sum as "prior period adjustments" is contrary to Gaap principles

McArthur is unrepentant "The additional expense has no bearing on results, which were extremely good, nor on the previous year In addition, writing off the amount would admit liability, which we don't accept "

Whatever the outcome, the figures could again be restated, which for analysts has been a problem ever since the 1987 listing Large acquisitions, sales, special distributions and changing year-ends have consistently distorted year-on-year comparisons

Latest results, however, show strong growth, though once again comparisons are of little use against the preceding 17-month period A string of acquisitions helped annualised turnover increase by 43%

McArthur says at least half the growth came from healthy demand for low-cost primary health-care products Margins remained constant at 13%, which filtered down to the impressive advance in earnings

Macmed has an interesting dividend policy, which contrasts years of drought (no dividend in 1989) with years of plenty (a special dividend of 20c a share in 1990) But few minorities are involved, with directors and the original financier holding most of the capital, either directly or through Macmed Trust, which has over 50%

McArthur would like to see the share trade more vigorously This, he says, is one reason for considering a R4m rights issue planned for the next couple of months

The move to the main board has resulted in a significant rerating and appreciation of the share price, though it remains volatile That could settle down as Macmed enters what appears to be a period of consolidation The cautious investor will probably want to see the next results and await the outcome of the tax dispute

Shaun Harris

Synthetic fuel costs over R1,5 b

(183)

ARGT 24/4/93

Synthetic fuel projects had cost the State more than R1,5 billion in the 1992/93 financial year, Minister of Mineral and Energy Affairs Mr George Bartlett said yesterday.

In a written reply to a question from Mr Geoff Engel (DP Bezuidenhout), he said interest on commercial loans for Mossgas had cost the State R330 million

Sasol's tariff protection had cost R642 million, and the synthetic element amounted to R92,506 million.

The State paid R359,452 million for the Atomic Energy Corporation's operating activities and redemption of loans and interest came to R92,506 million.

It was estimated that the interest on commercial loans for the Mossgas project would come to R212 million in the 1993 financial year. The synthetic element was still being negotiated.

The operating activities of the AEC were expected to be R303,460 million and redemption of loans and interest R165,636 million.— Sapa

NEWS PAC launches branch at Modderfontein ● Employees suspended after Hani service

Seize land back — Makwetu

Sowetan 26/4/93

■ **Workers urged to work together in ending ownership of industries by monopolies:**

By Isaac Moledi

MEMBERS of the Pan Africanist Congress should exert more pressure on the "white racist regime" to regain their land, PAC president Mr Clarence Makwetu said yesterday

Speaking at the launching of a PAC branch in Modderfontein, Makwetu said "The point at issue is the land Without the land there is neither nationhodd nor sovereignty

"Without resolving the land question, there cannot be talk of a settlement The land was taken from us by the sword and is still being held by the sword."

Makwetu called on liberation movements to unite. "Ours is to promote the spirit of African nationalism among the African people," he said

Makwetu also said workers were instrumental in the fight for liberation to recover the land

Seven committee members were sworn in as officials of the new branch yesterday.

The launch was also addressed by an official of the African National Congress Members of both the PAC and ANC joined hands whenever a revolutionary song was sung.

Makwetu said workers should not be mere wage earners but should also participate in decision- making and be part of the sharing of profits and responsibilities in their respective industries

AECI workers end strike

By Isaac Moledi

■ **Arbitrator to investigate circumstances:** (183)

A ONE-WEEK strike by more than 4 000 members of the South African Chemical Workers Union at the AECI plant in Modderfontein came to an end yesterday after an agreement between management and union officials

A joint statement issued by AECI and Sacwu said all the security employees who were on strike would return to work from today

The workers began their stayaway on April 16 after two of their members were suspended after they stayed away from work during services ~~for~~ SACP general secretary Chris Hani.

In terms of the agreement, an independent arbitrator will be appointed to investigate the relevant circumstances of the suspension of the two workers

The parties will then agree on action to be taken after the arbitrator's findings. Sowetan 26/4/93.

"Both parties committed themselves to doing everything necessary to restore good working relationships," the statement said

(3) whether he will make a statement on the matter? B689E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) During 1992, 75% of all petrol sold in the Transvaal was manufactured by Sasol's synthetic plants If Sasol's production through the Natref crude oil refinery (in which it has a 63,64% shareholding) is added, the volume of petrol manufactured by Sasol as a percentage of sales in the Transvaal increases to 90% A portion of Sasol's fuel production from crude oil is also sold in the Free State, Northern Cape and Northern Natal.

(2) Sasol and Total, the latter having the balance of shareholding in the Natref refinery, who supply almost 100% of the fuel sold wholesale in the Transvaal, are responsible for the cost of distributing these fuel products by pipeline and other modes of transport from their plants in Secunda and Sasolburg to the various depots which constitute the total market

(a) Detail regarding specific cost elements is company confidential information

(b) Falls away

(3) No

Medicine: parallel importation

*6. Mr M J ELLIS asked the Minister for National Health and Welfare: (183)

(1) Whether, with reference to a press conference held by her on or about 11 March 1993, she intends proceeding with allowing the parallel importation of medicine, if not, why not; if so, (a) for what reasons and (b) what does the parallel importation of medicine involve,

(2) whether the same registration requirements will apply to parallel imported medicine as are applicable to locally manufactured medicine; if not, why not;

(3) whether steps will be taken to combat the importation of counterfeit medicine; if not, why not; if so, what steps;

(4) whether the economic and legal implications of parallel imported medicine have been assessed or will be assessed before parallel importation is allowed, if not, why not; if so, what are the relevant particulars? B690E

†The MINISTER FOR NATIONAL HEALTH AND WELFARE (183)

(1) Yes,

(a) parallel importation is already possible as the Medicines and Related Substances Act, 1965 (Act 101 of 1965) does not prohibit this and

(b) a parallel imported medicine involves the registration of that medicine, which is the same medicine as that already registered by the original applicant for use in South Africa, by a different applicant The parallel imported medicine should also originate from the same manufacturing facility as the previously registered medicine, or from manufacturing facilities belonging to, or falling under the control of the parent company;

(2) no, because parallel imported medicines are the same medicines as those which are known in South Africa; the data of which are already on file with the Registrar of Medicines. Regulation 15, which sets out the format of an application for registration, will have to be amended accordingly;

(3) no, no specific steps are necessary as the medicine registration process lends itself to the combating of the importation of counterfeit medicines;

(4) no, the legal implications have not been assessed as these are the responsibility of the applicant in each case The economic implications are under discussion at the moment

Air pollution

*7 Mr M J ELLIS asked the Minister for National Health and Welfare

(1) Whether air pollution reached unacceptable levels (a) at any city centres and (b) in any regions in the Republic in 1992, if so, at which city centres and in which regions;

(2) whether any steps were taken in this regard, if not, why not; if so, what steps in each case? B691E

The DEPUTY MINISTER FOR NATIONAL HEALTH AND WELFARE

(1) (a) and (b) Yes,

Cape Town, Vaal Triangle region, Edenvale, Kempton Park and Modderfontein region, as well as unelectrified urban areas;

(2) yes,

Cape Town

The nitrogen oxide levels were exceeded a number of times Monitoring of the pollutant concentrations and research into the occurrence thereof are being carried out The pollutant mainly originates from motor vehicles Control thereof by means of catalytic conversion will be considered when lead-free fuel becomes available

Vaal Triangle region

High levels of particulate pollution are experienced during the winter months Research is carried out to identify the main sources Improved control of industrial sources is being continued but smoke from domestic coal combustion can only be reduced by the use of alternative forms of energy such as electricity

Edenvale, Kempton Park and Modderfontein region

An excess of particulate pollution was experienced a number of times Investigation into the sources causing the high levels is being carried out Industries in the area are, however, still engaged in reducing their emissions

Unelectrified urban areas

No control can be exercised before alternative forms of energy such as electricity are in general use Investigation into alternative fuels which will be less polluting are also being carried out

Goldstone Commission: reports

*8 Mr L FUCHS asked the Minister of Justice

(a) How many reports of the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation (Goldstone Commission) have been submitted to the State President to date and (b) what is the title of each of these reports? B692E

The MINISTER OF CORRECTIONAL SERVICES (for the Minister of Justice)

(Reply partially laid upon the Table with leave of House):

(a) Nineteen (19)

(b) 1 First Interim Report

2 Interim Report on the Violence at Mooi River

3 Report of the Second Committee appointed to inquire into the Violence at the President Steyn Gold Mine in Welkom

4 Second Interim Report

5 Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the involvement of 32 Battalion at Phola Park

6 First Interim Report to the Commission by the Committee investigating Public Violence and Intimidation in the Taxi Industry

7 Interim Report of the Committee appointed to inquire into Train Violence

8 Second Interim Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the Taxi Industry

9\. Interim Report on the Violence in Hostels

10 Report on the Bisho Incident

11 Report on the Planning or Instigation of Acts of Violence by members of the South African Police in the Vaal Area

12 Report on the Inquiry conducted by the Committee of Inquiry into the Violence at Tokoza

Cont P

Focus on CMI as share price surges

Own Correspondent 183

JOHANNESBURG — Firming ferrochrome prices and signs of growing co-operation between SA producers and Japanese customers has revived investor confidence in Consolidated Metallurgical Industries (CMI), JCI's loss-making ferrochrome producer CMI's share price has nearly doubled in the past month

CT 27/4/93

CMI shares closed unchanged on the JSE yesterday at 450c, but the stock has climbed steadily from a low of 240c in March

SA producers have been forced to cut production and lower contract prices as a result of world oversupply in the ferro-alloy, a key ingredient in the making of stainless steel, while cheap material exported from Russia has knocked spot market prices.

However, European spot prices have risen to $0,40 a pound in the past week from lows of about $0,33/lb in January Market commentators believe cutbacks by producers will result in production outstripping supply before the end of the year

Sasol plant a big success

B/Day 29/4/93.

(183) EDWARD WEST (260)

SASOL had successfully commissioned a R300m ammonia plant and was saving about R42m in foreign exchange a year, a Sasol statement said.

The 240 000-tons-a-year ammonia facility at Sasol 1 in Sasolburg replaces Sasol 1's 17-year-old 68 000-tons-a-year plant

The new plant uses Sasol 1 synthesis gas as its feedstock. The plant was commissioned in 28 months and erected by Babcock Contractors

Ammonia is primarily used for making fertilisers and explosives through Sasol Fertilisers and the SMX explosives divisions.

Star 29/4/93

Adcock Ingram shows the way

(183)

By Stephen Cranston

Adcock Ingram has beaten even the most optimistic forecasts by reporting a 36 percent increase in earnings per share to 160c in the six months to March

The dividend has been increased by 27 percent to 42c

Adcock's main performance ratios improved with the annualised return on equity up from 29 percent to 30,2 percent and return on net assets from 26,2 percent to 28,5 percent.

This was achieved despite just a 12 percent increase in turnover to R478,5 million.

Adcock has proved to be a beneficiary of the changes in company tax, which added R6 million to attributable earnings, without which earnings would have ~~increased~~ by 18 percent.

The group was ungeared at the end of the period and interest income of R2,72 million was earned (R3,71 million paid in the same period last year)

Group CE Don Bodley says improved production efficiencies and well controlled operating income had a favourable impact.

The Critical Care business unit, formerly Sabax, performed satisfactorily, despite budget constraints in the institutional market.

Considerable success has been achieved with export business in Africa

There was good growth from prescription pharmaceuticals, but Rio marketing division's sales volumes were adversely affected by the increased use of Maximum Medical Aid Pricing, in which medical aids penalise members who use more expensive branded products rather than generics, and the growth of generic medicine generally

Consumer Products, which is dominant in the haircare and sanitary cleaner markets, benefited from the success of recently launched new products, despite the depressed market

The group's focus on exports should gain momentum with the establishment of a new export division.

Efficiency helps Adcock Ingram

BDM 29/4/93. (183)

DUMA GQUBULE

ADCOCK Ingram (Adcock) reported a 36% jump in attributable earnings to R44m (R32,3m) on a 12% increase in turnover to R478,5m (R428,2m) for the half-year ended March

This was equivalent to earnings of 160c (118c) a share A dividend of 42c (33c) a share was declared.

The pharmaceutical group, whose earnings a share have grown at a compound annual rate of nearly 30% since 1985, said the result had been achieved with overall price increases being kept below inflation

CE Don Bodley said the group was keeping pace with changes in the health care environment and was taking part in the health care debate This was in the interests of creating a more equitable, accessible and cost-effective health care system.

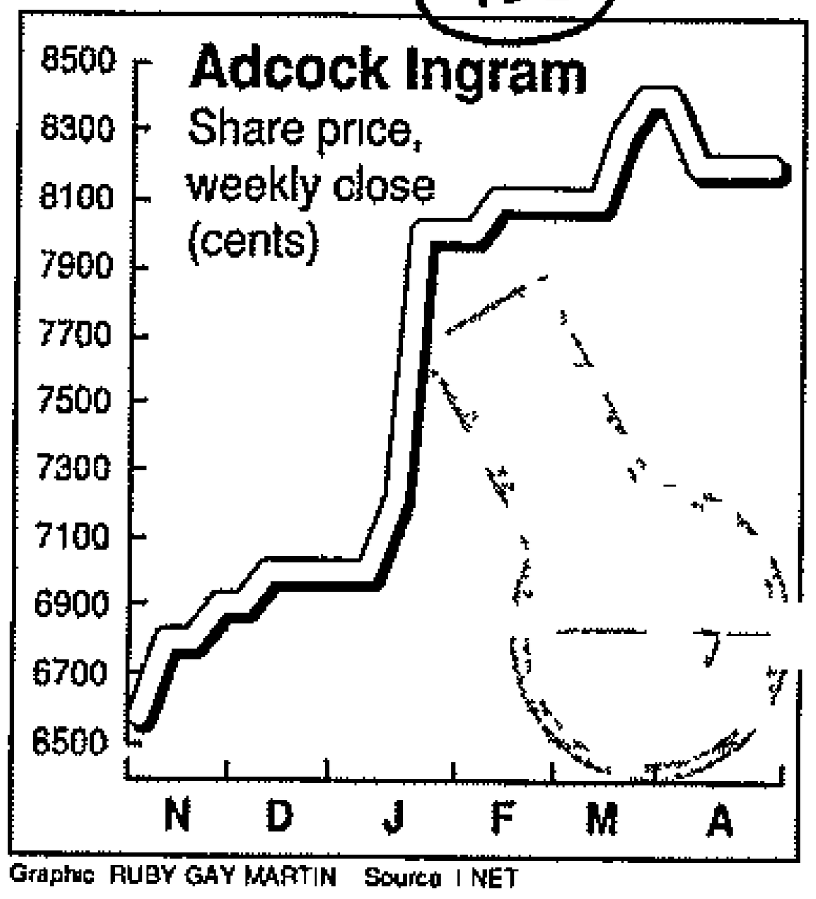
Turnover was up 12% to R478,5m (R428,2m) and operating profit rose 21% to R71,6m ((R59m) The operating margin increased to 15% from 13,8%

Bodley said improved production efficiencies and well controlled operating expenses had a favourable impact on profit before interest and tax

There was a turnaround on the interest line with the group receiving R2,7m compared with an outflow of R3,7m the previous year.

Pre-tax profit was up 31% to R75,8m (R57,8m)

Bodley said the recently announced dual tax system resulted in a reduced effective tax rate. Income benefited by R6m, without which attributable earnings would have shown an increase of about 18%



Graphic RUBY GAY MARTIN Source I NET

Cash generated from operations improved 23%, mainly because of increased profits and efficient asset management.

The critical care (Sabax) business unit had performed satisfactorily, achieving considerable success in exporting to Africa.

Prescription pharmaceuticals had recorded good growth, while consumer products had benefited from the success of recently launched products, despite the depressed consumer market

The generics division reflected good growth from a low base with the successful introduction of new products contributing to performance

The self-medication division recorded good growth after a strong marketing drive.

Star 29/4/93

Chemserv buys Plastamid

Finance Staf

183

Chemical Services has acquired the entire issued share capital of Plastamid from Protea Chemicals and AECI Chlor-Alkali & Plastics for R10 million.

Chemserv says the acquisition will strengthen its position as supplier to the automotive and plastics industries.

Plastamid makes and markets specialised engineering thermoplastics for a variety of industrial applications.

Jonty Peters has been appointed chairman of Plastamid and Dr Louis de Lange will continue as managing director.

The effect on Chemserv's earnings and net asset value will not be significant in the short term, but the company expects a significant contribution from Plastamid in future years.

E1 b

DIAGONAL STREET

New vistas open for SA Druggists

S Times [Buss] 2/5/93

183

By Julie Walker

ONE of the intriguing things about SA Druggists' R201-million rights issue is what the company intends to do with the cash left over after payment of R158-million debt

Financial director Tommy Edmond says there is nothing better than being debt free, but the extra cash is not being raised for no purpose

Recent proposals for SA's troubled pharmaceuticals industry could herald the departure of smaller multinational companies. A major stumbling block for them is the advent of single-exit pricing whereby a manufacturer will be obliged to offer the same terms to all buyers with the exception of the State

The objective is to put drug wholesalers on an equal footing with the 4 000 or more dispensing doctors Although the wholesalers buy big, they pay far more than doctors do because medical practitioners have a surefire way of getting people to swallow the medicine

Many foreign companies manufacturing in SA buy the active ingredients for their products from their principals The well-known phenomenon of transfer-pricing takes precedence over local profitability

A single-exit price suits SA Druggists down to the ground Mr Edmond believes opportunities will arise should foreign businesses shut up shop

First prize would be the acquisition of ethical products (those still under patent) and the rights to production of current and future drugs

"SA Druggists is short of ethical products although it stands to benefit from the expected growth in generic medicines," says Mr Edmond (In fact, he was hard pressed to give me a name the public might recognise. we settled on Triphasil).

Generics are look-alikes of patent medicines, yet cost about half In SA, they make up less than 20% of prescribed drugs whereas in England the figure is half

Mr Edmond says "SA Druggists has begun to advertise its generics in a way that will make people more cost conscious If their doctor prescribes a well-known patent painkiller, the patient is encouraged to ask if there is a generic substitute that costs less

"It will help patients to keep within the limits of medical-aid funds."

SA Druggists operates Lennon, the largest generic manufacturer in the country It also has a fine chemicals plant, makes infant foods and has a trading arm

The group has concluded some dollar-denominated contracts in Malawi and is building a factory there to make primary health-care products for the preferential trade area

Mr Edmond says the group exports to America and Europe and Africa, allowances for which lowered group tax to 35%

SA Druggists has turned around since being switched out of Fedvolks into Malbak, which installed Peter Beningfield to introduce some discipline Mr Edmond was at Standard Engineering, also in the Malbak fold

The turnaround has been fast and furious. Earnings for the six months to February trebled to R24-million on turnover of R925-million The interest bill was R11-million — a quarter of operating income

Members are offered 18 shares for 100 at R22 — a R2 discount to the current price, which has doubled in a year

Mr Beningfield forecasts earnings of 110c to 120c a share for year, putting SA Druggists on a forward price-earnings ratio of 21 Paper at that rating is much easier to fund acquisitions with than was the case for the company in recent years

The market has a positive attitude to the group under its new management

■ *I'm glad I arrived early to see Mr Edmond It gave me a chance to look around the reception area, which is made to resemble an apothecary shop of SA Druggists products over the years*

BUSINESS TO BUSINESS

Please turn to page 4

Govt land dispute plan rejected

B/DAY 3/5/93

MARIANNE MERTEN

GOVERNMENT's plan to set up an independent land rights advisory forum to assist with land claim settlements has been greeted with caution and criticism

Land Affairs Deputy Minister Johan Scheepers said in Parliament on Friday government did not support the idea of a land claims court proposed by the ANC because government lacked the financial means to implement such structures

A land claims court would also "create and contribute to conflict" as determining a historic cut-off date was discriminatory

Scheepers said the court would produce negative socioeconomic impacts because it gave a low priority to "the proper utilisation of land" and the basis of compensation threatened legal titles by not considering land titles

The Advisory Commission on Land Allocation (ACLA) did "offer solutions for numerous claims" In cases where the original land was state-owned, the relevant community should be given back its land

If disputed land was privately owned, alternative state land should be made available, he said

Negotiations between concerned parties would resolve disputes in other cases, Scheepers said

An Association for Rural Advancement spokesman said the organisation was "extremely cautious" about the establishment of the land rights advisory forum, as disposessed communities had not been canvassed.

It was remarkable that government had rejected the land claims court and a moratorium on the sale of state-owned land — the only two effective short-term measures to resolve land claims, he said

A National Land Commission spokesman said on Friday the announcement was "another example of unilateral decision-making on behalf of government"

This amounted to signing "a blank cheque for the restructuring of land and rural development policy"

Commission director Joanne Yawitch had rejected consideration for appointment to the forum because its terms of reference had been set by government alone and its decisions could be ignored, she said

The commission also questioned the effectiveness of ACLA which, contrary to Scheepers' claims, had only settled two land disputes on behalf of the Roosboom and Charlestown communities in Natal

● See Page 4

Advocates call for interim Bill of Rights

SUSAN RUSSELL

THE general council of the Bar of SA has called for the introduction of an interim Bill of Rights enforceable by the courts, including the Appellate Division B/DAY 3/5/93.

Chairman Brian Southwood said the council reaffirmed its support for introduction of a Bill of Rights and urged negotiating parties to agree on a new constitution at the earliest oppurtunity

"Experience in countries such as Namibia has shown that the early introduction of an interim Bill of Rights greatly facilitates and enhances the process of creating such a rights culture," he said

"An interim Bill of Rights must be accompanied by adequate state provided resources to give all citizens inexpensive and expeditious access to the courts to enforce their rights"

The council was opposed to the entrenchment of the death penalty in the Bill of Rights, Southwood said

"The question of whether the death penalty should be abolished because it is unconstitutional and/or in conflict with the Bill of Rights should be decided by the courts"

The widely divergent views of the members of the council's constituent Bars rendered it impossible for it to adopt an unequivocal view The council was unconditionally opposed to detention without trial even in a state of emergency

"The general council of the Bar believes the experience of the past decades has demonstrated beyond doubt that the executive cannot be entrusted or trusted with power to detain without trial"

He said it also believed Supreme Court judges should be chosen by a fully independent body in a way which ensured that judicial appointments fell outside the political arena

It had reaffirmed its view that membership by a judge of any secret organisation was incompatible with judicial office "This is of particular importance when the secret organisation has political objectives"

The council also supported the appointment of a permanent Human Rights Commission

...e commends ...iance, police

...f HARTLEY

...e and the national peace secre... ...r the relatively peaceful nature ...he death of SACP leader Chris ...ldstone said at the weekend ... commission unequivocally con... ...hich accompanied many of the ...e held Such conduct resulted in ... property and looting," he said

Rival oil firms launch product war

B/DAY 3/5/93 (183)

DUMA GQUBULE

TWO of SA's largest oil companies are engaged in an advertising war over the cleansing ability of their brands of petrol

Caltex yesterday opened a nationwide advertising campaign defending the track record of its 20-year-old additive, CX3

The new Caltex campaign came just days after BP said it had come up with a "new generation" petrol capable of reducing dirty engine deposits

Since its launch in 1973, CX3 has been sold on its ability to keep car engine parts clean

The new BP newspaper ad features a photo of a filthy, muddy rally car with the blurb "BP's new generation petrol Proved to keep it clean on the inside"

Caltex GM Mike Rademeyer yesterday declined to comment on BP's claims

BP spokesmen were unavailable for comment yesterday

Engen lands Angolan oil exploration rights

(183)

EDWARD WEST

AS PART of an international consortium, Engen has been awarded oil exploration rights in Angola.

The other members of the consortium are Shell, Pecten and Maxus. Pecten is a US-based subsidiary of Shell and Maxus a US oil company.

Angolan Petroleum Affairs Minister Albina Assis said the site bordered on the Cabinda oil fields. She confirmed the rights had been granted, during an Angolan national radio broadcast on Saturday.

Engen exploration director Adrian Nel said yesterday the group had not received official confirmation of the deal, but the consortium had been negotiating for the rights for some time. He declined to comment further until confirmation was received.

Industry sources said the deal could improve relations between SA and war-torn Angola. Diplomatic relations between the two countries were strained after SA Foreign Minister Pik Botha was declared persona non grata in Angola earlier this year during the current hostilities. B/DAY 4/5/93.

The move also represented an acceleration by Engen into upstream operations. Engen announced a 25% stake in consortium with Shell in an exploration concession in Namibia's offshore Kudu block in April. It acquired a 10% interest in the BNukha gas-condensate field in Oman in the same month.

Engen has interests in Chevron's exploration activities in Namibia and those of Total in Gabon.

In the North Sea the company has a 2,2% stake in the Alba oil field operated by Chevron It is expected to pump 70 000 barrels a day in the fourth quarter. The field is underlaid by a reserve of natural gas, the Britannia Field, in which Engen also has a stake.

Star 4/5/93

AECI, Sentrachem poised for recovery

(183)

By Stephen Cranston

Both AECI and Sentrachem look poised to show solid recoveries over the next two years.

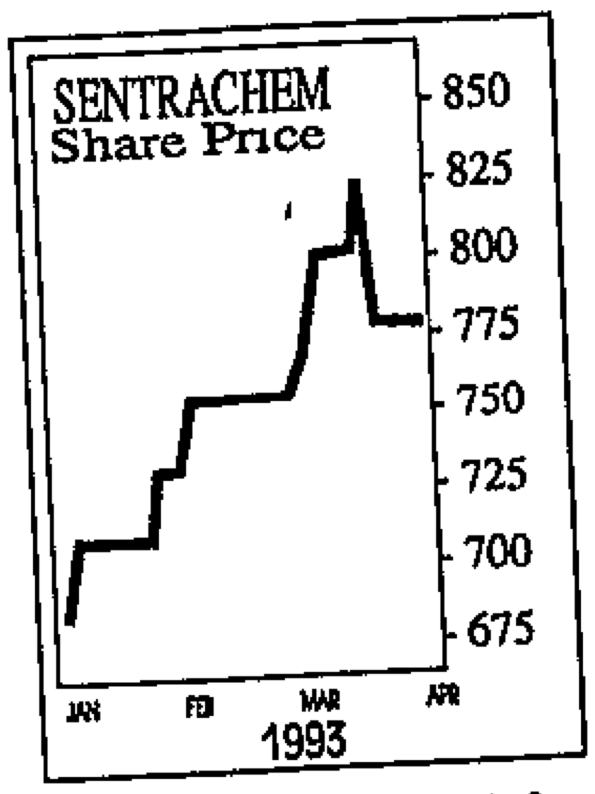
In a recent report, Frankel Pollak Vinderine analyst Adrian Finch predicted that AECI's earnings per share would increase from 106c to 120c in the year to December and to 150c in 1994.

Jacques Pickard of Davis Borkum Hare forecast an increase in Sentrachem's EPS from 62c to 75c in the year to August and by a further 14c to 89c in 1994

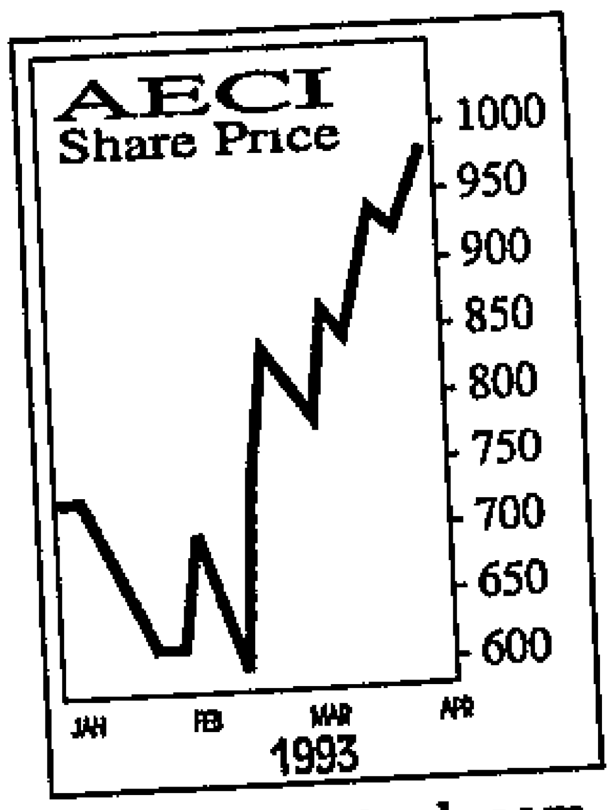
Despite the more spectacular gains in the AECI share price so far this year, Sentrachem has a better rating It sits on a P/E ratio of 11,3 (9,3 for its older and larger rival)

Analysts say Sentrachem has had more success adapting to the current environment.

It had its mind concentrated by a 27,3c a share loss in 1985 and sold its holding in the Coalplex PVC facility to AECI, moved out of the fertiliser business when it sold Fedmis to the remaining players, AECI's Kynoch, Omnia and Sasol, and most notably by the closure of the loss-making polyisoprene rubber plant at Newcastle.



Sentrachem merged its agricultural chemicals division with Farm-Ag's to form Sanachem, which has made considerable strides exporting agricultural chemicals, many of which sell in volumes that would be considered too small for the world's major chemical companies such as Dupont, Monsanto and Hoechst.



Among the niches in which Sentrachem has strengthened is fungicide and the group will spend R20 million on the expansion of a new fungicide facility

It has been fortunate that the market for high-density polyethylene is more buoyant than the one for AECI's linear low-density polyethylene.

AECI has been dragged down by the higher proportion of commodities within its portfolio, but a stringent approach to working capital enabled it to reduce gearing from 44 to 36 percent.

Stringent cost-cutting at the explosives operation, and the holding of market share enabled margins in the explosives and chemicals division to improve from six to nine percent.

AECI is starting to shake off its image as a somewhat dull commodity producer

The boldest departure has been the development of a R300 million lysine manufacturing plant. Lysine is an amino acid used as an additive to pig and poultry feed.

AECI will produce 11 000 tons for a market which currently takes 165 000 tons a year, but which will grow to 237 000 tons by 1996

With the promise of more such ventures and the prospect of a recovery in its core explosives and plastics businesses, AECI has good prospects for recovery.

Provincial Administration of the Orange Free State

Hospitals	Admissions (a) Black	(b) White	(c) Coloured	(d) Indian
Universitas	535	21 375	180	74
National	0	10 432	114	0
Pelonomi	39 289	0	4 199	0
Boitumelo	13 459	0	355	0
Phekolong	11 038	0	202	0
Welkom	13 385	15 198	681	0
Bothaville	2 840	799	0	0
Botshabelo	6 633	0	0	0
Clocolan	2 180	624	0	0
Ficksburg	824	2 910	27	34
Frankfort	2 559	622	3	0
Harrismith	2 592	1 164	25	15
Heilbron	3 500	866	268	0
Hoopstad	2 414	497	0	0
Jagersfontein	1 376	0	4	0
Ladybrand	2 798	556	98	9
Odendaalsrus	6 502	3 112	0	0
Parys	3 896	1 825	0	0
Reitz	3 855	734	0	0
Senekal	2 553	688	0	0
Smithfield	780	181	27	0
Virginia	4 183	4 663	28	2
Vrede	1447	358	1	0
Winburg	2 246	743	5	0
Zastron	2 025	0	26	0

Other Provincial Administrations

Statistics according to race are no longer maintained at Natal and Cape provincial hospitals

Importation of parallel medicines

280 Mr M J ELLIS asked the Minister for National Health and Welfare

(1) Whether she has received any recommendations from the Medicines Control Council in regard to the amendment of certain regulations in terms of the Medicines and Related Substances Control Act, 1965 (Act No 101 of 1965), with a view to permitting the importation of parallel medicines, if so,

(2) whether any persons and/or organizations in the (a) public and (b) private sector were consulted in this regard, if not, why not, if so, (i) which persons and/or organizations in each case and (ii) which of the persons and/or organizations so consulted in the private sector (aa) opposed and (bb) supported the principle of the importation of parallel medicines,

(3) whether she intends publishing the draft regulations in the *Government Gazette*, if so, when? B611E

The MINISTER FOR NATIONAL HEALTH AND WELFARE

(1) Yes, the only recommendation regarding regulation amendments received from the Medicines Control Council is the proposed expansion of Regulation 15 to make provision for applications to be submitted in a different format from that currently prescribed The motivation for this amendment was one of harmonization to allow applicants to submit applications for registration in the same format as that required by the European Community

(2) (a) and (b) no, because the regulations will be published for comment,

(3) yes, the amendment to Regulation 15 will be published for comment

Eastern Cape areas: qualified teachers

283 Mr E W TRENT asked the Minister of Education and Training

How many suitably qualified teachers of (a) Accountancy, (b) Physical Science, (c) Biology and (d) Mathematics were there at each school falling under the control of his Department in the (i) Port Elizabeth, (ii) Ibhayi, (iii) Uitenhage and (iv) Kwanobuhle areas as at 31 December 1992 or the latest specified date for which information is available? B686E

The MINISTER OF EDUCATION AND TRAINING

(i) PORT ELIZABETH

	(a)	(b)	(c)	(d)
Cowan Secondary School	2	1	3	4
Enerst Skosana Primary School	2	—	—	3
Itembelihle Comprehensive School	3	2	4	5
Masangwana Primary School	—	—	—	2
Newel Secondary School	2	1	5	5
Molefe Primary School	2	—	—	2
Thubelihle Secondary School	1	1	5	2
New Brighton Primary School	—	—	—	2
Tyhilulwazi Secondary School	2	1	3	3
Philip Nikiwe Primary School	—	—	—	—
Gqebera Secondary School	1	1	3	3
Stephen Mazungu Primary School	—	—	—	1
Khwezi Lomso Comprehensive School	3	1	3	7
Ilungelo Primary School	—	—	—	1
KwaZakhele Secondary School	3	2	4	5
Loyiso Secondary School	2	1	3	5
Masibambane Secondary School	3	2	3	4
Mzontsundu Secondary School	2	3	4	5
Ndzondelelo Secondary School	1	2	5	5
Phakamisa Secondary School	2	2	3	5
Qaphelani Secondary School	1	1	2	2
Sakisizwe Secondary School	4	2	2	5
Tamsanqa Secondary School	3	1	5	4
Sophakama Secondary School	3	3	2	4
Douglas Mbopa Secondary School	4	3	6	6
Engileni Primary School	—	—	—	1
James Jolobe Secondary School	1	1	—	3
Nxanelimfundo Primary School	—	—	—	1
KwaMagxaki Secondary School	7	2	4	4
Sivuyiseni Primary School	—	—	—	1
Lungisa Secondary School	1	2	3	4
Siyaphambili Primary School	—	—	—	1
Masiphathisane Secondary School	1	1	7	8

Cont-p

Star 4/5/93

Deregulation plans anger pharmacists

183

The Pharmaceutical Society has expressed its outrage at proposed legislation to allow "non-pharmacists" to operate and own pharmacies, saying it would be impossible for the statutory body to prevent transgressions and punish them

In a statement the society said that if total deregulation of ownership were to go ahead, "allowing food chains to open pharmacy areas inside supermarkets and medical schemes to open their own limited service dispensaries", many already struggling pharmacies would go to the wall This would deprive "long-serviced communities of healthcare services accessible to all" — Sapa

SANLAM ENTREPRENEUR OF THE YEAR COMPETITION

Obed Gama

Craving a slice of market

Sowetan 6/5/93

By Mzimkulu Malunga

FABRIC SOFTENER Idea in a magazine leads to establishment of manufacturer:

A STORY IN a magazine prompted Obed Gama to explore the manufacturing of household detergents as a career

"I was reading a publication which contained an article explaining the size of the market for household detergents I can't remember the figure accurately but it was a sizeable amount

"That amazed me Then an idea sprang to mind If one could get one percent only of that market, one would be talking millions," says the publicity-shy Gama.

After toying with the idea for some time, he swung into action and Black Pride — a household-detergents manufacturing company — was born.

Then the retail store he was running in Katlehong on the East Rand took the back seat

With the help of the sympathetic manager of a company which supplies raw materials for household detergents, Gama was able to design a formula for making a fabric softener

Sanlam

Commencing with operations was not easy for Black Pride It required R50 000

Gama had to part with all the savings made from his retail business over the years to try his luck in the world of manufacturing

Three years on there appears to be no turning back Black Pride now supplies some of the outlets of the elite retail giant, Pick n Pay, all three Blackchain outlets, certain Cash n Carries and some township shops

"I would have loved to supply every shop in the townships but due to the violence I could not break into that market, says the soft-spoken Gama

His company has the capacity to produce about 2 000 litres of fabric softener a day This translates into 800 cases Black Pride also manufactures bleach and dishwasher

"This does not mean I sell that amount daily The production volumes are determined by the demand from customers and this varies all the time

Gama employs seven people but is adamant that it is not necessary to reveal how much he makes on a monthly basis

Lack of finance is at the core of black business problems and Black Pride is no exception

"There are instances when I don t have enough money to buy the amount of raw materials I require to match the demand and being a small businessman suppliers do not have credit facilities for me he says

Gama has not deviated from his initial mission since he started Black Pride in 1990 He wants the company to control a certain portion of this huge market with Black Pride s brand name Mam is going places as well as contesting space on retail shelves against the likes of Sta Soft

Obed Gama automatically qualifies for the Sanlam Entrepreneur of the Month competition The winner of the entrepreneur of the month will compete with other monthly winners and the overall victor will be *Sowetan* Sanlam candidate at the Small Business Development Corporation s finals for the Entrepreneur of the Year competition

The overall winner will receive R15 000, while the runner-up gets R5 000 This year the emphasis is on the manufacturing and services industries Retail businesses are not eligible for selection

Star 6/5/93

SBDC sets up research fund

By Shirley Jones

DURBAN — The Small Business Development Corporation (SBDC) has set up a R50 000 research fund.

This was announced at the close of the sixth annual conference here of the International Council for Small Business for Southern Africa [redacted]

(183A)

Dr Ben Vosloo, managing director of the SBDC, said: "Too little sound empirical research has been done on practical problems in small business.

"As a result the SBDC has set aside this sum to be administered by the ICSB.

"We want to see applied research which will actively help solve problems experienced by small businesses. R50 000 is a good beginning."

Afrox results burn brightly

(183)

BDM 7/5/93.

EDWARD WEST

AFRICAN Oxygen (Afrox) reported glowing results in the six months to end-March 1993 with inflation adjusted earnings a share up 22% to 180c from 148c.

The interim dividend was lifted 13% to 80c (interim 1992·71c) covered 2,4 times by attributable profit Dividend cover was 2,72 times

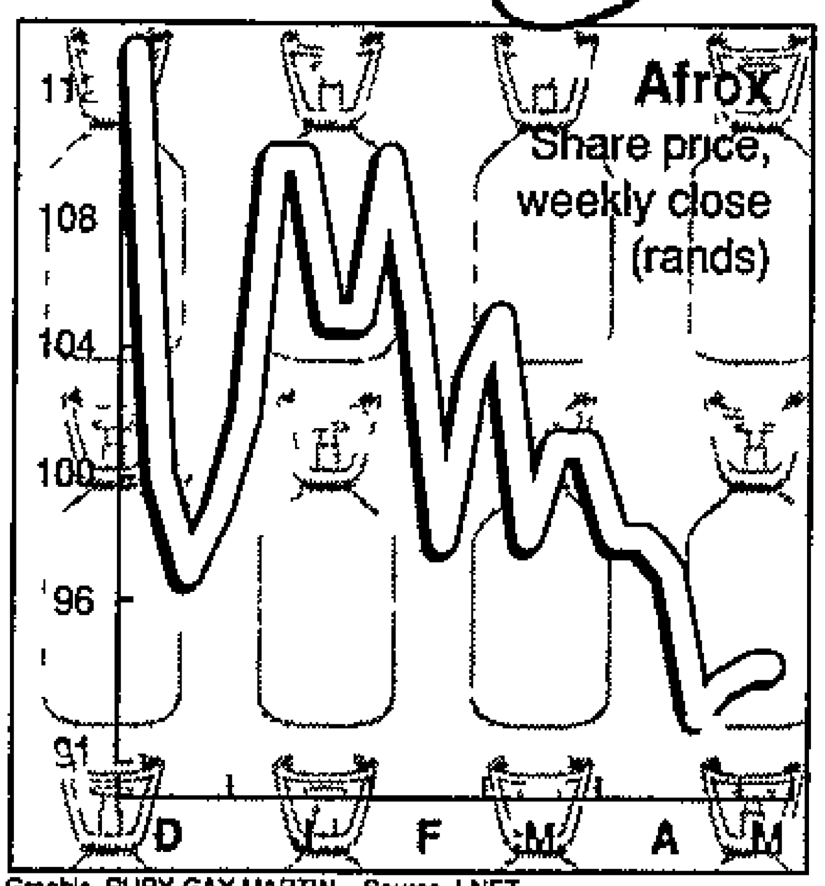
MD Royden Vice said in a statement that in spite of Afrox's wide range of business interests in the gas and healthcare sectors, the group had managed to bear the brunt of the decline in engineering and infrastructural activity through falling demand for its welding products and equipment

Attributable profit for the six months had increased 29% to R57,5m (R44,8m) on a 6% increase in turnover to R592,2m (R556,3m). Interest paid had dropped to R15,6m, a decrease of R1,4m over the first six months of 1992 due mainly to the decline in interest charges

The reduction in the tax rate, announced in the last budget, had impacted favourably on earnings despite the introduction of a 15% secondary tax on dividends (STC).

STC amounted to R5,4m and had been included in the tax charge of R45,598m (R45,617m). The release of the deferred tax had been taken below the line and was reflected as an extraordinary item as it related to prior years

Vice said the results were in line with expectations and reflected strict management control over expenditure in what he said had been trying economic circumstances.



Graphic RUBY GAY MARTIN Source I NET

However, the group was on track to produce satisfactory real earnings growth for the year, he said

The gases division had performed well in the past six months and continued to benefit from long-term contracts with a wide range of customers as well as revenue flow from fixed facility charges and rentals

There had been lower utilisation of healthcare services, but management attention to costs had lifted the total divisional performance

In January 1993 the group had bought the remaining share in the Springs Parkland Nursing Home on the East Rand, previously an associated company, Vice said

The second half of the 1993 financial year was expected to be difficult. This could largely be attributed to political uncertainty

The call for "rolling mass action" — if implemented — could lead to more labour unrest in the next few months.

April productivity and output had dropped to the lowest levels in many months due to unrest and the large number of public holidays, Vice said

Afrox maintains its strong track record

Star 7/5/93

By Stephen Cranston

183

African Oxygen (Afrox) has maintained its strong track record by producing a 22 percent increase in inflation-adjusted earnings per share to 180c in the six months to March.

The interim dividend is up 13 percent to 80c

The result was achieved despite a mere six percent increase in turnover to R592,2 million.

New MD Royden Vice says the figures are in line with expectations and reflect strict management control over expenditure in what had been trying circumstances.

All business activity was adversely affected by the continuing decline in the economy There was falling demand for its welding products and equipment.

"However, the gases division, still the mainstay of the business, performed well.

"It continues to benefit from long-term contracts with a wide range of customers and revenue flow from fixed-facility charges and rentals"

Use of services in the healthcare division was reduced, but sustained attention to costs lifted the total divisional performance.

DRUG PRICES FM 7/5/93 (183)

A bitter pill to swallow

Last week, Finance Minister Derek Keys read the pharmaceutical industry the Riot Act With drug prices soaring, Keys told the industry to get its act together or face government intervention that he admitted might not be "intelligent "

Keys, who called the closed-door meeting on Friday in Pretoria, says the industry has placed itself in a "provocative position" with price increases that exceed the consumer price index And while Keys stresses that he doesn't have any specific action in mind right now, he's thrown the industry into a panic "The industry clearly feels threatened by the warning," says Jan de Kock of the National Association of Pharmaceutical Manufacturers

"Everyone had a go at one another," says another delegate at the meeting "The Pharmacy Council blamed medical schemes Schemes retorted that the council needed to allow greater competition "

Of course, the threat of price controls is the biggest stick Keys can wield Though they exist in some form or another in most parts of the world — SA and the US are two exceptions — Health Minister Rina Venter has repeatedly stressed that price controls are against government's market-orientated policy The Cabinet also dismissed the controversial Wim de Villiers report because it proposed such controls

In any case, industry experts warn that price controls in any form would produce only further distortions in the market They would also probably chase away foreign drug manufacturers, already nervous over the political and economic uncertainty

A better solution would be to increase competition and streamline the distribution chain by ending many of the apparently fixed profit margins and mark-ups A number of far-reaching reforms — geared to cut costs — have already been implemented For one, the Medical Schemes Amendment Act, passed this year, paves the way for medical schemes to employ pharmacists and run their own pharmacies

Says Pharmacy Council registrar Chris Van Niekerk. "Four recent and separate studies have shown that medicine costs can be reduced by up to 75% by using, for example, limited medicine lists and generics, and curtailing the prescription habits of doctors — telling them what drugs should be used for certain ailments "

In another far-reaching move, the Medicines Control Council — despite vociferous opposition from drug manufacturers — recently amended its rules to allow imports of medicines already available locally The decision, however, has yet to take effect

There's more to come Venter is scheduled

to table the Pharmaceutical Amendment Bill in parliament this session The Bill's most controversial proposal would end the ban on non-pharmacists employing pharmacists and owning pharmacies This move, which is the norm in the US, would allow retailers such as Clicks and Pick 'n Pay to run their own discount dispensaries, using their clout to bargain with drug manufacturers

Says Pharmaceutical Society of SA president Gary Kohn "Pharmacists are deeply concerned about what are seen as sinister moves to wrest ownership of pharmacies away from them Permitting non-pharmacist ownership could not be justified in most circumstances because this threatened professional control of standards "

Venter stresses that medical professionals should be free to choose for whom they work "I don't believe standards will be compromised since professionals are still obliged to adhere to the standards set by their respective councils "

The Pharmacy Council's Van Niekerk, who was largely responsible for drafting the legislation, concedes that competition could well put many smaller pharmacies out of business "Pharmacists need to provide affordable services to the community If they can't succeed, let non-pharmacists who can discount services apply to the Pharmacy Council to do so "

The council has in recent years also lifted all bars on advertising, allowed pharmacists to enter into contracts with medical schemes and scrapped the compulsory 50% mark-up that has traditionally translated into a 100% retail mark-up In recent years pharmacists have, however, given discounts of up to 40% But a *FM* survey, conducted last year, revealed that some of the most commonly used drugs cost an average of 130% more in SA than in the US

One reform that hasn't, however, made it to the statute books is the proposal to allow pharmacists to substitute cheaper generic equivalents for prescribed medicines While generics have safely been used in State hospitals for more than 30 years, manufacturers and doctors continue to argue their efficacy and safety Van Niekerk says the patient, like any other consumer, should be given a choice He stresses that generics, like all drugs in SA, have to meet stringent quality standards Venter is said to be determined to enact this particular reform

Certainly, the pharmaceutical distribution chain is a complex one Most players argue that private-sector prices are severely distorted by the State tender system They argue that roughly 70% of all medicine is sold on tender to the State for, at most, a third of the price paid by the private sector for the same product Manufacturers, they say, make up the difference by boosting charges to the private sector

Van Niekerk suggests this problem could be overcome "The State needs to contract with the private sector to provide services rather than force them into the inefficient State tender system "

Mirryena Deeb

MAIZE PRICES Fm 7/5/93

Revolt of the poultry men

If both producers and consumers are upset about the latest yellow maize price hike of "only" 2%, then Agriculture Minister Kraai van Niekerk's compromise can't be all bad Right? Sounds hard to fault this argument by Deputy Director-General of Agriculture Chris Blignaut — until you start analysing industry figures Then it becomes clear that fixing maize prices is easy if you use mirrors

National Maize Producers' Organisation CE Giel van Zyl says that with average production costs of R970/ha over more than 3,6m ha — with 1 ha producing about 2 t — maize farmers need higher prices to earn a decent profit

But Van Niekerk refused farmers' requests to increase yellow maize prices to R516/t, settling for R505/t instead Nevertheless, farmers will gross about R4,2bn this season from a projected 8Mt crop, compared with last year's R1,5bn from a 2,9Mt crop

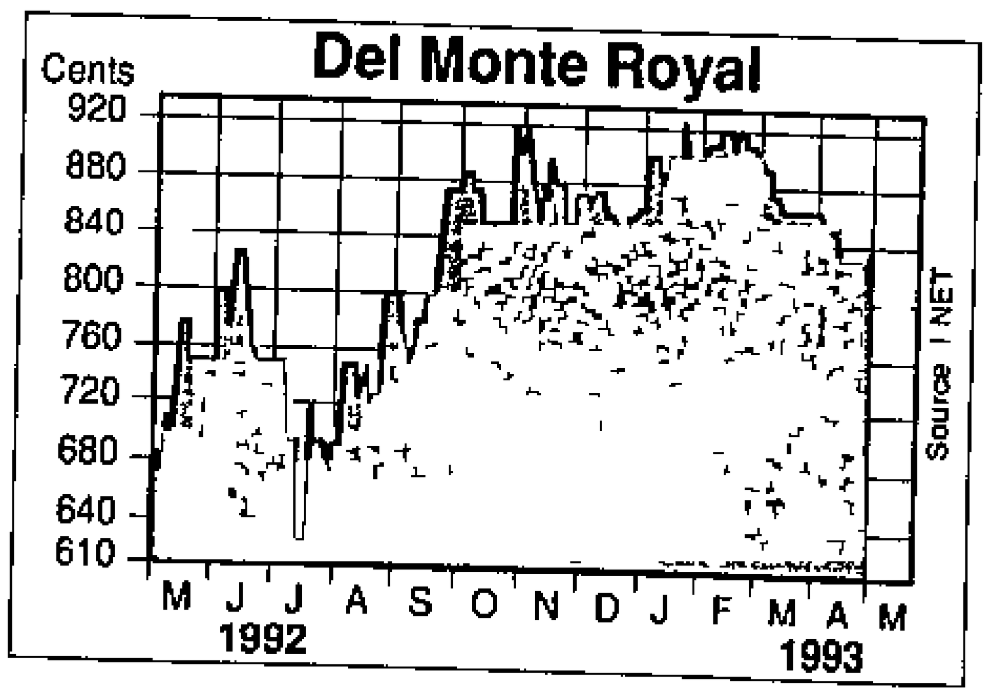
Poultry men and animal feed manufacturers, the biggest buyers of maize, are crying foul They say the 2% figure used by Van Niekerk distorts the real picture "The announcement says the new yellow maize price represents a 2% increase over last year's consumer price of R495/t," says the SA Poultry Association's Zac Coetzee "But the landed price of 4Mt of imported yellow maize last year was R475/t and only a small amount of locally produced yellow maize was priced (and sold) at R495/t cont

Del Monte Royal's Imerman
figures not comparable

FM 7/5/93 (183)

distributor of speciality pharmaceutical and industrial chemicals, maintained market share without unduly sacrificing margin In addition, it acquired shares in and claims against M&T Chemicals for R2,35m Laser Pharmaceuticals, says Imerman, enjoyed a particularly encouraging year

Ferro Industrial Products was strengthened by the R5,5m acquisition of Republic Enamels in April 1992 The decision by Ferro in the US to terminate certain activities worldwide, was mirrored in the closing of the local Plastics division



Operating margin was maintained at 9,5% and interest paid was much the same as the previous year, at R1,3m The effective tax rate increased to 10% (6%), mainly because of an increase in the foreign component

EPS were 32,8c (25,8c) and a 9,7c (5,5c) dividend was declared The share price, which climbed 43% to 200c in October on speculation about its future, has floundered around that level since, below NAV of 215c Any further rerating will depend largely on who makes an acceptable offer to major shareholder Delcorp

Marylou Greig

ROYCHEM FM 7/5/93

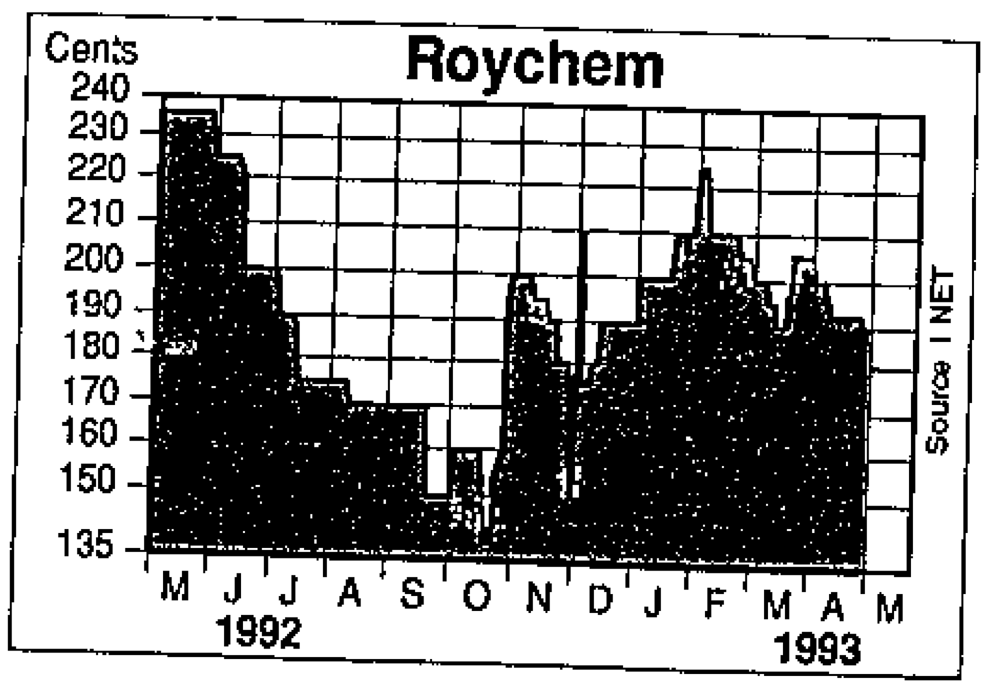
Activities: *Manufactures and distributes pharmaceutical and chemical products*
Control: *Del Monte Royal Corp 57,8%*
Chairman: *V S Imerman* (183)
Capital structure: *48,2m ords Market capitalisation R91,6m*
Share market: *Price 190c Yields 4,1% on dividend, 13,8% on earnings, p e ratio, 7,3, cover, 3,4 12-month high, 235c, low, 140c Trading volume last quarter, 1,1m shares*

Year to November	**Feb '91**	**Aug* '91**	**Nov† '92**
ST debt (Rm)	n/a	n/a	8,6
LT debt (Rm)	n/a	1,1	4,8
Debt equity ratio	n/a	0 21	0,32
Shareholders interest	n/a	0,54	0,50
Int & leasing cover	4,8	9,2	17,9
Return on cap (%)	11 7	11 0	11 2
Turnover (Rm)	102,3	212,2	243,7
Pre-int profit (Rm)	9,0	19,8	23,0
Pre-int margin (%)	8,8	9,3	9,5
Earnings (c)	18,6	25,8	32,8
Dividends (c)	3,5	5,5	9,5
Net worth (c)	142	203	215

* 18 months †15 months

The importance of **Roychem**, originally the core business, has paled as managerial time and skills were increasingly channelled into the burgeoning food interests But this has not affected its performance

Imerman mentions that Holpro-Lovasz,



FM 7/5/93.

COATES BROTHERS

Improving pattern 183

Any industrial company which depends partly on consumer demand and can still generate real growth in earnings in this battered economy, is not doing badly

Activities: *Makes and sells printing inks, synthetic resins and industrial surface coatings*
Control: *Coates Brothers Plc 67% Ultimate control is Total SA* 183
Chairman: *W F Beck, MD E F Williams*
Capital structure: *3,5m ords Market capitalisation R89,9m*
Share market: *Price R26 Yields 3,2% on dividend, 12,2% on earnings, p e ratio, 8,2, cover, 3,8 12-month high, 2 660c, low, 2 300c Trading volume last quarter, 3 900 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	4,3	4,2	7,7	5,5
LT debt (Rm)	0,7	0,5	0,3	0,3
Debt equity ratio	0,2	0,08	0,17	0,1
Shareholders' interest	0,5	0,58	0,63	0,61
Int & leasing cover	11,5	n/a	n/a	143,2
Return on cap (%)	22	22	24	23
Turnover (Rm)	122	145	159	177
Pre-int profit (Rm)	11,1	15,3	17,8	20,8
Pre-int margin (%)	9,1	10,6	11,3	11,8
Earnings (c)	171	233	277	317
Dividends (c)	49	61	72	83
Net worth (c)	730	1 171	1 378	1 594

Coates Brothers' 15% increase in EPS is slower than the 1991 financial year's 19%, but considering the competition in the paper and packaging industry in which it operates and what chairman Bill Beck says were stagnant markets in 1992, the latest performance is pleasing

Part of the group's success lies in the way it has been able to squeeze an ever increasing amount of income out of turnover since 1989, when the operating margin stood at 9,9% Since then it has widened to 11,7%

That shows sound cash flow management and, in the past financial year, Coates was able to turn a net outflow of R4,2m into an inflow of R1,7m Working capital requirements increased by R2,9m, having risen R3,5m in the previous year

Coates has also used the downturn to upgrade and expand its manufacturing facilities In 1992, it increased its synthetic resin manufacturing capacity and bought additional inventory, plant and equipment from a competitor that had stopped trading Further capital spending is planned from internal resources and facilities for this year, R1,3m compared to 1992's R874 000

Despite the investments, gearing remains a conservative 4% With a strong balance sheet, tight capital management and increased capacity, there seems to be a lot of potential when the upturn comes

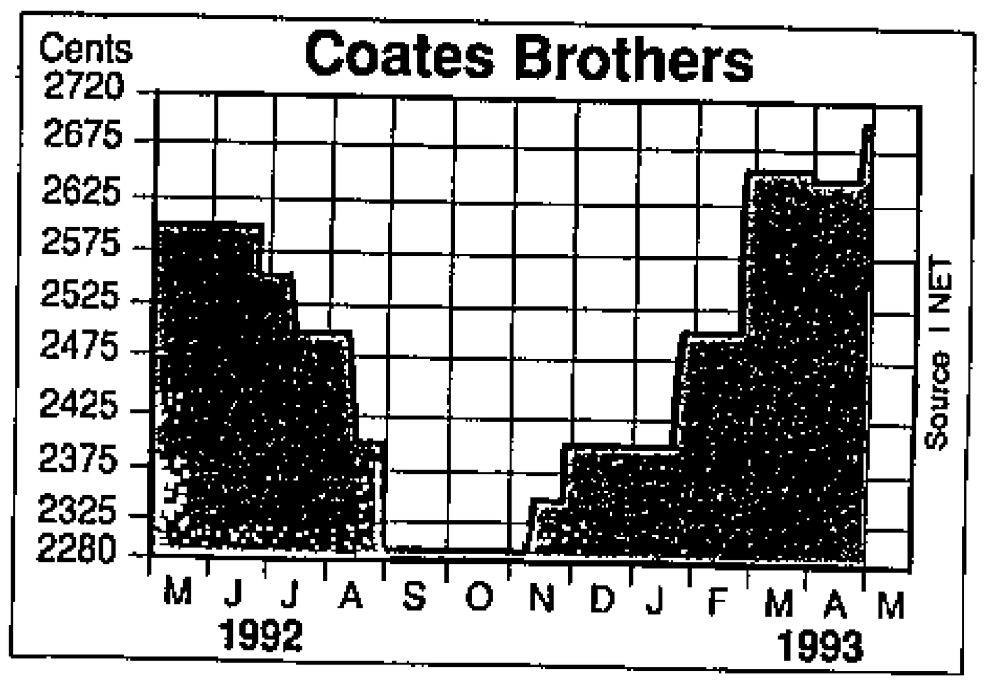
That won't happen, Beck believes, until at least the last quarter of 1993, which means little growth is expected for the full financial

FM 7/5/93

year Still, he is budgeting on at least maintaining earnings 183

Over the year, the share price has drifted and ratings have slipped a bit, though the yield remains in line with the sector The main problem seems to be the small number of issued shares and the fact that they hardly trade — 3 900 shares in the first quarter of 1993, compared to 13 000 in the corresponding period in 1992 It would be good to see more tradeability, but the share does offer value

Shaun Harris



S Times (Buss) 9/5/93

(183)

Afrox better than it seems

By JULIE WALKER

AFROX, one of the few groups to take into account the effects of inflation when calculating results, raised taxed profit by 18% to R55-million in the six months to March

Afrox achieved this even though the release of deferred tax was taken as an extraordinary profit in contrast to many groups which place it above the line

More remarkable is that Afrox could have shown a climb of 47% at the earnings-a-share level if it had treated the deferred tax benefit less conservatively

Managing director Royden Vice says that although no company can believe itself immune to outside influences, Afrox is relatively well positioned to face political and economic uncertainty Its large customer base and spread of investments have seen it through difficult times

Afrox has three main divisions — gases, health care and welding Growth is expected from carbon dioxide, hydrogen, helium and liquid propane gas (lpg) supplied to the informal sector, to which Afrox will also sell a solar panel for lighting

Afrox is 58% owned by global giant BOC, of which Mr Vice is manager, Africa It competes with the same multinationals in SA and around the world

Afrox has the benefit of $120-million a year BOC spends on research Mr Vice says a new application called Carbogrow has been tried on SA vegetable farms with such success that one grower is exporting potatoes to Marks & Spencer, England's premier food chain

The focus in health care is on centres of excellence. Chairman Peter Joubert says hospitals' customers are really doctors Occupancy at Afrox's hospitals increased on the previous year

Mr Vice says welding is vulnerable to swings in the economy even though it is still making a 25% return on capital investment

Roychem beats growth targets

BD 10/5/93

KELVIN BROWN

ROYCHEM traded sucessfully in the past financial year, exceeding its growth targets despite difficult economic conditions, chairman Vivian Imerman said in his annual review

Roychem, part of the Royal Del Monte group, focused on the distribution and manufacture of pharmaceutical products and industrial chemicals The three divisions of the company were Holpro-Lovasz, Ferro Industrial products and Laser pharmaceuticals

(183)

Holpro-Lovasz maintained its share of the market without unduly sacrificing margins, said Imerman. During the financial year the company acquired M & T Chemicals.

Ferro Industrial Products achieved satisfactory results from its Ceramic, Vedoc powder paint and Enamel divisions. The acquisition of Republic enamels strengthened the enamel division, said Imerman

Laser Pharmaceuticals experienced an encouraging year, with new products stimulating growth.

In the financial year to end-November 1992 turnover increased to R243,7m from R212,2m in 1991 Retained income fell to R6,6m from R12,1m

Earnings a share rose to 32,8c from 25,8c A final dividend of 3,7c a share was declared

Sentrachem rights issue planned

ANDY DUFFY (183)

10/5/93

CHEMICALS group Sentrachem was likely to come to the market for a multimillion-rand rights issue within a year, MD Jon Job said at the weekend

The company, which at the half-year boosted earnings by a quarter, would use the cash to fund domestic expansion, targeting its largest divisions such as rubber business Karbochem and industrial chemicals arm NCP

The call was likely to be larger than the R250m rights planned but cancelled last November after the aborted deal to buy Australian styrene producer Chemplex

Market sources suggested the rise in Sentrachem's market capitalisation since November — from R635m to R982m — could support a cash call of between R350m and R400m

Job said the precise figure had still to be determined But the cash would be spent on expanding domestic operations rather than chasing overseas buys

He said the company was not prepared to use debt to fund the programme.

At the half-year Sentrachem was carrying debts of R423m It had targeted gearing

☐ To Page 2

Sentrachem

BDay 10/5/93 (183)

☐ From Page 1

of 40% for the year end, against 57% in 1992

"We will come to our shareholders and expect them to support us with our rights," Job added.

"We are not prepared to mortgage ourselves like we did in the past."

The plans included strengthening Karbochem's ties with Sasol through further joint venture schemes

The two were already involved in a R48m alkylamines plant in Newcastle. A similar sized scheme and two smaller projects were also on the table.

Job said NCP, where sales had been left static by heavy international competition, was looking to expansion to fight back.

The division, Sentrachem's major earnings contributor, had trimmed its overheads and now "it must add to itself"

All the new projects would target high export earnings

The programme signalled a new step in Sentrachem's rehabilitation

In the past two years it had concentrated on cutting loss-making activities and repairing the balance sheet.

In the six months to February, despite miserable market conditions, earnings rose 25,6% to 32,2c, while turnover climbed 13,3% to R1,33bn

Sentrachem in line for bumper rights issue

189
183
CT 10/5/93

From ANDREW DUFFY

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BUSINESS DAY, Tuesday, May 11 1993

Police held after raid

STEPHANE BOTHMA

TWENTY-two people, including five policemen and two traffic officers, have been arrested for their alleged involvement in an international car smuggling racket involving millions of rand

Pretoria police had already confiscated 36 expensive vehicles and were investigating the smuggling of more cars across SA's borders, Col Johan Mostert confirmed yesterday BDAY

He said it was likely that more property would be confiscated as investigations continued 11/5/93

The names of those arrested, including well-known Mamelodi and Eersterus businessmen, would be released when they appeared in court later this week

Mostert said three pistols had also been seized and police were investigating the link to several car hijackings

It is believed the cars were exchanged for drugs, gold and diamonds which were sold and profits split among members of the syndicate, but Mostert could not confirm this.

It is further believed that several well-known sports personalities were involved in the syndicate

Medicine prices are 'far too high'

(183)

BDAY 11/5/93

KATHRYN STRACHAN

THE price of medicines in SA was inordinately high, but very little had been done to rectify the situation in recent years, ANC health spokesman Manoranjenni Chetty said yesterday.

Addressing the Pharmaceutical Society of SA's national conference in Durban, Chetty said pharmacists were currently entangled in a system which included discounts to third party funders, wholesalers, pharmaceutical houses and levies on prescriptions All these factors contributed to artificial pricing structures and needed to be corrected.

SA's poor synthesising capability had resulted in the majority of medicines or raw materials having to be imported at great cost, she added

The development of a strong local manufacturing industry, as well as the use of cost-effective high-quality generic medicines, would be encouraged to reduce the exhorbitant costs.

The high cost of medicines, coupled with the concentration of pharmacies in urban areas, meant pharmacists had failed to provide accessible and affordable health care, she said

National Health director-general Dr Coen Slabber said that of the almost 9 000 pharmacists in SA, 82,5% were in private practice There were only 36 pharmacists in the six self-governing territories

The figures dispelled the myth of the dispensing doctor intruding on the role of pharmacists, Slabber said, adding it was the unwillingness of pharmacists to work in the public sector and in deprived areas that had precipitated their problems

Our Durban correspondent reports that SA Association of Hospital and Institutional Pharmacists president Sue Putter said there were numerous reasons why pharmacists chose not to work in the public sector Remuneration and lack of career prospects featured prominently

Putter suggested greater management autonomy for hospital pharmacists as well as improved systems of stock control and computerisation of dispensaries.

Putter also told the conference that recommendations contained in the Du Toit report commissioned by National Health Minister Rina Venter in 1990 should be instituted and not sink into oblivion as other reports had.

The Du Toit report highlighted severe shortcomings in the provision of cost-effective pharmaceutical services in the public sector and recommended their restructuring.

Putter said that in one week alone, five wards at Baragwanath Hospital were unable to account for nearly R5 000 worth of injectable drugs because of outdated stock control systems Extrapolated over a year the loss would amount to R250 000

Putter attributed massive financial losses such as these to inadequate stock control — based on the old ward stock system

She pointed out that only 20% of all hospitals in SA made use of computerised stock control in spite of the proven benefits of such a system

Shell looks into new investments

BDM 13/5/93 (183)

LINDA ENSOR

CAPE TOWN — Shell's chemicals division was evaluating several major investment options to increase its local manufacturing base in preparation for the next wave of petrochemical expansion in SA, the multinational's 1992 business report released yesterday said.

The chemical division had also embarked on a substantial campaign to develop trade in southern Africa

Furthermore, a decision would be taken in the next few months on whether to proceed with a detailed engineering design for the Shell Rhombus Exploration Natal Heavy Minerals joint venture

The first phase of the feasibility study was completed in September 1992 and indicated favourable potential economic returns Further analysis of options was continuing, the report said.

At a function to release the report last night, public affairs GM Humphrey Khoza ways of improving efficiencies and customer service through Shell's joint distribution network with BP were also being studied International consultants were assisting with the study.

Trading conditions were very difficult last year and Shell's turnover increased 4,5% to about R5,6bn Turnover of the oil division rose 11% but this was offset by declines in other business areas and by the sale of certain non-traditional businesses during the previous financial year.

The coal and metals sectors of the minerals division produced disappointing results due to the effects of the recession and poor international prices The chemical division's performance was worse than expected as volume sales and margins came under considerable pressure.

The report noted that in spite of the poor trading conditions Shell's inland fuels market increased by 1% in 1992. This growth was mainly the result of the steady demand for petrol which had been sustained by the urbanisation process and commuters' increasing preference for car and taxi transport at the expense of buses and trains

Although consumer volumes were down in overall terms compared with 1991 levels, Shell performed satisfactorily relative to the industry and gained a small increase in market share.

The eastern Transvaal-based Rietspruit mine — a joint venture with Randcoal — produced 5,2-million tons of steamcoal during 1992, slightly below budget

Zinc concentrate producer Pering produced 50 800 tons which met about 35% of the local market demand for zinc metal. Lead concentrate production totalled 5 800 tons

The emphasis placed on bottom-line profitability and increasing the return on capital employed meant that the rise in operating costs was contained to 5%. Total capital employed was about R1,3bn, average working capital was in the region of R850m and operating costs were about R620m.

Shell's capital expenditure increased by 58% last year due to the expansion of the Sapref refinery and the development of the Ultra City network.

Most of the oil company's social responsibility spending last year went towards education.

Tariff increases lift Medi-Clinic

LINDA ENSOR

CAPE TOWN — Tariff increases and stringent cost control measures enabled hospital group Medi-Clinic Corporation to generate sound operating results in the year to end-March. However, reduced interest income and a higher tax rate whittled down the achievement to a still satisfactory 12% growth in earnings a share.

Earnings of 18,8c (16,8c) a share were produced and a final dividend of 4,4c (4c) was declared to bring the total to 6,6c (6c).

A strong improvement in the operating margin saw the turnover increase of 22% (21,6%) translate into a 33,4% rise in operating income to R45,3m (R34m).

The results reflect the consolidation of the results of former associate Hospital Products which became a wholly owned subsidiary during the year. Lower interest rates and less cash on hand as a result of expenditure on capital projects resulted in a reduction in interest earned while the rise in the tax rate to 44% (39,6%) also had an impact on the bottom-line. B/DAY 13/5/93

Financial director Craig Tingle said costs had been contained effectively through a variety of control measures. The group had also benefited from tariff increases of 15% for wards and 33% for the intensive care unit and high care. This compared with the 10% ward tariffs and 20% theatre and high care tariffs which came into effect from January 1 1993.

An extraordinary amount of R1,9m relating to the premium on the acquisition of the remaining 50% of Hospital Products was written off.

The group has forecast a growth in earnings this year on condition there is an acceptable political and economic climate. Emphasis would continue to be placed on improving efficiencies and work procedures.

Shell SA lifts capex to R270-m

Star 13/5/93

(183)

By Sven Lunsche

Shell SA boosted capital expenditure by more than R100 million to R270 million last year

In its business report for 1992 Shell says the bulk of the investment programme was devoted to the R450 million upgrade of the Sapref refinery, a joint venture with BP, which is scheduled for completion later this year

Chairman John Kilroe foresees further investments, "given a stable political and economic environment in South Africa"

Shell, however, describes the trading environment last year as very difficult, which led to disappointing results for the coal and metals division

The oil division's results were satisfactory, with turnover increasing from about R4,25 billion to R4,75 billion

Shell's total turnover showed a more modest rise to about R5,7 billion (1991 R5,35 billion), while operating costs rose from R590 million to R630 million.

BUSINESS DAY, Friday, May 14 1993 3

Sentrachem and Sasol discuss export drive

BIDAY 14 5 93

183

ANDY DUFFY

PETROCHEMICALS group Sasol and chemicals company Sentrachem are discussing a joint export drive into the sub-Saharan market.

Board-level talks cover Sasol supplying by-product raw materials from its synthetic fuel operations for Sentrachem to process, and further joint ventures to manufacture and distribute value-added chemicals.

Although discussions remain preliminary, Sentrachem operating companies have begun evaluating possible technical and marketing links with Sasol.

A recent R48m joint venture by Sentrachem subsidiary Karbochem and Sasol has added new momentum to the talks, under way now for at least a year.

Both companies are seeking to cut their dependence on the static SA market. Sub-Saharan countries have been identified as a key market.

Karbochem finance director Mike Gillatt said "Sasol are saying 'Here we are producing so many tons a year of this stuff, what do you think you can do with it?' We've got processes or technologies that are better able to handle raw materials," he said.

Sasol confirmed talks were under way, but refused to comment further.

The discussions are in line with Sentrachem's comments last week that exports and further ties with Sasol were integral to its expansion. Sentrachem draws around 13% of sales from exports and is planning to boost this.

Friday May 14 1993 SOWETAN

BUSINESS Heavy going

Shell SA is also feeling the pinch

Sowetan 14/5/93

■ But satisfactory results were achieved:

TRADING conditions during 1992 proved to be very difficult, Shell South Africa said in its 1992 business report released this week

"The South African economy continued to decline, the drought prevailed in farming areas and the international prices of coal and other minerals declined," Shell said

The effects of these detrimental factors were felt within their minerals division where the coal and metals sector provided disappointing results

"The oil division fared better in these conditions and although it proved difficult to meet agreed targets, the results were satisfactory in the light of prevailing circumstances The volume sales and margins of the chemical division were under considerable pressure with resultant performance against targets below expectations," Shell said

Turnover for the company increased by 4,5 percent over the previous year Oil division showed an 11 percent increase which was offset by declines in other business areas and by the sale of certain non-traditional businesses, during the previous financial year

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Reduce cost of production

Shell said real cost containment continued to be a strongly focused business objective The increase in operating costs over the previous year at five percent was well below the inflation rate and reflected the considerable emphasis being placed on bottom line profitability and increasing the return on capital employed

Capital expenditure increased by 58 percent over 1991 and was focused mainly on the oil division with, in particular, the upgrade of the Sapref refinery which was scheduled for completion this year, together with the Ultra City network development which was continuing

In the coal sector of the minerals division capital expenditure centred on the new Rietspruit underground project which would enhance coal quality and reduce cost of production

"Total average working capital levels have declined since the previous year following the reduction in the cash balances previously held reflecting the high capital expenditure level and lower tax provisions," Shell said

Shell is a private company wholly owned within the Royal Dutch Shell Group of companies and does not publish an annual report with financial statistics —*Sapa*

EYEGLASS INDUSTRY FM 14/5/93.

Shortsighted profession

Daring to say what a lot of people had been thinking — that eyeglasses cost too much — has earned DP MP Robin Carlisle the wrath of the optometric profession, which vehemently denies that it's to blame for high prices (183)

Carlisle, whose accusations were directed to certain specific optometrists, refuses to apologise or retract any of his controversial statements (*Business & Technology* April 23) Instead he's pushing government to implement Competition Board recommendations that would end maximum or minimum price-fixing, allow greater advertising, and permit optometrists and optical dispensers to

work with or for nonmembers of the profession All of this would, of course, open up the profession to competition and bring down prices dramatically as it has around the world

Not all of Carlisle's recommendations are anathema to optometrists SA Optometric Association director Peter Brauer says his organisation supports many of the board's findings and has been instrumental in many of the reforms now being promulgated by the SA Medical & Dental Council Optometrists do indeed want deregulation that would allow them to expand their scope For instance, they are prevented by law from treating eye illnesses they detect, that's the preserve of ophthalmologists — physicians specialising in eye care Optometrists have also recommended an end to the ban on window displays and asked to be allowed to enlarge their signboards

But Carlisle is focusing on deregulation that would bring down prices in what he says is an R800m/year industry (In 1990, about 2m people wore eyeglasses or contact lenses, while professionals estimated that at least another 6m needed them)

He claims that mark-ups for medical-aid patients can be as high as 207% and as much as 500% for nonmedical-aid patients, though he concedes that only some professionals are culpable of gouging He says simple deregulation could drop prices by as much as 60% Price lists made up under oath from Frames Unlimited — a 30-branch discount chain that's not owned by an optometrist — bear this out

Brauer says Carlisle's claims are "defamatory, misleading and inaccurate" and that margins are closer to 47% (which results in a mark-up that's effectively much higher) The optometrists' association has threatened to sue Carlisle for his statements

Optometrists certainly protect their turf In recent months they have also instigated legal proceedings through the Medical & Dental Council against several fellow optometrists and some non-optometrists who run discount eyewear businesses, such as Frames Unlimited

Says Brauer "The optometrists' council has decided that optometrists can advertise only the availability of certain lenses but not the price The council's thinking is that there is a professional service involved in providing a lens and that advertising lens prices could mislead the public because there are many different types of lenses "

Optometrists also oppose any deregulation that would allow them or optical dispensers to work for nonmembers of the profession Large discount stores such as Clicks and Pick 'n Pay could use their bargaining clout and economies of scale to keep down costs

Though it's a reform that's found its way into the Pharmacy Amendment Bill, now with the Cabinet, Brauer is unconvinced "Pressures to contain costs would impinge on professionalism For example, a store manager could encourage an optometrist to use a lens that is bought in bulk but might not be suitable for the patient's individual needs "

(183)

Ultimately, society needs to strike a balance between individual choice, which may be deficient but is personal, and enforced guidance from a professional that may be sage but could be tyrannical

Health Minister Rina Venter recently rejected that same argument about pressure on standards when it was made by pharmacists, another cartel fighting deregulation

Many of these issues havve already been sorted out in the US, UK, Australia and Canada through extensive deregulation In the US, widescale advertising, discount outlets and service innovations — ranging from in-store optometrists to contact lenses by mail — have all kept prices well below the inflation rate for at least the past 15 years ■

FM 14/5/93.

PHARMACEUTICAL INDUSTRY

Fighting reform

(183)

Government seems determined to press ahead with far-reaching reforms to the pharmaceutical industry despite vociferous opposition from a host of vested interests that include pharmacists and the ANC

FM 14/5/93.

(183)

Addressing the annual conference of the Pharmaceutical Society of SA in Durban this week, Health Department Director-General Coen Slabber said government would support the ownership of pharmacies by nonpharmacists — a proposal that will revoke the monopoly that pharmacists now enjoy The legislation could be tabled in parliament this session.

"I must be quite frank with you and say that the department has never fully understood your stance in this regard," Slabber said "When it comes to the manufacturing or the sale by wholesalers of medicine, it is acceptable for people other than pharmacists to be involved in the ownership of these types of pharmacies But when it comes to community practice, this is apparently categorically unacceptable"

Slabber said government would also support the idea of pharmacies run by medical schemes, an innovation made possible by the passage this year of the Medical Schemes Amendment Act He pointed out that nearly 30% of all benefits paid out by schemes were for medicines. "If medical schemes can supply medicines cheaper to the public in their own dispensaries, the department will support this initiative"

Government is also happy to give its blessing to retail outlets such as supermarkets employing pharmacists to run in-store discount dispensaries But pharmacists believe that the proposed deregulation will displace the traditional community pharmacy Said Slabber "Concern has apparently been expressed that this would lead to the erosion of ethical standards This, we believe, would not necessarily be the case and can only be regarded as conjecture"

In a move aimed at cutting its losses, the SA Pharmacy Council, a State regulatory body, says that if community pharmacists cannot offer the public large discounts, retailers who can should be allowed to apply to it for permission to do so The council has the right to approve every application by a nonpharmacist to run a pharmacy President Johan van der Walt warns that pharmacists rejecting this "controlled deregulation" could end up with the total deregulation of the industry

Though government is determined to implement these far-reaching reforms, it appears reluctant to press ahead with allowing increased use of generic drugs Health Minister Rina Venter last year committed her department to this internationally accepted cost-cutting mechanism of substituting cheaper equivalents for branded prescription medicines Now government is hedging its bets on parallel imports — cheaper imported equivalent drugs — to cut prices The Medicines Control Council has just approved an abbreviated form of registration to allow these cheaper equivalent drugs into SA The Department of Trade & Industry still has to decide on the workability of this proposal

Said Slabber "Generic substitution is a step that we will not take immediately It has been decided to hold this step until the suc-

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cess or otherwise of other proposals has been assessed If other proposals do not measure up, we will reconsider this option" He stressed that government was not abandoning this option

Government's reforms, however, could be short-lived The ANC's Mano Chetty told the conference that there was support for some of government's initiatives — for instance, the use of generics — but that government's "unilateral restructuring" compounded the problems of the health system

She said that "in line with the ANC commitment to a mixed economy, the provision of health care by the private sector will continue to be acknowledged and regulated" She added that a national health system was still high on the ANC's agenda ■

AFROX FM 14/5/93

Sweet smell

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The sweet smell of success pervades the Afrox interim results The three main divisions — gas, welding and health care — had mixed results, but EPS showed a real rise of 22% to 180c over the 12-month interim period Pre-interest profit showed a 7% real increase on turnover up 6% to nearly R0,6bn

Gases and welding together account for about 70% of real operating profit, Afrox doesn't provide segmental information Gases are, however, by far the largest contributor to group profit Because of the high barriers to entry, there are only four major competitors in SA. Afrox, Air Liquide, Air Products and Fed Gas On average Afrox appears to have market share of more than half, but MD Royden Vice says the exact figure cannot be disclosed for competitive reasons

Despite the seemingly oligopolistic market, Vice says, "there's not much flexibility in pricing because the competition is strong — only Japan and the US have more competitors than us " Good distribution and service are essential to sustain market share Afrox has about 75 distribution centres, significantly more than the competition and plans to expand the number of smaller depots

FM 14/5/93 (183) FOX

UPLIFTING

Six months to	Mar 31 '92	Mar 31 '93
Turnover (Rm)	556,3	592,2
Operating income (Rm)	109,0	116,2
Attributable (Rm)	44,4	53,9
Earnings (c)	148	180
Dividends (c)	71	80

The breadth of the client base gives stability to the gases division's earnings stream Contractual demand adds stability to the division "Almost all gas is sold on a contractual basis," Vice says "The duration of a contract varies client by client, but can range from one to 15 years "

The cost base in the gases division comprises three main elements electricity, capital equipment and distribution costs. Since Afrox doesn't provide segmental information it's difficult to judge how costs have behaved in relation to sales

The welding division was affected by the weak economy, particularly the slump in the engineering sector, but it remained profitable Says Vice "Large capital projects like Alusaf and Columbus and infrastructural spending expected after a change of government will boost the welding division " Exports (throughout the world) now account for a tenth of sales and the division aims to improve this to 30%

The Healthcare division (including associate companies) accounts for about a fifth of real operating profit It comprises 11 private hospitals with current bed occupancy of about 75% "This is satisfactory, as you can't put a cardiac patient in a maternity ward — flexibility to fill beds is restricted," says Vice.

Capital spending plans in 1993, about R140m-150m (1992. R130m), are primarily to develop three plants for argon, carbon dioxide and helium, respectively

Afrox is a share that has always been considered expensive With the p e at 29,2, compared to the engineering sector average of about 11, that's understandable But quality of earnings deserves a premium Since the beginning of the year the price has fallen from a high of R110 to R95 It's unlikely to slide much further *Louise Randell*

Ruhold raises its attributable income by 22%

MZIWAKHE HLANGANI

FINANCIAL services and plastics group Rubenstein Holdings (Ruhold) yesterday reported strong growth in the year to end February, raising attributable income 22% to R7,7m (R6,3m)

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Chairman Jeff Rubenstein ~~said~~ attributable income included an extraordinary item of R1,2m which represented an adjustment in the group's deferred tax liability

B|Day 19|5|93

Earnings a share rose 17,9% to 19,8c (16,8c) A final dividend of 8c a share (7,0c) was declared

Turnover was up 10,9% to R79,1m (R71,3m) and pre-tax income improved 23,4% to R7,8m (R6,3m)

After allowing for the group's share of an associated company's losses of R815 000, net income before extraordinary item was R6,6m (R5,6m) Attributable income rose to R7,8m

COMPANIES

Reactor will boost capacity

BDAY 21/5/93

TRACY SCHNEIDER

HICKSON Performance Chemicals' R7,5m investment in a new reactor system and plant expansion was expected to increase capacity and product quality, MD Mike Parry said yesterday.

Speaking at the official opening of the Chemithon reactor system in Johannesburg, Parry said the investment was long term, as the soaping industry had seen no growth lately.

The company, which supplies raw chemicals to the detergent and toiletries industry, raised funds for the investment through a R11,5m rights issue. This increased Hickson International's shareholding in the company to 98%.

The new reactor was one of the most modern sulphonation plants in the southern hemisphere and had increased plant capacity by 60% to 70%.

Local business director Tony Harrison said the company had a 45% market share, but expected this to increase.

Export potential had also been enhanced. "The plant will have surplus capacity, putting us in a good position to extend exports beyond Africa," said Parry.

Sharp drop in profits for top Japanese firms

BDAY 21/5/93.

TOKYO — Some of Japan's leading companies yesterday reported sharp falls in 1992 profits, under the burden of a steep appreciation of the yen and rising depreciation costs.

Matsushita Electric Industrial Company, the world's biggest consumer electronics company, said its consolidated net profit plunged 71% from the figure a year earlier to 30,41-billion yen in the fiscal year which ended on March 31.

Matsushita, which makes products under the National, Panasonic and Technics brand names, said worldwide sales were down 5% at 7 056-billion yen, as a result of a slump in product demand in Japan and overseas

Its main rival, Sony Corporation, said its consolidated net profit fell 69,8% from a year earlier to 36,26-billion yen in the year to March

Sony reported that sales by the parent firm and 749 affiliates grew 1,6% over the same period.

But the foreign exchange loss as a result of the yen's rapid appreciation had sliced 154-billion yen off earnings, a spokesman said

Among other major firms reporting a profit decline was Japan's biggest textile manufacturer Toray Industries Incorporated.

Toray said its consolidated net profit in 1992 fell 3,1% to 28,86-billion yen.

The firm said this was as a result of stagnant sales of textiles and resin products.

The gloomy results were in line with forecasts, and, with some exceptions, firms are looking forward to a pickup in both sales and profits in the current fiscal year

Figures for industrial output in March were better than expected.

Japan's industrial production rose 2,5% from February, compared with a preliminary figure of 0,5%, the international trade and industry ministry said yesterday.

The revised growth in the index of mining and manufacturing followed a 2,1% jump in February which reversed four months of falls

For the year to March, however, industrial production showed a decline of 6,3% from a year earlier, the ministry said. — Daily Telegraph.

Sasol argues to keep its level of tariff protection

BDM 21/5/93.

LINDA ENSOR

CAPE TOWN — The level of tariff protection enjoyed by Sasol's synthetic fuel products was much lower than in other industries and should be retained in the interests of the SA economy, Sasol has indicated

While oil companies favoured abolition of Sasol's protection as a way of strengthening their own position, a Sasol information document emphasised the importance of the industry for the economy justified a moderate level of protection.

Sasol argued that the protection afforded the synthetic fuel industry was relatively moderate, having averaged only 12,5% since 1979.

This compared favourably with the levels of protection, which on average exceeded 25%, enjoyed by other local manufacturing industries. More than 80% of SA manufacturing industries enjoyed tariff protection, Sasol said.

When the framework for protection for the synthetic fuel industry was introduced in July 1989 it provided for a 10% pre-tax return on assets. The $23 a barrel floor price had not been adjusted since, and the original level of profitability had therefore been eroded. The current level of protection provided only a marginal return on assets.

Although the value of protection for the synthetic fuel industry for 1992 amounted to about R600m, a Sasol spokesman said it had to be seen in the context of an industry with an annual value of production exceeding R3,5bn.

He said contrary to popular misconceptions, government did not pay any subsidies to the synthetic fuel industry. The Equalisation Fund Levy was raised on imported petroleum products as well as on products manufactured from imported crude oil. This levy enabled Sasol to achieve higher nett prices on its synthetic fuel.

Government's investment of R4,9bn in Sasol I, II, and III had been repaid many times as it was paid more than R13,9bn in cash and shares when Sasol was privatised.

Sasol argued that its modest protection had to be weighed up against the fact that the synthetic fuel industry created wealth of more than R4,5bn a year and employed more than 28 000 people. Sasol's direct contribution to GDP amounted to 1,5%. Furthermore, the synthetic fuel industry saved R5bn a year in forex, representing 9% of SA's merchandise imports.

In a letter sent to its service station dealers Sasol stated that the pressures being exerted on government would inevitably mean that deregulation of the oil industry would occur in some form.

The letter emphasised, however, that it should take place in a phased and controlled manner in order to prevent disruption and urged formation of a working group representing all stakeholders to formulate a deregulation strategy.

Small profit, no dividend at Spanjaard

JONO WATERS

SPECIALISED lubricants and chemical manufacturer Spanjaard turned in a small profit for the year ended February 28 1993, but passed its dividend. BDM 21/5/93.

Spanjaard, formerly Molyslip, reported a slight drop in turnover to R14,7m compared with R14,9m during the year to February 1992 Operating profit was lower at R538 000 (R1,11m) and financial costs rose marginally to R450 000 (R409 000)

Pre-tax profit fell to R88 000 (R702 000) and the company was not liable for tax As a result, earnings dropped to 1,5c (12,4c) a share. The profit of R88 000 (R360 000) was retained.

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Chairman Robert Spanjaard, said the results were worse than expected.

Trading up to the interim stage had been good but conditions in the usually better second half of the year were poor.

Participation in foreign exhibitions would have a positive effect on the company's results in the current year.

PHARMACEUTICAL INDUSTRY FM 21/5/93. 183

In the centre, Dr Venter

The arguments against deregulation are unconvincing

Early last year, Health Minister Rina Venter unveiled several proposals to reform the high-priced pharmaceutical industry Certain vested interests have been fighting a long rearguard action but the impressive Venter looks set mostly to get her way

Allowing pharmacists to substitute prescription medicines with cheaper generic equivalents, giving them the go-ahead to initiate therapy and dispense certain higher schedule medicines without a doctor's prescription, allowing cheaper imported medicines — are all cost-cutting mechanisms which have pulled down drug prices around the world They also form part of the recommendations of the Browne Commission and the controversial, uncompleted Wim de Villiers report

Along with several other proposals, though, they would amount to extensive deregulation and increased competition — for drug manufacturers, doctors and pharmacists So they haven't been too popular with an industry that's been closeted from competition for years

Certainly, last week's annual conference of the Pharmaceutical Society of SA (PSSA) — the pharmacists' professional association — depicted an industry torn between reform initiatives and fighting them tooth and nail

Venter, however, is undaunted Faced with a drugs bill that ranks among the highest in the world — in the private sector 29% of medical benefits paid out by schemes in 1991 went to medicines — she keeps pushing ahead with reforms And to complement a recent warning to the pharmaceutical industry by Finance Minister Derek Keys to "get its house in order or face unintelligent government intervention" *(Business* May 9), Venter has already made substantial progress towards deregulating the industry

The Medical Schemes Amendment Act, passed earlier this year, paves the way for schemes to employ pharmacists and run their own pharmacies in a managed health care environment The potential savings are huge, since schemes are likely to exert greater bargaining leverage with drug manufacturers

Pharmacy Council president Johan van der Walt says recent studies have shown that medicine costs can be cut by as much as 75%, by applying managed health care principles to pharmacy infrastructures This can be done, for example, by using limited medicine lists and generics, and curtailing the prescription habits of doctors who have no interest in how much a prescribed drug costs

Venter is also about to table the Pharmaceutical Amendment Bill this session This will clear the way for pharmacists to join multidisciplinary medical practices — for example, with doctors and nurses

It's a move that's been welcomed by pharmacists But they're up in arms over a proposal that ends the ban on nonpharmacists employing pharmacists and owning pharmacies And it's not difficult to understand why the move will make it possible for large department stores to run their own discount dispensaries, using their buying clout to bargain with manufacturers Pick 'n Pay and Clicks last week expressed a keen interest

It's the kind of reform that saw the birth of discount drug stores in the US, it also put a lot of small pharmacies out of business

Pharmacy Council registrar Chris van Niekerk, who contributed towards drafting the proposed law, admits that the same could happen in SA "Pharmacists need to meet the challenge of providing accessible and affordable services to the community If they can't, the council should then be in a position to judge applications by nonpharmacists to own retail pharmacies, to employ pharmacists and to make exemptions"

But PSSA president Gary Kohn is adamant "The society will not accept the unconditional opening up of ownership of pharmacies Permitting nonpharmacist ownership could not be justified in most circumstances, as this threatens loss of professional control of standards"

Venter disagrees. "I don't believe standards will be compromised since professionals are still obliged to adhere to the standards set by their respective councils" She's also convinced that professionals should be free to choose who they want to work for

Health Director-General Coen Slabber, also addressing last week's conference, took the opportunity to attack a few sacred cows "The (Health) Department has never fully understood the pharmacists' stance in this regard When it comes to the manufacturing or the sale by wholesale of medicines, it is acceptable for persons other than pharmacists to be involved in the ownership of these type of pharmacies

"But when it comes to community practice, this is apparently quite categorically unacceptable" Slabber stresses that government will support nonpharmacist owned services where they would drop prices to the public

Another far-reaching reform, implemented in March by the Medicines Control Council, opens the door for pharmacists to import and register cheaper brand medicines already available — a practice known as parallel imports

It's a reform that, not surprisingly, has been bitterly opposed by drug manufacturers fearful of having their local margins eroded They argue that the savings to be gained are largely negligible, compared with the risks of counterfeit drugs entering the market under the guise of parallel imports

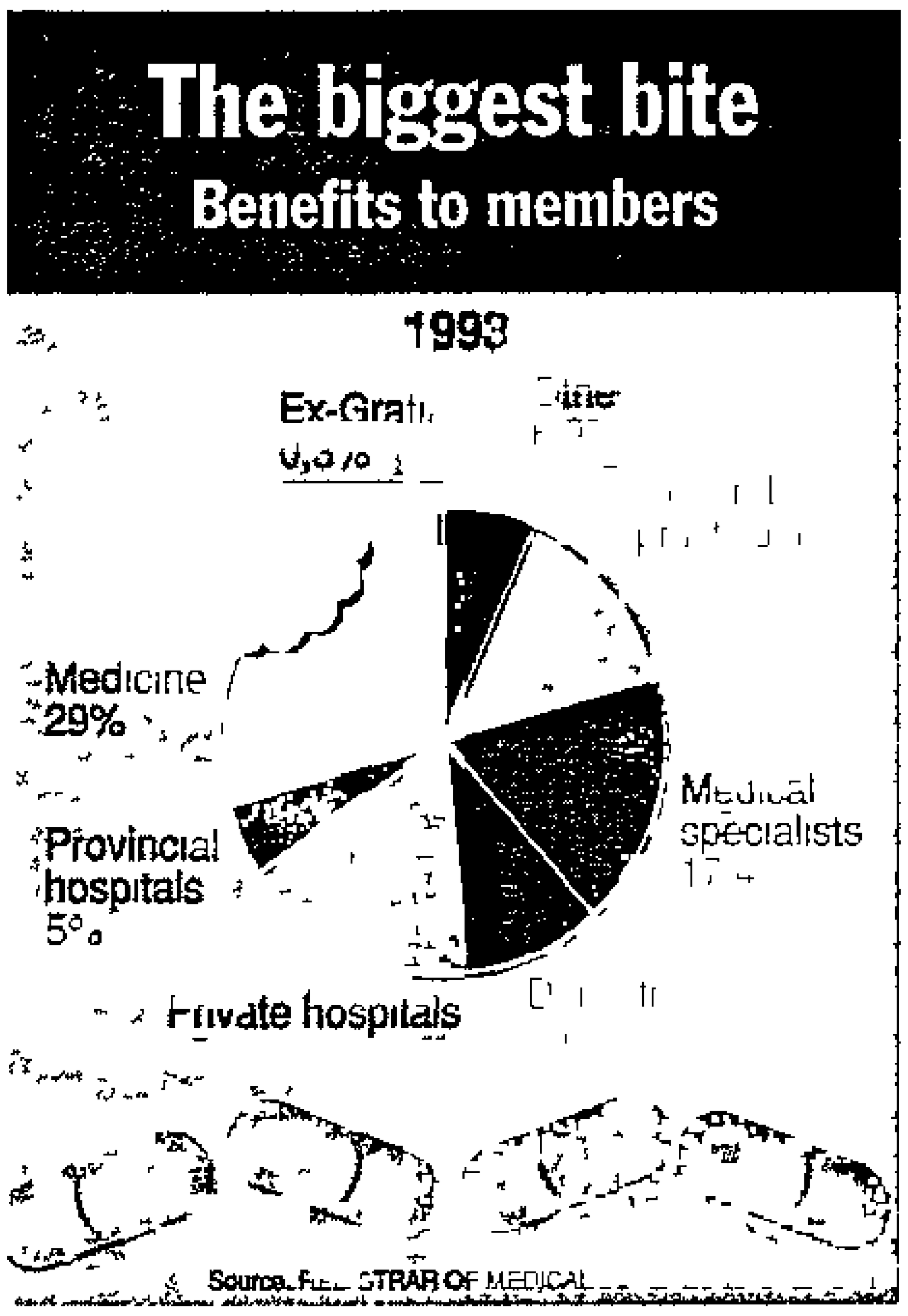
Arguing the case for manufacturers, Adcock Ingram Pharmaceuticals marketing manager Stavros Nicolaou suggests that parallel imports will stretch the resources of the Medicines Control Council, as the identification of drugs will become increasingly difficult

Says Nicolaou "The parallel importer will ride on the back of the innovative (locally represented) manufacturer, and won't be able to offer any backup or guarantees As the local manufacturer cuts back on production, supplies will no longer be guaranteed It's estimated that R1bn of our medicine is already stolen, and this will place the patient at greater risk"

Dismissing these arguments, Medicines Control Council director Johan Schlebusch insists that the council has the ability and existing network to control and source parallel imports "The greater the risk involved, the more stringent the tests we will use" Schlebusch explains that a parallel import is exactly the same product as the one on the local market — but will originate from a subsidiary which manufactures or sells it for less than the SA-based manufacturer

Critics argue that it won't be long before manufacturers around the world decide to standardise their prices for each product, to avoid these price discrepancies Slabber disagrees "International experience has clearly shown that this is a policy which can contribute significantly to reducing the cost of medicines"

Parallel imports are commonplace in



Europe In 1991 they accounted for medicine sales of £250m

Manufacturers also highlight what they believe is the potential threat to local employment After all, as Schlebusch says, the Medicines Control Council is only concerned with the safety and efficacy of a drug

Clearly the issue is far from cut and dried Says Slabber "The legal aspects applicable to parallel imports, such as copyright, protection of intellectual property and harmful trading practices, may first have to be thoroughly investigated and tested before parallel imports could be freely marketed in SA " The Department of Trade & Industry is also to investigate the economic implications Meanwhile the Medicines Control Council has adopted a simplified form of registration for these products — this takes six weeks as opposed to the 38 weeks usually needed to get any other product registered

Drug manufacturers have also had to contend with a recent Competition Board decision that restricts them to charging a single volume-based sale price to all buyers This recommendation is expected to become law soon

Certainly it's a victory for wholesalers and retail pharmacists, who felt discriminated against when manufacturers started giving doctors huge volume-unrelated discounts five years ago — when pharmacists threatened to make greater use of generics Kohn argues that this discriminating pricing caused an unlevel playing field

A more serious allegation is that doctors have been profiteering by pushing drugs unnecessarily through prescriptions Under this system, manufacturers have also been accused of recouping the discounts to the doctors by overcharging wholesalers and retail pharmacists, thus ultimately passing on a greater burden to the public

The pending legislation is said to contain heavy penalties for non-compliance — but critics remain dubious as to how successfully these rules can be enforced

In recent times, other reforms have also made their way on to the statute books The Pharmacy Council has lifted all bars on advertising, allowed pharmacists to enter into contracts with medical schemes, and scrapped the compulsory 50% mark-up that has traditionally translated into a 100% mark-up at the retail level Pharmacists in recent years have given discounts of up to 40% — though an *FM* survey conducted last year shows that some of the most commonly used drugs in SA are on average 120% more expensive than the same drugs in the US

It's interesting to note that the PSSA last week recommended that pharmacists give no more than a 15% discount — but it's a recommendation that still suggests a closed shop mentality and a lack of understanding of the nature of competition.

Other recent innovations have given pharmacists greater clinical powers to compete with doctors in providing affordable and accessible health care The Department of Health clearly supports the principles of pharmacist-initiated therapy; the Representative Association of Medical Schemes (Rams) has indicated that it will support this principle in practice — indeed, some schemes already recognise pharmacy-initiated therapy in their benefits

In the past two years, the Medicines Control Council has also identified certain Schedule 3 and 4 medicines which pharmacists can dispense without prescriptions from a doctor — for example, to treat certain bacterial infections Says Slabber "It is gratifying to note that the Pharmacy Board has not wasted any time in considering appropriate alterations to the curriculum for undergraduates, as well as additional learning programmes for serving pharmacists to equip them for this added responsibility "

Venter

Government has also identified a greater role for pharmacists in its primary health care policy — and pharmacists have leapt at the opportunity Many pharmacists have undergone family planning training, making this service widely accessible Other services offered by pharmacists include blood pressure, cholesterol and blood sugar monitoring But warns Slabber "It is absolutely essential and incumbent on each individual pharmacist that he exposes himself to the necessary training" — a duty that pharmacists have committed themselves to in a written resolution

While co-payments for medicines by patients at the time of dispensing have largely become the norm in recent years, government has indicated its support for schemes that set maximum prices for certain types of medicines — "maximum medical aid pricing " Of course, since the newly passed Medical Schemes Amendment Act abolishes minimum benefits and guaranteed payments, there's no room for legal sanction on this one

Another proposal, still under discussion, looks at the possibility of introducing a professional fee for pharmacists and dispensing doctors This would replace the mark-up system and also, it's argued, eliminate the temptation to prescribe only the most expensive drugs

A reform that hasn't, however, made it to the statute books is the one that would allow generic substitution by pharmacists

It's an internationally tested cost-cutting method that Venter has always had at the top of her reform list Grave concerns, however, were expressed last week that government is bowing to pressure from the multinational drug manufacturers, already incensed by the reforms on parallel imports

Says Slabber "This is a reform we will not take immediately, though it's been considered at great length Government will hold this proposal in abeyance until such time as the success of the other proposals has been assessed It has definitely not been abandoned by the department "

Of course, the anomaly of the debate is that generic medicines have been safely used in State hospitals for over 30 years but original drug manufacturers and doctors continue to question their safety and efficacy, without any consideration for the millions of rands saved through their widespread use

The Pharmacy Council's Van Niekerk stresses that, like any other medicine, generics have to meet stringent quality standards He argues that patients, like any consumer, should be given the choice of a cheaper medicine But, notes Van Niekerk, "by the time the patient gets to the pharmacist, the doctor has already decided on the drug choice, even though the pharmacist is fully qualified to recommend a cheaper, effective and tested generic "

Doctors often argue that pharmacists are not competent to interfere with their treatment But medical schemes administrator David Boyce says the thinking in the US is increasingly that pharmacists should have the final say over medicine choice, because of their in-depth knowledge of medicine

SA's distribution chain also adds to the exorbitant drug bill the consumer ultimately has to foot The industry argues that around 70% of all medicine is sold on tender to the State for, at most, a third of the price paid for the same product by the private sector

Cabinet sees reason

Of course, the threat of price controls always looms as the possible course of action of a desperate government Boyce points out that price controls exist in some form in most countries around the world, except for SA and the US Says Boyce "Between 1973 and 1983 SA had a voluntary form of price control that saw manufacturers motivate every price hike they wanted It's a pity that no accurate method of assessing the effectiveness of this system was kept Since 1983, however, medicine prices have on average increased at 2% above inflation " Boyce clearly favours price controls for an industry which he believes exhibits the classical signs of market failure

But the Cabinet rejected price control — proposed in the controversial Wim de Villiers report on the industry — because it is contrary to free market principles

Venter remains firm "We need to bring about a truly free market through deregulation, before we can decide whether or not it has failed " ■

'Fuel deregulation will kill us' — service stations

SOWETAN 22/5 - 26/5/93

PROPOSALS for the deregulation of fuel could lead to over 50 000 petrol attendants across the country being unemployed.

Black service station owners, who represent about 25 percent of the dealer network in South Africa, fear that a clumsy deregulation of fuel will put them out of business

Businesspeople are "pushing for deregulation" so that they can sell petrol from chain store outlets, said Mr Paul Ash of Sussens Mann, a public relations company acting on behalf of the garage owners

"Under current legislation hypermarkets cannot sell fuel, so if it is deregulated, they can cut prices by, say, 10c a litre," Ash said

"Fuel companies and service station owners feel they would not be able to compete."

Guguletu fuel dealer Mrs Nomahlubi Vokwana-Ndungane said deregulation will kill black dealers

"Overseas experience shows the hypermarkets immediately enter by cutting fuel prices to the bone. I don't believe my service station in Guguletu has a chance of surviving if hypermarkets start selling petrol in Nyanga," Ndungane said

She said that in the current regulated environment her profit margin is fixed at 15,1c a litre

"Knowing what my margin is enables me to plan my business long-term. This includes employing attendants to provide the customer service.

"In a deregulated environment, I will be at the mercy of fuel prices and consequently a fluctuating profit margin One of the first sacrifices I would have to make would be to retrench the attendants," Ndungane said. (183)

Ash said while the hypermarkets will be able to make up for revenue lost by lower fuel prices by inflating food prices, the law has hindered attempts by black businesses to diversify.

"That places them at a distinct disadvantage if they have to compete with the hypers," he said.

Fuel companies are also adamant that the current regulatory mechanism has delivered high quality products at internationally competative prices

"It has also enabled the growth and sustainability of small business and employment creation programmes," Ash said.

EDWINA BOOYSEN

Friendly fire gas

Sd Times (Buss) 23/5/93

By DON ROBERTSON

THE Montreal Protocol decision to eventually ban the use of Halon gas has led to the the introduction in South Africa of ozone-friendly Energen. The gas is imported by CDP & Associates from America's Ansul, the world's largest fire-protection group

Halon is used in enclosed areas, such as computer and control rooms, which house expensive equipment, archives and libraries But it eliminates oxygen and makes it impossible for people to operate in the area until it has been cleared

Energen does not have the same effect on oxygen as Halon does (183)

Secrecy on fuels to go

Political Staff

THE government plans to lift the veil of secrecy surrounding the liquid fuel industry but it is unlikely that the petrol price would be deregulated, government sources said last night.

Deregulation, however, will be discussed in the Mineral and Energy Affairs Department budget vote today, the sources said.

There were strong indications that the Minister of Mineral and Energy Affairs, Mr George Bartlett, would open the government's books on the formula to determine petrol prices, the location of oil pipelines and the functioning and financing of the Mossgas oil-from-gas project.

However, he would not be making the extent of SA's oil stockpile known, the sources said.

Oversupply sinks Vanadium prices

JONO WATERS

VANADIUM prices have sunk to their lowest levels for more than a decade as a result of oversupply and poor demand for special steels

Prices for vanadium pentoxide and ferro-vanadium have continued to fall since the start of 1991 Vanadium pentoxide was trading at $1,45/lb on the European spot market last week, down from $4 three years ago Ferro-vanadium, which tracks pentoxide prices, has fallen to nearly $8/kg from $20/kg at the start of the '90s

The recession has led to a slump in demand for special steels, with European companies offering vanadium at cut-throat prices to steel makers

Highveld Steel & Vanadium has seen its contract prices fall consistently over the past two years. Prices have been weak largely as a result of oversupply by the Chinese

A recent Minerals Bureau report said prices were expected to remain depressed for the next three years and any further capacity brought on stream could depress prices for a further 10 years.

However, Rhombus Vanadium seems determined to build a vanadium pentoxide plant at its mine near Brits Analysts say the move will depress prices well into the next century

23/07/93

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Harare runs out of burial space

BIDM 25/5/93.

MICHAEL HARTNACK

HARARE — A crisis is looming for African traditional culture following the Harare City Council's warning that it is running out of graveyard space and cremations may soon become compulsory.

"We fear what might happen later The spirit of the dead person may come back and punish us for cremating the body," a traditional healer from the Nkayi area of central Zimbabwe, Rosemary Mazorodze, said in reaction to the council's announcement yesterday

Four of the capital's seven cemeteries are full and three others are close to capacity, while the government delays acting on city council demands for commercial farms to be expropriated in the Mount Hampden area for new burial plots

Deliberately burning the body of a relative is "unheard of" in African culture, said Mazorodze

"There are some rituals which have to be carried out on a person's grave We cannot perform such rituals on a tiny grave, or over ashes"

Two years ago the city's medical chief warned that a crisis was inevitable in the late '90s due to the projected death toll from AIDS

Farmers bitter at the compulsory purchase of their land for peasant resettlement are even more resistant to seeing flourishing fields of maize and tobacco turned into a sterile area of mounds and tombstones

Burial plots cost up to R205 each

Delay 'likely' in oil deregulation

BIDM 25/5/93 (183),

CAPE TOWN — As SA waits for the release of a government study on the merits of deregulating the oil industry, analysts predict no major action is likely until 1996

Mineral and Energy Affairs Minister George Bartlett said recently the report had been completed and would be released shortly Industry sources expect it within a week

Analysts did not expect any major changes until at least January 1996, when warranties on the tariff protection given to Sasol 3 lapse

"But what we can expect is some relaxation of the secrecy surrounding the whole industry because of the UN oil embargo," said one

This could be eased as early as June, depending on when the proposed transitional executive council was set up, he said

Although the ANC has said it would accept the lifting of most financial sanctions on SA once the transitional council system was established and a date for elections was announced, it wanted embargoes on oil and arms supplies to be retained until a democratic government was installed

The Petroleum Products Act restricts publication of information on the source and price of SA oil supplies However, oil companies believe amendments ~~to the Act~~ could lead to better-informed public debate on the whole issue of deregulation

Deregulation in respect of oil supplies was a "somewhat trickier issue", said an analyst "The main considerations are likely to be the effect on the synthetic fuel producer, Sasol, and on the already strained balance of payments, of allowing a free-for-all on oil imports"

The regulations governing the industry have come under increasing attack from businessmen such as Pick 'n Pay chairman Raymond Ackerman, who has said that if retail pump prices were deregulated, he would be able to cut fuel prices by 6c/l-7c/l at his hypermarkets

But analysts warned that the ensuing price war could lead to the loss of up to 50 000 jobs at petrol stations around the country

Small operators would not be able to cross-subsidise their fuel sales with non-fuel sales and would be forced to cut back on staff or close

There was also a fear, said one, that deregulating fuel prices could prompt some service station owners, especially in rural areas with no access to hypermarkets, to "charge what the market can bear, thus pushing up fuel prices in less developed areas" — Reuter

Pact reinforces links with Zambia

BIDM 25/5/93

DURBAN — The signing of the "twinning" agreement between Umgeni Water and Lusaka Water & Sewerage yesterday was the latest sign of increasing contact between SA and Zambia.

Umgeni Water CE Graham Atkinson said the twinning "signals the start of an agreement between the two undertakings to exchange information and staff".

The agreement preceded the opening of the Water Institute of Southern Africa conference, which attracted a number of international experts.

"The staff from the Zambian company will be receiving in-house training at some of Umgeni's plants, and some of Umgeni's staff will be contracted to the Zambian company to lend expertise while training staff," Atkinson said

The pact also involved development of laboratory services, computerised billing and customer service.

Atkinson believed Umgeni Water would be able to contribute to Lusaka Water because Umgeni had been recognised as "a leader in the field of water management and especially the supply of water to rural areas, where the drought has been severe".

Lusaka Water MD Jeff Hendrich said he hoped this would be the first of many mutual agreements — Sapa

Kitchen fraud burning buyers

BIDM 25/5/93.

TRACY SCHNEIDER

GULLIBLE home owners were losing up to R6m a year to fly-by-night kitchen manufacturers, industry sources said recently.

Kitchen Specialist Association (KSA) chairman Martin Macphail said the incidence of fraud among kitchen manufacturers had reached "epidemic proportions". Losses to unsuspecting customers were estimated at R500 000 a month

"The situation is difficult to control All we can do is make customers aware that they should deal with a reputable company," said Macphail.

He said one trader had opened under five different names, taking R100 000 in deposits with him each time. Individual customers had lost up to R30 000.

Many incidents were not brought to the KSA's attention and deregulation of the industry had allowed the problem to grow to the point "of disaster"

However, the KSA was considering asking the Business Practices Committee to approve its code of conduct, thereby making any contravention of the code a harmful business practice

Under the new constitution, members were bound to conform to a strict code of ethics governing design, manufacturing, installation and service standards

Macphail said the total market turnover was estimated at R175m a year, with 80% of this from the PWV region

The industry had done better than expected for the first quarter because there had been a move towards home improvement and renovations

Pharmaceuticals, tight rein boost Premier 34%

BDay 27/5/93 (183)

DUMA GQUBULE

RESTRUCTURED Premier Pharmaceuticals (Prempharm), formerly Twins Pharmaceuticals, reported a 34% increase in attributable earnings to R78,1m on a 4% increase in turnover to R456,1m for the year ended April

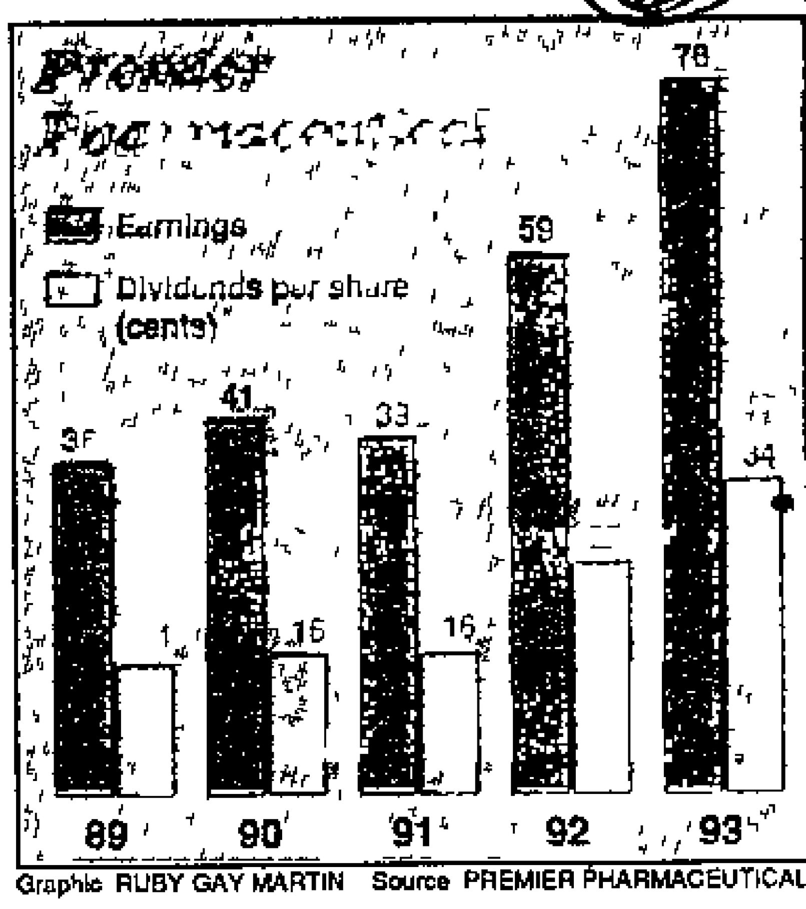
This was equivalent to earnings of 78,5c (59,2c) a share from which a dividend of 34c (25c) was declared

The previous reporting period was 13 months The company provided annualised figures for financial 1992 to facilitate comparison with the latest figures

Prempharm's impressive showing, which followed a 51% increase in earnings the previous year, was attributable mainly to a good performance by the group's pharmaceutical division, good working capital management and a recent rights issue which had boosted cash resources

The group in March issued 8,5-million new shares for R78m

CEO Phil Nortier said that while



Graphic RUBY GAY MARTIN Source PREMIER PHARMACEUTICAL

growth in turnover was only 4%, operating income had increased 11% to R118,5m (R106,3m)

Other divisions had not performed according to expectations The animal health division had suffered because of the drought, while the severe recession had affected the consumer and vision care divisions

However, product rationalisation had given the company a sound base from which to expand

There was a turnaround on the interest line, with interest received of R7,2m compared with an outflow of R4,8m the previous year This reflected a sharp increase in net cash reserves to R153,2m (R16,9m)

Income before tax rose 24% to R125,7m (R101,5m) Tax absorbed R48,3m (R43,4m) and attributable income came to R78,1m (R58,1m)

Nortier said the new secondary tax on companies had been treated as a charge on profits and was included on the tax charge The reduction in company tax rate had resulted in a release from the provision for deferred tax of R2,8m which was reflected as an extraordinary item

The company's cash resources would be used for investment in new products and capital expenditure necessary to upgrade manufacturing facilities

The company expected to achieve real earnings growth in the year ahead, despite uncertainties prevailing in the pharmaceutical industry and difficult trading conditions

Petrol 'too cheap in the PWV'

(183) GERALD REILLY

PRETORIA — PWV motorists paid nearly 4c/l too little for 93 octane petrol in April, according to a Mineral and Energy Affairs statement.

During the last six months underrecoveries have varied between 6c/l and 10c/l In March it was 8,540c/l

The underrecovery on diesel in April amounted to 4,839c/l.

During the previous five months underrecoveries fluctuated between 8,840c/l and 11,650c/l

The average landed cost in April for 93 octane petrol increased by 1,355c/l to 54,637c/l while the underrecovery in April was 3,795c/l.

The delivery cost element in the petrol and diesel price structure was increased by 0,2c/l to 3,5c/l with no accompanying increase in the pump price of petrol or the wholesale diesel price

This compensated fuel marketers for storage and handling costs and distribution costs from depots to filling stations BDay 27/5/93.

A Mineral and Energy Affairs Department source said the equalisation fund was strong enough to hold the price of fuel at current levels for the next three months, unless there was a dramatic change in costs

Mineral and Energy Affairs Minister George Bartlett said towards the end of last year it was a softer blow to the economy if price rises were more closely spaced rather than substantial price hikes at longer intervals.

The price of 93 octane in the PWV was increased by 16c/l on April 2, taking the price to 175c/l

Health care system must heal itself or choke on greed

BDM 27/5/93 . (183)

PETER BENINGFIELD

THE health care industry is in disgrace. We are widely perceived as unscrupulous, unethical and relentless in our exploitation of human suffering for commercial gain. Truly, if capitalism ever had an unacceptable face, this must be it.

Like the country as a whole, it is undergoing painful and profound changes which, if properly managed, could lead it onward and upward to a better future. But it is also bedevilled by the ruthless sectoral self-interest and the partisan bickering which characterises our political process.

The health care industry is a very broad association of bodies which range from manufacturers through pharmacists and doctors to the medical aids. This uneasy alliance somehow has to get to grips with the radical transformation required of SA's health care system.

The driving force behind this change is cost containment in the interests of providing affordable, accessible, high-quality health care for all SA's people by 2000 — only six years away.

It is interesting to note that US President Bill Clinton has appointed a high-powered task force, headed by his wife, to make sweeping changes to the US health care system. The task force's proposals might well contain such draconian measures as a government-imposed freeze on doctors' fees and medicine prices. Even at their mildest, they are still likely to give the US government a much more active role in controlling health care costs.

Why such a drastic departure from free-market principles in the world's foremost capitalist economy? This is how one US commentator explains it. "The health care free market has proved that it doesn't work, so only massive government intervention will."

This chilling verdict has ominous implications for us in SA.

We have to face the unpleasant truth that our health care system is ill — afflicted by soaring costs, cumbersome controls, overservicing in the private market and underfunding in the public sector, not to mention fraud and outright theft.

SA's private sector health care market spends about R10bn a year on itself. Public sector expenditure runs to a very similar amount — R11bn.

The problem is that the private market caters for a mere 20% of the population, while the public sector has to take care of the remaining 80%. And this is far from being the only or even the most glaring discrepancy in our delivery system.

Of our total expenditure, an almost negligible 4% goes to primary or preventative health care. About 69% is spent on secondary or curative care, and the balance on the tertiary level — heart by-pass operations and the like, regarded in some circles as elitist treatment to keep rich, old white people alive beyond their allotted spans.

Whether you share this view or not, it is indisputable that our priorities in the allocation of health care funds are badly disordered.

Our health care system was essentially designed to provide whites with a First World service, and is now belatedly being forced to adapt to meet the demands of a developing country in the Third World.

Government alone is not to blame. All participants in the health care industry have to bear some of the responsibility. If we are to survive as an industry, let alone prosper, we should accept that responsibility and deal with its consequences.

In doing so, let's agree first of all that there's nothing wrong with the profit motive. By all means, let us serve our own ends — but let us serve society at the same time.

The days of unfettered laissez-faire capitalism — when a company's sole duty was to its shareholders and its social responsibility consisted of paying its taxes — are long gone.

Business is now expected to conduct itself in a manner acceptable not just to its owners but also to the community in which it operates, in short, to behave like a useful and respectable corporate citizen.

If we don't succeed in getting our house in order, there is little doubt that some sort of order will be imposed upon us. That order is likely to be imposed by a new government which might be inherently suspicious of the profit motive in health care. Our survival depends on our ability to demonstrate to such a new government and its constituents that the health care system is capable of behaving responsibly in a free market.

We will require a real co-operative effort.

The participants are deeply divided by short-sighted self-interest. This has resulted in seemingly petty turf battles between the professions, brutally aggressive lobbying by special-interest groups and some highly dubious competitive practices.

Through public manifestations of our differences, we have consistently portrayed ourselves as a squabbling and greedy industry.

What we need now is a general realisation that we have to overcome these differences; that we have to concentrate on the crucial issues that unite us and set aside the lesser ones that divide us; and that we have to make common cause to restore our ailing industry to health.

What we need, in bottom-line terms, is to introduce self-regulation, and to do so soon.

I propose the establishment of a private health care forum to unite all the major players in the system and commit them to self-regulation.

Such a forum should not be a cosy circle of friends or a mutual admiration society. It should not advance the cause of nepotism, nor should it fight for narrow and self-serving sectoral interests. What it should do is agree on standards of conduct acceptable to the community in which we operate and enforce these impartially, vigorously, publicly and if need be, ruthlessly.

In other words, it should be an industry bulldog which is not only equipped with a full set of teeth but does not hesitate to use them.

To achieve this, it should be small — with probably no more than between eight and 12 members — and it should have real power. Its members should not be administrators or flunkies or time-servers but the true movers and shakers of the industry. Nothing less than the chief executives of the main players will do.

It isn't going to be easy. It is going to be a real labour of Hercules — the cleaning up of the Augean stables, to be precise. But it has to be done.

The issue which stands out most prominently is that of cost — and, in particular, the cost of medicines. When the cost of medicines soars from 18% to 30% of the total health care bill in the space of just 10 years, then something has gone very wrong with the pricing system.

Here again I believe there is a strong case for self-discipline to limit the need for controls. The industry has to return to the traditional trading practice of cost plus, rather than working downwards from a recommended retail price. Instead of being professional traders, we should return to being trading professionals.

Current changes and such strong indicators as the ANC's health policy all point to one thing: that SA's pharmaceutical market of the future will be characterised by larger volumes and smaller margins. Prudent businesses and professionals will understand and accept this, and adjust their strategies accordingly.

I would like to suggest that the local and multinational pharmaceutical companies set aside their differences to take the lead in determining and applying the therapy required for this recovery process.

☐ Beningfield is SA Druggists MD. This is an edited excerpt from his address to the Pharmaceuticals 1993 conference in Midrand yesterday.

Prempharm lifts dividend

Finance Staff

Star 27/5/93

Rationalisation has paid off for Premier Pharmaceutical with a 33 percent rise in earnings to 78c a share for the year to end-April.

The final dividend of 21c brings the total for the year to 33c, up 36 percent.

(183)

The company, previously Twins Pharmaceuticals, says that though growth in turnover was only four percent, operating income rose 11 percent, thanks largely to the pharmacuetical division, which showed real growth in sales and profitability.

The other divisions performed below expectations.

Good asset management, tight control of working capital and the R78 million share issue in March resulted in interest received of R7,2 million.

Farm-Ag to break its long dividend drought

183

AGRICULTURE and industrial chemicals group Farm-Ag is to break its four-year impasse and restore its payout to ordinary shareholders, after a sparkling performance in the first half.

ANDY DUFFY

The company posted a 69% increase in attributable earnings to R10,8m for the six months to February, on turnover down at R12,6m from R15,4m. Earnings a share rose from 44,7c to 74,4c

Finance director Richard McElligott said a fall in debt for the full year to R5m would allow it to pay the bulk of its earnings in dividends in October. The payout would be about 40c a share — just below the level when Farm-Ag last rewarded its shareholders in 1989 "Business has gone exceptionally well," McElligott said.

Although Farm-Ag sustained a R1,2m loss (R630 000 profit) at the operating level, associates pushed it back into the black.

Mainstay Sanachem, in which it holds 50%, bolstered profits for the period by 45% to R27,7m, while 40%-owned sockmaker Glenmore Textiles maintained its profit levels of last year

Much of Sanachem's improvement was due to exports, with sales for the year to February up from R88m to R176m. The company, in which Sentrachem holds 50%, was expected to boost export sales.

Farm-Ag's policy of selling off its assets and focusing on Sanachem reduced interest-bearing debt from R19,5m to R9,2m

Farm-Ag closed its loss-making Harvest Chemicals subsidiary, sustaining a R1,15m extraordinary charge.

McElligott said the sale of Harvest's plant and the sale of its holding in Glenmore would underpin debt-cutting for the full year. The Glenmore sale would leave Farm-Ag wholly dependent on Sanachem for earnings. Its stake in Sanachem is to be sold to Sentrachem in March 1995, at which point Farm-Ag would become a cash shell

☐ Rale Holdings, 67%-stakeholder in Farm-Ag, reflected the performance of its investment. Attributable income rose 93% to R7,1m, while earnings a share stood at 67,6c (3,8c) on a share base reduced by a factor of 10

Bartlett lifts corner of veil of secrecy over oil industry

183 CT 28/5/93

Political Staff

SOUTH African oil companies are implementing a four-year, R6,5 billion investment programme that will almost double the national output of petrol to 645 000 barrels a day, Mr George Bartlett, Minister of Mineral and Energy Affairs, announced today.

In the face of a failed United Nations oil embargo against South Africa, the oil industry has been one of the most closed aspects of the economy.

However, the Cabinet has now decided to ease some of the secrecy around oil. A few details were provided in Mr Bartlett's parliamentary speech on his budget vote, and in a 32-page report he tabled in parliament on the government's involvement in the oil industry.

Mr Bartlett revealed that from 1992 to 1995, oil companies would invest R6,5 billion in refinery, retailing and other expansion.

At the end of 1995, the Caltex, Engen, Total, Shell and BP refineries would produce 450 000 barrels of petrol a day. The two Shell/BP and Engen refineries in Durban will produce 40 percent of South Africa's petrol.

On top of this, Sasol produced 150 000 barrels a day and Mossgas 45 000 barrels a day.

South Africa's oil industry last year had a turnover of R23 billion — about seven percent of the Gross Domestic Product — and directly employed 111 000 people, including 45 000 pump attendants. Another 46 000 people were employed in the synthetic fuel and refinery industries.

The oil industry produced 330 000 barrels of petrol a day.

Part of the reason for shedding light on the oil industry was that the government wanted a wider debate on deregulating the petrol price.

FM 28/5/93. FOX

ADCOCK 183

Powerful muti

With medicine prices under continual scrutiny and the debate over SA's health care system raging, it must have been with a little trepidation that Adcock Ingram (AI) released results which show a 36% increase in earnings Group CE Don Bodley is quick to point out that overall price increases were kept below inflation

First-half performance was certainly good, but not out of line with compound annual growth of nearly 30% since 1985 If prices are generally kept under inflation, how does the group get such good results?

The cash flow statement provides a partial answer. Cash generated by operations grew 23% to R80m, 87,8% of annualised total liabilities AI remains an increasingly strong cash generator Coupled with a balance sheet that shows no debt to speak of and cash holdings of R38m, the extremely strong financial strength becomes clear

Despite the large cash holding, which AI wants to deploy as soon as it finds a suitable acquisition, return on net assets rose to 28,5% from 26,2% a year before

Earnings were also enhanced by a better operating margin — 15% compared with 13,8% — and a lower effective tax rate, thanks to dual tax, which Bodley says

* Cont →

FOX

helped taxed profits by R6m

Most of the six business units did well, though considerable pressure was experienced by the wholesale business which continues to operate in a highly competitive sector characterised by severe discounting

Bodley says the strength of brands and benefits of new products should see operating income continue to grow at similar levels.

CASH COW

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rm)	428	487	479
Operating income (Rm)	59,0	81,8	71,6
Attributable (Rm)	32,3	44,2	44,0
Earnings (c)	118	161	160
Dividends (c)	33	72	42

That could be a conservative prediction — as the table shows, stronger growth was recorded in the second half of 1992, and if this year's interim is any indication AI should be in for a spectacular year

Financial director Wally Holmes cautions that all sectors are experiencing increased competition, so it will be increasingly difficult to match the historical trend of performance improving in the second half. We'll believe that when we see it

The share price seems to be discounting a better second half it has climbed about 40% in the past year to R88, 26% this year alone The yield is demanding — 1,3% against the sector's 2,3% — and it has the highest p.e ratio of 27,4 But it's unlikely to be left off institutional shopping lists

Shaun Harris

Star 28/5/93

Farm-AG lifts earnings 69 percent

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DURBAN — Farm-AG lifted earnings 69 percent in the six months to February, thanks to improved performance by Sanachem, a reduction in borrowings and lower interest rates

Net income before extraordinary items was R10,8 million (R6,4 million a year ago).

Interest payable fell from R19,5 million at August last year to R9,2 million.

Income attributable to shareholders was R9,6 million (R4 million).

Earnings per ordinary share were 74,4c (44,7c). No interim dividend on ordinary shares has been declared, but it is hoped a final will be declared in October.

During the period, the group closed subsidiary Harvest Chemicals as it continued to incur losses and no buyer could be found — Sapa

'Policy on fuel is load of codswollop'

(183)

DI CAELERS
Weekend Argus Reporter

NEWS of the continued regulation of South Africa's petroleum industry has met with conflicting reactions The Motor Industries Federation claims it will protect motorists against price manipulation, but long-time deregulation activist Mr Raymond Ackerman says that's "a load of codswollop" and that the bottom line is the protection of monopolies and vested interests.

Speaking after the release of the report, Mr Vic Fourie, executive director of the MIF, said "Maintaining a regulated fuel distribution industry means that motorists will be protected against the manipulation both of price and supply of fuel, and the jobs of 50 000 forecourt attendants will be assured for the immediate future"

Filling station operators countrywide, he said, were relieved and pleased that the Cabinet decision was to maintain regulatory measures for the time being.

But, Mr Ackerman said he believed deregulation would eventually happen and that the decision was simply a lack of decisiveness at a critical time

"I have no objection to protecting Sasol because the country has put a lot of money into it. But, that can easily be circumvented by making sure that everyone has Sasol at every pump. ARCG 29/5/93

In a statement, Mr Fourie rejected the claim that deregulation would bring down the pump price of fuel.

Deregulation by the government would lead only to "re-regulation" by the major oil companies The conglomerates already had geared themselves to it by moving more and more of the fuel to sites under their control

South Africa's fuel production equals a R7 5 billion foreign exchange saving

State wants to keep secrecy on oil

(183) ARG 29/5/93

■ Lifting the veil on South Africa's oil remains a delicate matter. But, would the quality of petrol, jobs and small business suffer under the spotlight?

REGULATIONS on the petroleum industry should stay, a Department of Mineral and Energy Affairs report, "Government's Involvement in the Oil Industry", advised Parliament yesterday.

Deregulation would affect employment, small business, the viability of the Synfuel industry and investment by the oil industry

The report said a full, informed debate on the industry could not take place while the veil of secrecy over the industry remained in place

Much information had been declassified, but sources of supply, crude-oil volumes and shipping should remain a classified secret until the oil boycott had been lifted officially by the UN and the Arab oil-producing countries

However, the department recommended that the basis of Transnet's tariffs should be more transparent

The industry saved the country about R7,5 billion a year in foreign exchange through the SA oil refinery and Synfuel production

"It is therefore recommended that the current regulatory measures be retained for the time being," said the report This included import control

The departments added that withdrawal of import control would have a negative impact on refinery investments and could lead to closures, jeopardise the present marketing arrangements of Synfuel products, and have a negative effect on the service-station industry and the supply and quality of products to consumers

In view of the impact of credit on wholesale and retail sales, the withdrawal of the prohibition on credit sales was not desireable

Sasol would lose money on its Synfuel production if its protection was withdrawn

The department said. "Government also will be in breach of its undertaking to keep protection in place until at least January 1 1996."

Synlevy and compensation payments to the oil industry should continue until they could be phased out in line with market growth

The future of Sasol would be discussed once the Auditor-General's report on its viability had been submitted

Self-service at service stations should remain prohibited because its introduction would be expensive and lead to job losses

But, Mr Rogert Hulley (DP Constantia) said South Africa's oil and fuel industry should be systematically deregulated in phases.

He was speaking during the Mineral and Energy Affairs Vote

Mr Hulley added that deregulation would lead naturally to increased competition and to lower pump prices for the consumer

Firstly, the Ratplan — which regulates the number, allocation and siting of service stations — should be scrapped in stages starting with the urban areas and moving to smaller rural communities The market should determine the viable location of outlets

The minimum price of petrol then should be deregulated subject to the initial retention of a ceiling price and a prohibition of cross-subsidisation of oil and fuel products by non-industry entrepreneurs

"I believe this step would bring an average benefit of about 10 cents a litre in most major urban areas to South Africa's hard-pressed consumers"

Mr Hulley added that the secrecy which restricted the flow of commercial information on the oil and fuel industries should be scrapped

The introduction of self-service facilities at service stations should be delayed until an upturn in the economy to retain the 50 000 jobs sustained by the industry

Mr Hulley said doubts about the viability of the Mossgass project remained Engen had the option of acquiring 30 percent of the holding company for R1,447 billion by September, but if it failed to do so this would be the final verdict on the viability of the project

The entire country could have been electrified, with the creation of about one million jobs, with the R12 billion spent to date on Mossgass — Sapa

Welfare gets little of R2 billion sale

Oil windfall for the roads

ARG 29/5/93 (183)

JEAN LE MAY
Weekend Argus Reporter

■ The government spent more money from the sales of stockpiled oil on maintaining roads and buildings than on welfare projects in violence-torn areas.

MOST of the money from sales of stockpiled oil did not go to building clinics and improving townships as promised, according to figures given to Weekend Argus by Dr Dawie de Villiers, the Minister of Public Enterprises

The government should have insisted that money from the sale of the strategic stockpiles was used only for capital projects, Democratic Party MP Mr Douglas Gibson says

The International Monetary Fund warned two years ago, when the government decided to sell up to R2 billion of stockpiled oil, that selling capital assets to finance consumption expenditure was a departure from sound long-term economic strategy

But that is exactly what much of the money was used for — although it was said at the time that the it would go towards relief of the poor and violence-ridden areas

The money was earmarked to build clinics, for informal settlements and projects in poor areas

Mr Gibson, a member of the parliamentary select committee on public accounts, commented that "nobody will ever be able to accuse the Nationalists of prudence in the management of the peoples' money.

"It is sad to see them disposing of capital assets and using the cash largely for ordinary maintenance and running expenses

"To the extent that some of the projects were worthwhile the DP applauds them, but it would have been better to insist the money should be used for capital projects"

Dr de Villiers, Minister of Public Enterprises, told Weekend Argus in reply to questioning this week that R264,68 million had been paid out by the end of September 1992

The total spent would amount to R780,8 million by the end of the 1992/93 financial year, he said, and the remaining R298,8 million in the current 1993/94 financial year — a total of R1,3 billion

Estimates would be adjusted once the third progress report had been made

Dr de Villiers gave details only of money spent in 1991/92 after handing over to a working group under Finance Minister Derek Keys

Of the R264 680 million handed out that year, the biggest chunk of R68 million went to the Department of Transport for the maintenance of roads

The Department of National Education got R47 million for school and additional classrooms

National Health and Population Development got R17,8 million, of which R1,7 million went on upgrading hospital facilities, R12,1 million on clinics, R330 000 on creches and R3,6 million on the rehabilitation of asbestos dumps

The police got R3,1 million for satellite police stations, and R13,9 million went to Public Works for the maintenance of government buildings

The House of Representatives got R2,4 million for community facilities in "coloured" areas, and R4,5 million went to the House of Assembly for upgrading state towns and state settlements in white areas.

The Department of Water Affairs got R9,1 million to build water projects in self-governing states

Special employment programmes were allocated R4,9 million

Big slices of the pie went to the provinces the Cape Provincial administration got R58 million, while the Transvaal got R29,8 million, the Free State R1,3 million (which went to community and sports facilities), and Natal got R3,9 million

None of the sums allocated to the provinces was broken down in Dr de Villiers's statement

"The expenditure is monitored on an on-going basis," he said "The line function departments have full responsibility for the execution of the projects and are accountable to parliament in the normal way"

(183) CT 29/5/93

Taxpayers paying millions in subsidies

By BARRY STREEK
Political Staff

THE wraps were taken off South Africa's R23 billion-a-year oil industry yesterday — including the disclosure that taxpayers and motorists are forking out a whopping R1 524 million in subsidies for synthetic fuel.

Details about the oil industry were disclosed for the first time in Parliament yesterday when the Mineral and Energy Affairs vote was debated.

Meanwhile, Zambia's deputy Energy Minister Colonel Patrick Kafumukache yesterday announced it would import refined petroleum products from South Africa and supplies had already started to arrive in the country.

Among the shocks to South African consumers was a statement by the Democratic Party's energy spokesman, Mr Geoff Engel, that R742m alone was being paid in subsidies to Sasol — and this accounted for more than 63% of its profits.

He also disclosed that Engen would not exercise its 30% share option in Mossgas and would withdraw from its management. Engen has managed Mossgas since 1989.

The Central Energy Fund would now have to supply all the funds and had raised R2,4bn in foreign loans for this purpose.

Mr Engel told Parliament that Mineral and Energy Affairs Minister Mr George Bartlett was sitting "on top of a national scandal" as the National Party's quest for energy self-sufficiency had cost the country "billions of rands".

Mr Engel said taxpayers and motorists were paying R330m a year to Mossgas, R742m to Sasol, R359,5m to the Atomic Energy Corporation and R92,5m for redemption of loans and interest.

During yesterday's debate, Mr Bartlett said:

- The Mossgas synthetic fuel project had made money so far this year, but had not reached a commercial level of profitability.
- Mossgas would sell 1 900 megalitres of fuel a year worth about R2bn.
- The cabinet had decided that regulatory measures in the oil industry would remain unchanged for the time being.
- Locally-refined product requirement last year was 19 billion litres, equivalent to about 330 000 barrels per day.
- Sasol's synthetic fuel sales last year were 5 700 megalitres, worth R7bn.
- South Africa's four oil refineries will have a joint capacity by 1995 of 450 000 barrels a day.

Mr Bartlett also said secrecy would remain in force over sources, shipping, procurement tactics and strategic reserves.

Veil lifts on some SA oil-industry secrets

S1 Times [Buss] 30/5/93

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By KEVIN DAVIE

SOUTH AFRICANS got their first legal look in 16 years at a major chunk of the economy on Friday with the release of a report on the Government's involvement in the oil industry.

The report discloses some of SA's best-kept secrets in the sanctions age.

It says the SA oil industry made sales of R23-billion (7% of gross domestic product) at wholesale level last year.

Before their expansion began in 1991, SA's refineries produced 330 000 barrels of petroleum products a day.

Mossgas

Sasol's synthetic production was 150 000 barrels a day from an annual 34-million tons of coal last year.

Mossgas adds 45 000 barrels a day to SA's synfuel total.

Refinery expansions will bring capacity to 480 000 barrels a day by 1996. Four refineries and two synfuel plants supply 200 depots, 4 900 service stations and 100 000 direct users.

Refined product demand in 1992 was 19-billion litres, or 330 000 refined barrels a day.

The industry employs 111 000 people. Exports brought in R600-million in foreign currency. Refining returns (ROCE) averaged 12% before tax between 1988 and 1992.

The pump price of petrol has declined progressively in real terms since 1980, the period of high prices after the fall of the Shah of Iran in 1979.

Salaries paid by the refining industry totalled R1-billion in 1992. Retailers "added value to the tune of R2-billion during 1992 to wholesale turnover".

The report says deregulation increased prices in Greece, Spain, Singapore and New Zealand and lowered in the UK and France.

Minister of Mineral and Energy Affairs George Bartlett told Parliament on Friday that the Cabinet had decided the current regulatory measures — they evolved over 50 years — should remain unchanged for the time being.

But "secrecy will be lifted to facilitate an informed debate by all affected parties", according to Mr Bartlett.

Secrecy will apply to the sources of petroleum, suppliers, shipping and strategic reserves while the UN oil boycott is in place.

Mr Bartlett says prospects of deregulation have been raised with his department by extra-parliamentary groups on the basis that their constituencies and members will be the first — and worst — affected.

The Government's decision has been severely criticised by Pick 'n Pay's Raymond Ackerman.

He says there should be a five-year ban on self-service and Sasol should be sold at an agreed price.

"Regulation benefits the vested interests of the oil industry and the bureaucracy at the customer's expense. This is anti-South African."

Pick 'n Pay could cut petrol prices without introducing self-service stations which would threaten the jobs of petrol attendants.

Mr Bartlett says concern that tariff protection provides an unfair advantage to Sasol in the market has been discussed with the company.

"After consultation, Sasol has decided to completely separate its oil refining and marketing activities from those of its synfuel operations.

Mr Bartlett says Sasol's synthetic fuels supply 39% of SA's requirements. Its protection amounts to 10,8c a litre.

If the Government had not amended its original undertaking to Sasol, these payments would now have been 38c a litre.

Mr Bartlett says Engen has told the Government that it will not take up its 30% stake in Mossgas and will also withdraw from its management.

Lowest

The Central Energy Fund will now have to supply all funds needed for Mossgas.

The AA's Peter Elliott says a free-market system with minimal State intervention should result in increased competition, facilitating continuity of supply and the lowest possible pump price.

He says the AA's research shows that the exorbitant profits by Petronet on its pipeline have been used to cross-subsidise other Transnet operations, motorists receiving no benefit.

Battering for small business

S1 Times [Buss] 30/5/93

By DON ROBERTSON

THE recession, now in its fifth year, has devastated small business.

Last year, 1 142 close corporations were forced into liquidation, a rise of 666% on the 149 that went bust in 1988. It also represents a 60% increase on the 712 liquidated in 1991.

In addition, 6 777 close corporations were deregistered in 1992 compared with 5 335 the year before.

But there was a modest increase in the number of close corporations registered at the end of 1992 — 35 005 from 34 553 in 1991 — says the report of the Registrar of Companies for the year to December.

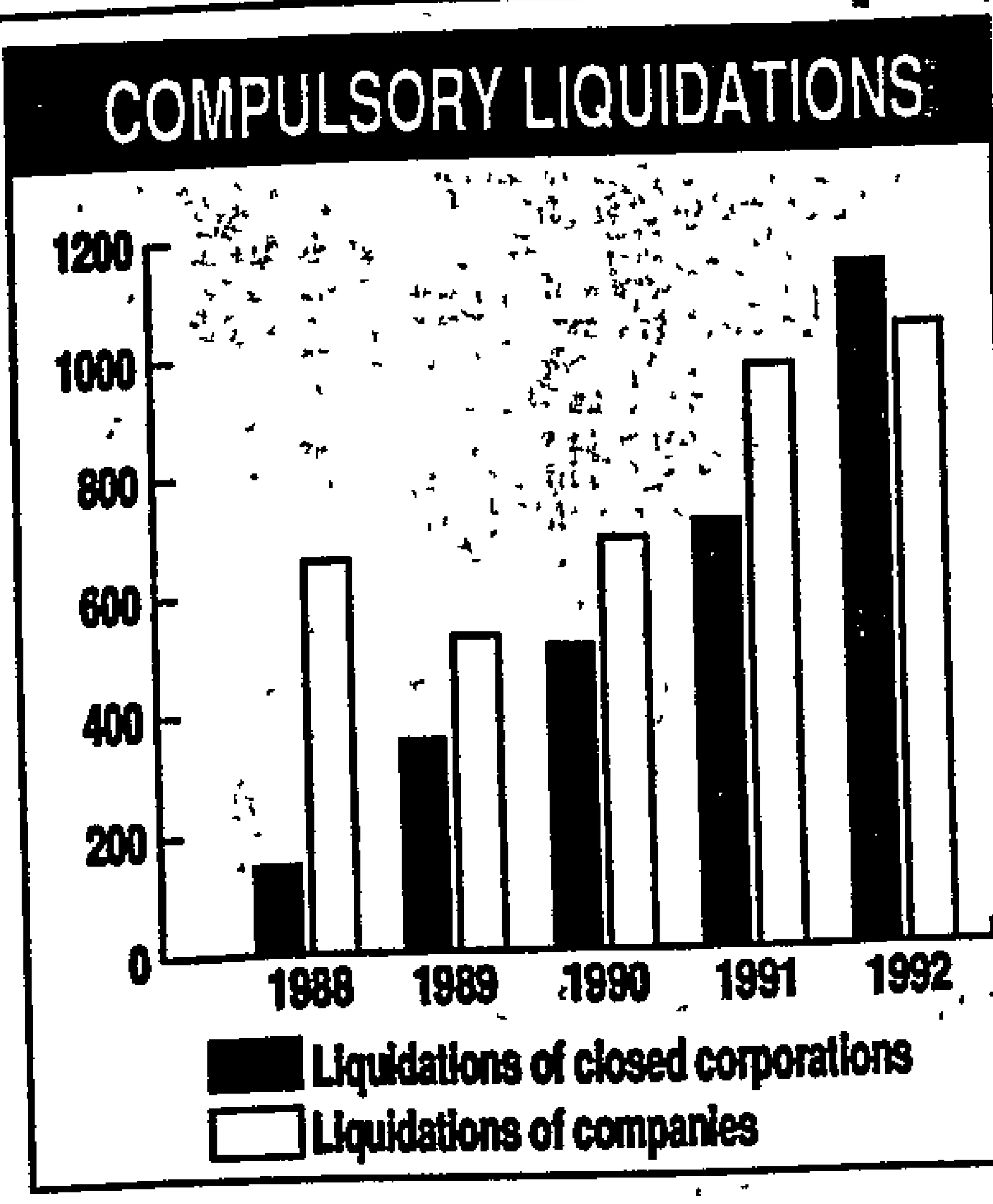
There is some indication that an end to the economic decline might not be far off. Forced liquidations of large companies between 1991 and 1992 rose by only 6,4% from 974 to 1 037. The number rose by 57% from 659 since 1988.

The incidence of voluntary liquidations was much lower for companies, declining by 12% between 1991 and last year. It increased by 188% for close corporations.

Airlines

The virtual lack of incentive to invest resulted in only 119 public companies being registered last year compared with 170 in the previous one.

A similar scenario existed for small companies, 6 252 private firms coming into existence against 6 145 previously.



Registrations of external companies rose to 110 from 77 in 1991, largely because of the increase in the number of foreign airlines.

There was a sharp rise in the authorised share capital of public companies, mainly because of the change in the nature of the South African Forestry company and Denel which added R2,9-billion in capital.

World Bank positive on SA loan

S1 Times [Buss] 30/5/93

THE World Bank has an ... would be the engine that ... He said SA's "needs" included political stability,

Hopes run high for Premier earnings

Star 31/5/93

By Stephen Cranston

The market has strong expectations for Premier results for the year to April.

Analysts expect it will report an increase in earnings per share at least as good as, if not better than, the 14 percent achieved in the first half.

This might be surprising after its archrival Tiger Oats reported a three percent decline in earnings per share in the six months to March.

But Premier has the advantage that it no longer operates in the loss-making chicken and egg businesses, and has relatively little exposure to value-added aspirational products, in which volume sales have fallen by 10 percent in ma[illegible] cases over the last 12 months.

And w[illegible] ods it has tended to ou[illegible]

Its edible [illegible] operating margin of 3,5 percent in its last financial year, compared with a 2,6 percent margin in Tiger's edible oil division.

Tiger's margin on milling and baking of 8,1 percent is somewhat better than Premier's 6,7 percent, but the two figures are not comparable as Tiger includes higher-margin operations such as Beacon Sweets, Fattis & Monis and Tastic Rice in this division.

Premier has been able to increase its share of the bread market, where it was already the biggest player, by marketing its Blue Ribbon brand nationally, and there has been a switch to bread products because of consumer resistance to yellow maize.

VAT was taken off white bread in April, which should allow bread sales to grow.

But much the most important contrib[illegible]tor to Premier's results has [illegible] the unexpectedly fast turnaoround at Metro Cash 'n Carry under Carlos dos Santos.

This saw its attributable profit rise from R2,3 million to R24,1 million at the halfway stage and the operating margin is expected to increase further from its then level of 1,2 percent steadily to two percent or more.

Metcash not only sweetens the bottom line, but it is a major cash contributor because it has no debtors to fund and low capital expenditure requirements.

Metro itself virtually saturates the country with its outlets, although there is scope for growth in the larger Trade Centre stores.

Premier's pharmaceutical company Prempharm does not yet enjoy the rating or the success of Adcock Ingram, but it made a strong contribution last week when it reported a 33 percent increase earnings per share.

Premier's problematic pharmaceutical wholesaling interests should not be such a headache from now on as they have merged with Medical Cash and Carry Holdings, which has a substantial share of the market.

There will be considerable savings from the rationalisation of the operations.

Eyebrows were raised when Premier moved into the dairy business in February through the purchase of a 28,6 percent holding in Bonnita, as the ICS dairy division has proved a burden on that company.

But Ed Hern, Rudolph analyst Syd Vianello says that although Bonnita has 25 percent of the fresh-milk market, it should be seen as a cheese company and cheese provides better margins and is less subject to surpluses.

Premier could be entering the dairy market at a time when it looks like the milk surplus has been reduced and prices should start to rise.

The entertainment interests in Gallo and Teltron have been hit by the decline in consumer spending, but Clicks with its discount prices has been a beneficiary of the consumer's search for value.

Real earnings growth from Premier has been discounted in the share price, in which at R47,50 it sits on a P/E ratio of 18 and offers a dividend yield of 1,8 percent.

This is expensive, but Premier will be a beneficiary of increased earnings in the C and D income groups, through its food division and through Metro.

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Engen confirms pullout

Star 31/5/93

Engen confirmed on Friday it would not be exercising its 30 percent option in Mossgas and that it was withdrawing from the management of the project.

"Engen has regularly maintained that it would not invest in Mossgas unless such a course of action was commercially viable.

"We now believe that it would not be sensible to do this as the rewards would not match the investment necessary to maintain Engen's interest in the project," chairman Bernard Smith said.

Smith said the level of funding required to maintain its 30 percent stake was in excess of R1 billion, based on the capital cost of the project.

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Responsibility

His reaction followed Mineral and Energy Affairs Minister George Barlett's statement to Parliament on Friday that Engen had withdrawn from the project and would not exercise its option to acqure 30 arrangements

The Central Energy Fund (CEF) would now supply all funds for Mossgas and assume responsibility for R2,4 billion in foreign loans obtained to fund imported plant, equipment and services not available locally, Bartlett said

Smith confirmed that Engen was withdrawing from the management of the project which it had been managing since 1989

"We believe we should withdraw as manager because this role distracts from Engen's management focus on its core business.

'No question of govt mothballing Mossgas'

CT 1/6/93 (83) (183)

From ANDY DUFFY

JOHANNESBURG — There was no question of government mothballing the R10,5bn Mossgas venture despite Engen's decision to completely withdraw from the scheme, a Mineral and Energy Affairs spokesman said yesterday

Mineral and Energy Affairs director-general Piet Hugo said the Mossel Bay fuel scheme was never meant to be commercially viable, but had been a "strategic decision" by the administration of former President P W Botha.

Though the basis for that decision — oil sanctions — had been eliminated, Hugo said there was no reason to scrap Mossgas, because it was cash positive

The Cabinet was awaiting a report on the scheme by the Auditor General which was due next week.

But Engen's withdrawal, confirmed at the weekend, was unlikely to impact on the Cabinet's decision, he added.

Hugo added that government had not invited private sector participants when Mossgas was first mooted and Mossgas did not rely on private equity for its existence.

"Mossgas is still a good investment, but it's not a commercial investment," he added "It was a strategic decision by Government Government is not going to defend that decision Mossgas is paying its way, so why mothball it?"

Engen confirmed at the weekend its warnings of the last six months. that it would not take up its 30% rights in the scheme

Chairman Bernard Smith, who is also Mossgas MD and CE, said returns from Mossgas failed to justify the estimated R1,3bn needed to pick up the rights He added such an investment would "not be sensible."

The company has also decided against remaining as manager of the project, because it said this would prevent it from focusing on its core business.

Engen has undertaken, however, to continue managing Mossgas until the Central Energy Forum recruits a replacement.

The company warned last year that it might sever its ties with Mossgas if the scheme failed to meet Engen's stipulated 8% return on investment.

The scheme made an operating profit of R24,4m for its first three momths in production, above expectations but below Engen's target.

Fuel regulations 'essential for protection of industry'

Buss. Day 11/6/93

ADRIAN HADLAND
and LINDA ENSOR

PRETORIA — Regulatory measures in the fuel industry would be retained to prevent harm to small business and the synfuel and oil industries, Mineral and Energy Minister George Bartlett said on Friday

A committee for economic affairs report placed before Cabinet found that deregulation would affect employment prospects, small business, the synfuel industry and oil industry investment

(183) (58)

Bartlett said any drastic change to the current system could not be contemplated unless it could guarantee a better overall deal for SA International evidence, however, had not yet provided such a guarantee

He said regulatory measures in the petroleum industry had promoted security of supply, efficiencies and competition among the oil companies as well as between retailers

They had also provided a framework for sustained long-term investment, so that fuel prices before tax compared favourably with most countries He said, however, that it was essential that the "veil of secrecy" surrounding the industry be lifted

Demands for regulation were often motivated by a belief that this would result in lower pump prices and, as long as there was not full tranparency in SA's liquid fuel industry, these demands were to be expected

Because the UN oil boycott against SA was still in place, secrecy would prevail on sources of petroleum, suppliers, shipping and strategic reserves But it was now possible to declassify information such as petrol consumption, market shares, refinery throughputs, equalisation fund details and the Service Stations' Rationalisation Plan (Ratplan)

While the report argued for the retention of Ratplan, it said the department should establish whether freer entry into the service station industry was possible

Bartlett said Sasol's activities would become more transparent when its oil refining and marketing activities and its synfuel operations were separated into two companies

A task group would be ordered to report on the feasibility of changing the structure of Transnet's tariffs

The department recommended that import controls be retained to prevent dumping and that self-service continue to be prohibited

It also called for greater transparency of profits made by Petronet in the transport of petroleum products, and for a more equitable pipeline tariff structure

● Comment Page 4

Mossgas 'will not be axed'

BUSS. DAY 1/6/93.

ANDY DUFFY

THERE was no question of government mothballing the R10,5bn Mossgas venture despite Engen's decision to withdraw from the scheme, a Mineral and Energy Affairs Department spokesman said yesterday

Department director-general Piet Hugo said the Mossel Bay fuel scheme was never meant to be commercially viable but had been a "strategic decision" by the P W Botha administration (55)

Although the basis for that decision — oil sanctions — had been eliminated, Hugo said there was no reason to scrap Mossgas because it was cash positive The Cabinet was awaiting the auditor-general's report on the scheme, due next week, but Engen's withdrawal was unlikely to affect the Cabinet's decision (183)

Hugo said government had not invited private sector participants when Mossgas was first mooted and Mossgas did not rely on private equity for its existence "Mossgas is still a good investment, but it is not a commercial investment. It was a strategic decision by government Government is not going to defend that decision Mossgas is paying its way, so why mothball it?"

At the weekend Engen confirmed earlier warnings that it would not take up its 30% rights in the scheme Chairman Bernard Smith, who is also Mossgas MD and CE, said returns from Mossgas failed to justify the estimated R1,3bn needed to pick up the rights He added such an investment would "not be sensible"

The company had also decided against remaining as manager of the project, because this would prevent it from focusing on its core business Engen had undertaken, however, to continue managing Mossgas until the Central Energy Forum recruited a replacement

The company warned last year that it might sever its ties with Mossgas if the scheme failed to meet Engen's stipulated 8% return on investment The scheme made an operating profit of R24,4m for its first three months in production, above expectations but below Engen's target.

Engen had also been uncomfortable with being linked to a scheme dependent on government protection for its commercial survival Government had undertaken to top up revenues per barrel to $23 — a policy Smith called "indefensible".

● Comment: Page 4

Sasol plan to split operations

SS (183) CT 2/6/93

Own Correspondents

JOHANNESBURG — Sasol planned to split its existing operations and form a separate — and possibly listed — company for its oil refining activities, MD Paul Kruger said yesterday

The new company, which would be split from the group's synfuels and petro chemical operations, would be responsible for refining and marketing product through its own retail outlets, he said

A Sasol spokesman said further details were not available as the group was negotiating the move with other oil companies However, he said the new company would go a long way towards alleviating a perception that Sasol was cross-subsidising its operations with tariff protection it received as a synthetic fuel producer

The plan to acquire service stations and retail crude oil-based fuel recently invoked criticism from other oil companies which questioned how Sasol could compete on an equal basis in the retail sector when it was receiving tariff protection based on a floor price of $23 a barrel

Sasol refines crude oil at its Natref refinery, which has a capacity of 85 000 barrels a day The refinery was being expanded at a cost of R370m and its capacity was expected to increase to 95 000 barrels a day by 1996, the Mineral and Energy Affairs Department said

Tariff protection for Sasol's synfuels production — with capacity at 150 000 barrels a day — currently amounted to 10,8c a litre and had averaged 12,5% since 1979 All refineries, including the new Sasol company, would still have to buy synthetic fuel from Sasol, the spokesman said

Sasol tops league of oil refiners

Star 21/6/93

By Stephen Cranston

Details of a report on the Government's involvement in the oil industry have been confirmed by Department of Mineral and Energy Affairs spokesman Harald Bielfeld.

The report, published by aid yesterday, details the capacity of SA's refineries and the market share enjoyed by oil companies

Sasol has the largest production capacity, with 150 000 barrels a day (183)

Natref, which refines for Sasol and Total, is responsible for a further 85 000 barrels a day.

The largest conventional refinery is Sapref with a capacity of 120 000 barrels a day. By 1996 it will overtake Sasol as the largest single source of petrol with a capacity of 165 000 barrels. It produces for BP and Shell.

Engen's Genref refinery will increase its capacity from 65 000 barrels in 1991 to 90 000 in 1996.

Mossgas

Mossgas (capacity 45 000 barrels), will provide 6,9 percent of national requirements by 1996.

Shell has the largest share of the retail petrol market (18,2 percent) and 19,5 percent of the diesel market. Caltex has the same share of the petrol market, but a lower share of diesel (17,5 percent)

Engen has 17 percent of petrol and 15,7 percent of diesel. But Engen also owns Trek and Sonap.

If all three brands are combined, they take 25,8 percent of petrol and 26,5 percent of diesel.

BP is the fourth-largest retailer with 15,3 percent of petrol and 15,7 percent of diesel.

Total takes 12,2 percent of petrol and 15,5 percent of diesel. Zenex, formerly Esso, has 2,6 percent of petrol and 4,2 percent of diesel.

The oil industry is worth R23 billion, equal to seven percent of gross domestic product.

Training board for chemical, oil sector

Buss. day 2/6/93

ERICA JANKOWITZ

A CHEMICAL, oil and allied industries' training board was established last month after two years of consultations to set minimum training standards and set in motion the accreditation of existing in-house training facilities, a Sasol spokesman said.

The establishment of this board was in line with the Manpower Department's recent moves to devolve responsibility for training to industry level, he said

Founding industries were AECI, Sasol, Sentrachem and Shell and BP refineries.

All major trade unions — including Cosatu-affiliated Chemical Workers' Industrial Union, Nactu-affiliated SA Chemical Workers' Union, the Mineworkers' Union and Yster en Staal — were involved.

SA Electrical Workers' Association general secretary Ben Nicholson was appointed chairman of the board with Sasol's Ernst Kretschmer as vice-chairman, the spokesman said

He added that the board was initiated by employers who believed the setting of training standards was of great importance to the industry

Employers were also concerned with the transferability of skills within the sector

He said the constitution set as objectives the ending of all discrimination, creation of equal opportunity environments, training all workers to realise their full potential and the maintenance of the role and stature of crafts

He said employers had agreed to address imbalances within the present education structure to fulfil the training needs of the sector. (183)

He said that the board had no immediate plans to establish new training facilities because existing centres would be used and accredited.

A "lean and mean" structure was envisaged by all participants, he said.

School leavers facing bleak prospects

Buss. day 2/6/93

GERALD REILLY

PRETORIA — Only 1% of this year's graduates, matriculants and other school leavers would find work in the formal sector, Ned Enterprises GM Neville Edwards said last week.

The formal employment sector was virtually closed for the next two years, he told a conference set up by the Free State provincial administration on stimulating informal and small business

Edwards said "The potential for development is vast, but without the needed funding it will atrophy"

SA had to invest more in expanding informal business enterprises

Edwards said Ned Enterprises — a division of Nedcorp — had identified viable, progressive organisations involved in micro lending, and was providing support.

However, what was needed was a government fund to guarantee any assistance given to informal entrepreneurs

Edwards said it was critical that education policy should incorporate courses and provide the methodology needed by young people to launch their own businesses

New Sasol firm to handle oil refining

Buss. day 2/6/93

(183)

LINDA ENSOR
and EDWARD WEST

SASOL planned to split its existing operations and form a separate — and possibly listed — company for its oil refining activities, MD Paul Kruger said yesterday

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Tariff protection for Sasol's synfuels production — with capacity at 150 000 barrels a day — currently amounted to 10,8c a litre and had averaged 12,5% since 1979 All refineries, including the new Sasol company, would still have to buy synthetic fuel from Sasol, the spokesman said

Oil companies received R1,267bn from government to compensate them for refining margin losses they suffered when they took over the synthetic fuel produced by Sasol, Mineral and Energy Affairs Minister George Bartlett said in his budget vote on Friday

The sale of large volumes of synthetic fuel decreased the requirement for fuel refined from crude oil and resulted in a loss of refining margin which had been made good by means of a synthetic levy

☐ To Page 2

Sasol

Buss. day 1/6/93

☐ From Page 1

Bartlett expected these payments to be unnecessary by 1995.

Lifting a veil of secrecy over oil production in SA for the first time, Bartlett disclosed that the industry sold refined product with a wholesale value of R23bn in 1992, representing 7% of GDP.

The design capacity of SA's four fuel refineries would increase to 450 000 barrels a day in 1995 from 330 000 on completion of expansions Mossgas's capacity was fixed at 45 000 barrels a day

Sasol supplied 39% of SA's fuel requirements, selling 5 700 megalitres of fuel to the value of R7bn in 1992 Mossgas planned to sell 1 900 megalitres a year valued at R2bn at 1992 values (183)

The oil industry saved SA about R7,5bn in foreign exchange a year (oil refiners R1,8bn in 1992), while Sasol's synthetic fuel and chemical operations saved more than R4bn in foreign exchange annually

BUSINESS Black business is making its presence felt in small manufacturing industry

Stan's cleaning up

Sanlam

Sowetan 3/6/93

183

■ TECHNICAL BACKUP Chemical firm puts entrepreneur on right track

By Mzimkulu Malunga

BLACK BUSINESS IS MAKING its presence felt in the small manufacturing industry and Stan Mkhabela of Essence Laboratory is no exception

Essence Laboratories, which manufactures fabric softeners, dishwashing liquid, car-care products, bleach and hair-care products was born in 1991 and currently employs eight people

After reading the then *Black Enterprise* magazine, Mkhabela and a group of friends mobilised their investments to start a company which aimed to invade the manufacturing sector with vigour

With the help of Hoechst's business development service, Essence Laboratories was able to access raw materials much more easily

Hoechst — a chemical products company — also helped Mkhabela with the technology of manufacturing

The car-care products are specifically manufactured for BMW Although the quantities are much smaller, Essence laboratories has a capacity of three tons (about 3 000 litres) of care products a month

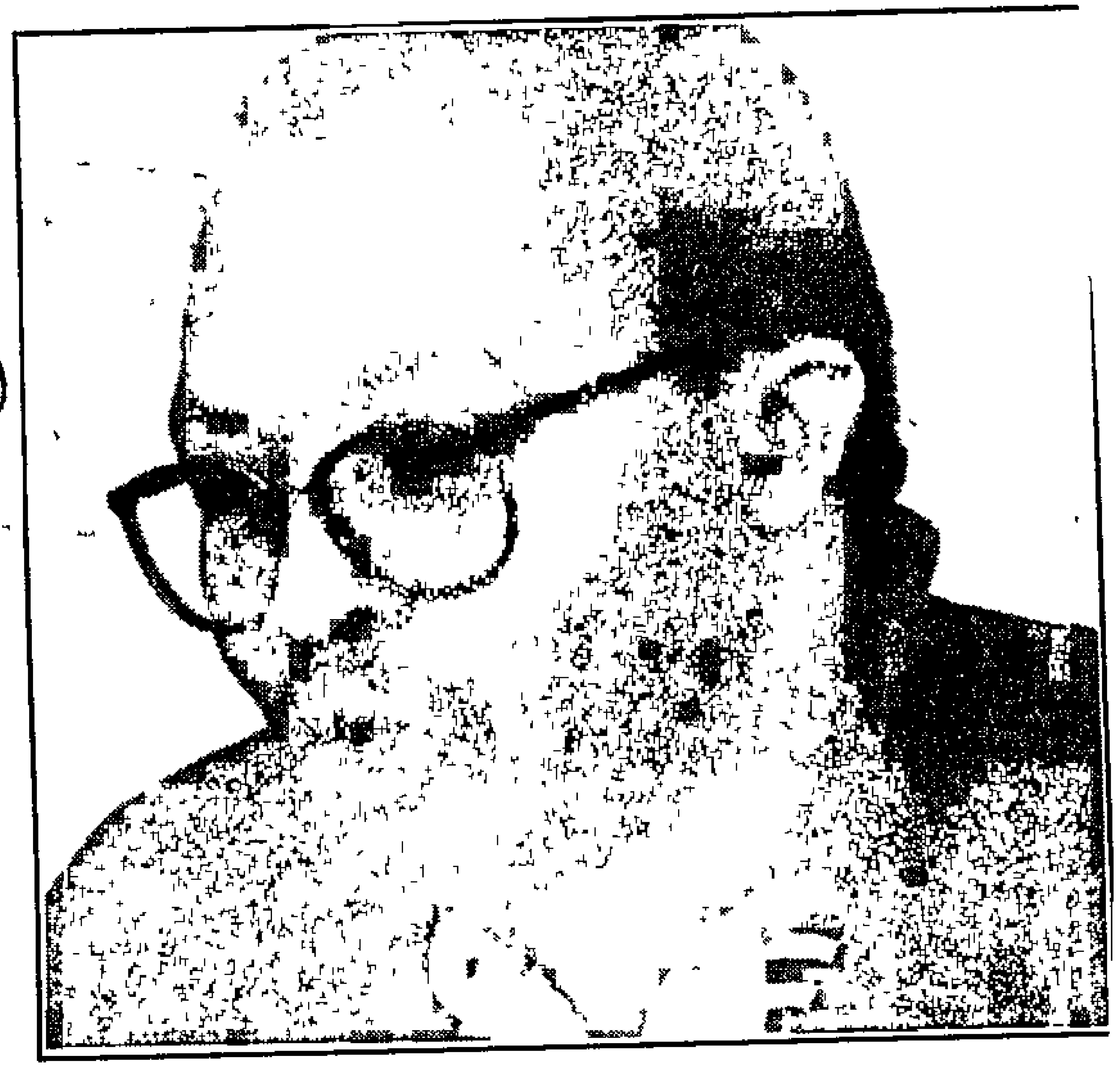
"Though the returns from the BMW orders do not make enough profits to sustain the manufacturing of car-care products without backing them up with making of other detergents, we want to take things step by step

"Once we have established a sound base with regard to infrastructure, we will start exploring new markets There is no need to rush," says Mkhabela

Essence Laboratories supplies some of Pick 'n Pay's Northern Transvaal outlets with household detergents

Some of the eight people employed by the company work as sales promoters Their work entails visiting shops where Essence Laboratories' range of household detergents compete with the likes of Sunlight

The emphasis is to entice customers to buy a fabric softener, a dishwasher or bleach with the brand name Mam's Pride on it



Stan Mkhabela of Essence Laboratories

AlphaFuel keeps a tight rein on petrol pumps

Busday 3/6/98

AN AUTOMATIC fuel control and reporting system improves control over fuel delivery from company pumps and gives accurate information of fuel use

Analysis, Management & Systems (AMS) director Ian Alers says that in a manual situation it is almost impossible to establish how much fuel is being used for unauthorised purposes.

AMS developed a software solution called AlphaFuel, with in-house application, which validates every issue of petrol, diesel, oil and paraffin, recording each transaction for management reporting.

(55)

This highly secure system identifies the vehicle before it unlocks pumps and allows fuel to be issued

It also ensures the pump contains the correct fuel type for the vehicle

Alers says the AlphaFuel controller can connect to any installed fuel pump

(183)

Stationed on the forecourt, it can control up to 16 pumps, providing fuel to a complete fleet of vehicles and machinery whenever required

Traditional fuel system reports relying on log book data are not only inaccurate but also inefficient and time consuming, he says

"Users of our system with about 200 vehicles may expect to save up to one week a month previously spent capturing and analysing log book information as the product captures all data automatically"

New rate lifts Sondor earnings

Buss Day 4/6/9?

(183) LINDA ENSOR

CAPE TOWN — Sondor Industries benefited from the effect of the new tax rate on the company's deferred tax liability in the year to end-March and was able to report a 12% rise in earnings a share on a 12% decrease in pre-tax profits.

Sondor is involved in the manufacture of expanded polyethylene and vinyl acetates and in the converting of open and closed cell expanded rubber and plastic.

A distribution of 12,5c was declared for each debenture (2,5c a share) on earnings of 11,94c (10,69c)

Turnover rose 22% to R30m (R24,6m) but operating profit fell by 7,4% to R4,4m (R4,7m). The fall in the tax rate to 35,3% (48,8%) resulted in a positive bottom-line result.

Chairman Sonny Goldman said Sondor's in-house manufacturing capabilities were now well established and producing to schedule. New outlets for the expanded product range were being sought.

If Sondor accepted Inland Revenue's settlement on film partnerships — which had reduced previous income tax by R7,8m — then it would have to pay R4,3m in additional taxes.

To avoid having to pay possible interest charges the amount was paid at end-May though the company had until end-September to decide whether it should accept the offer.

FM 4/6/93 (183) FOX

PREMIER PHARMACEUTICALS

FM 4/6/93

Successful transition

(183)

Traditionally viewed as strong defensive counters in a recession, pharmaceutical companies, with the exception of Adcock Ingram, have found this claim difficult to live up to But the successful transition undergone by Prempharm (formerly Twins) in financial 1993 is clearly reflected in the results to April

Unbundled and cleaned up, the group produced a 34% increase in attributable income to R78,1m This translates into an EPS increase of 33% (1992 51%) to 78,5c on a 4% increase in turnover

Prempharm's Nortier *raking in the cash*

This impressive showing is the result of a number of factors Suppressed growth in sales resulted from rationalising ranges in all divisions rather than a decline in real growth

Figures, off a low base, were boosted by a sharp rise in net interest received to R7,2m (interest paid of R4,8m) CE Phil Nortier says behind this swing was the generation of R142m cash from operations and the issue of 8,5m shares in March for R78m resulting from the purchase and subsequent resale of certain pharmaceutical wholesale distribution businesses These were merged with Medical Cash & Carry to form United Pharmaceutical Distributors, in which Premier Group has a major stake

STRONGER MARGINS

Year to April	1992†	1993
Turnover (Rm)	440	456
Operating income (Rm)	106	119
Attributable (Rm)	58	78
Earnings (c)	59,2	78,5
Dividends (c)	25	34

† Annualised

The lower company tax contributed 6,3c to EPS The R3,9m released from deferred tax is treated below the line, in accordance with Premier's accounting policy

The pharmaceutical division achieved real growth in turnover and profitability, accounting for 44,7% of sales It remains a major player in the self-medication sector, with Restan Laboratories and Mer-National lifting turnover by about 20%

The animal health, consumer and visioncare divisions performed below expectations, contributing 13,2%, 30,3% and 11,8% respectively to turnover The depressed agricultural sector and increased competition in the visioncare industry hurt these divisions' results But Nortier adds that with the completion of the product rationalisation programme, a sound base has been established

Exports to African countries trebled, admittedly off a low base, and management sees this increasing, though it will remain relatively small in relation to total turnover With consolidation a success, efforts can now be directed towards building the businesses, a task made easier by cash reserves of R153m

At R14, the share has more than doubled during the year, offering an earnings yield of 5,6% and dividend yield of 2,4% Adcock Ingram, the main component of the index, offers multiples half those of Prempharm While Prempharm has at least a comparable portfolio of over-the-counter and consumer brand names, it has less exposure to the high value ethical market But the surge in the share price since January suggests the market perceives the counter as good value

Marylou Greig

FM 4/6/93 (183)

FM 4/6/93

FARM-AG

Good prospects

(183)

Investors are still taking a bullish view on imminent cash shell Farm-Ag The share price has almost tripled in value to R11,50 over the past year The agricultural and industrial chemicals group reported a 69% increase in earnings for the six months to February A net operating loss of R1,2m was converted into bottom-line profits by a R11,3m contribution from 50%-held Sanachem

When the *FM* last reviewed the group (*Companies* January 22), financial director Richard McElligott said management intended to sell the two remaining subsidiaries, Harvest Chemicals and Glenmore Textiles, as soon as possible to reduce gearing. Unfortunately, a buyer could not be found for loss-maker Harvest Chemicals, which was closed, leaving two investments, 40%-owned Glenmore Textiles and associate Sanachem.

FERTILE GROWTH

Six months to	Feb 29 '92	Feb 28 '93
Turnover (Rm)	15,4	12,6
Operating income (Rm)	0,6	(1,2)
Attributable (Rm)	6,4	10,8
Earnings (c)	44,7	74,4

Sentrachem has already bought the stake in Sanachem with effect from February 28 1995 — the day Farm-Ag will become a cash shell The price will be the greater of Sanachem's NAV in 1995, or based on the average of a multiple applied to Sanachem's earnings for its 1993, 1994, and 1995 financial years

Sanachem earned R27,7m for the six months (1992. R15,3m) The increase came from exports, up to R176m from R88m In the next six months, hosiery and textile manufacturer Glenmore Textiles will probably be sold, once a buyer is found

Shareholders may receive a dividend at year-end McElligott says at least 40c a share can be expected. He adds that a fall in debt for the full year to R5m would allow it to pay out the bulk of earnings.

Meanwhile, the payout expected in two years time when Sanachem is effectively sold is attracting attention. The counter no longer appears cheap, though some analysts say it could be worth between R20-R24 in 1995. McElligott says for that to be achieved, Sanachem would have to show further substantial growth in earnings — which is possible Even so, the payout is going to have to be high for investors to receive a decent return on this

Kate Rushton

SANTAM

FM 4/6/93

Right on track

Santam continues to do well in terms of underwriting results and share price appreciation but a touch of reality has crept into results after earlier runaway growth Coming off a low base, the 10,4% increase in interim gross premium income is no surprise If anything, it shows good management of the personal lines portfolio — which accounts for about 55% of Santam's business — in difficult economic times

MD Junie Geldenhuys says the gain can be split into new business unit growth of about 4% and premium increases averaging about 6% "Unit growth was slow, but not too bad considering what's happening out there"

GROWING

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Gross premium inc (Rm)	566,2	589,1	625,2
Underwriting prof (Rm)	15,0	36,6	32,6
Earnings (c)	45,1	65,4	78,0
Dividends (c)	17	25	20

Santam is benefiting from its strong focus on personal policies, one of the more profitable short-term businesses In the commercial and industrial markets margins are thin and undercutting has the big players at each other's throats

Santam's Geldenhuys *not hit the jackpot yet*

Of course, the situation was exactly reversed a few years ago, and could easily change again "If we ever reach the happy position where both commercial and personal portfolios are paying well, we'll really hit the jackpot," Geldenhuys says

A healthy trend is the slight increase in investment income to R51,6m, compared with slower growth in premium income and underwriting profits Geldenhuys says this is largely because cash holdings rose 46% to R202m, as investment in high-priced industrial equities slackened It's not a change in policy — Santam will continue to focus on industrial shares — but over the six months more was earned in money markets

The 17,6% increase in dividend is in line with policy, supported by cover up from 2,7 to 3,9 times Geldenhuys is unsure if this high cover can be maintained but would not like it to drop below three

He's cautious about the next six months

AECI puts signature on charter

Buss.day

AECI was the first SA chemicals producer to set its mark on the International Chamber of Commerce's Business Charter for Sustainable Development.

MD Mike Sander says putting his signature to the charter commits AECI to the organisation's Principles for Environmental Management.

4/6/93

The charter was formally launched at the Second World Industry Conference in April 1991 and is designed to assist enterprises in fulfilling their commitment to environmental stewardship in a comprehensive fashion.

(183)

Sander says in SA pressing needs for economic development, job creation, housing and social upliftment must be balanced by equally important needs for environmental protection and resource conservation.

(ELB)

Natref refinery gears up for shift to unleaded fuel

Buss Day 4/6/93

SA IS due to start the move towards unleaded petrol in 1995 and Sasol is already set to cope with demand from its Natref oil refinery.

Sasol Oil MD Danie de Villiers says the company is in the position of being able to shift to unleaded fuel production immediately, though capacity is currently limited.

Although lead is toxic, it appears that air-borne lead emissions in dense traffic areas are not as hazardous as previously thought, says De Villiers.

Environmental lead is attributable to many other sources such as the natural quantities found in soil and water

However, petrol engine emissions contain a variety of noxious ingredients: unburnt hydrocarbons, carbon monoxide, acidic compounds of sulphur and nitrogen oxides

Carbon monoxide is toxic and other emissions can contribute to acid rain and can, in sunlight, help to form photochemical smog, which is hazardous to health and aesthetically unpleasant.

Convert

Says De Villiers "The best way to remove these substances from automotive tail gas is to convert them over an exhaust system catalyst. (183)

"A three-way catalytic converter reduces unburnt hydrocarbons, carbon monoxide and nitrogen oxides Unfortunately, the catalyst would be rendered inactive if a nominal lead content remains in the petrol"

The converter, according to one motor manufacturer, features a ceramic honeycomb coated with three precious metals — platinum, palladium and rhodium — which are renowned for their catalytic abilities

As the unleaded fuel emissions enter the converter at about 300C, the metals convert the nitrogen oxides, unburnt hydrocarbons and carbon monoxide into compounds that proliferate in the atmosphere, namely, nitrogen, water and carbon dioxide.

The lead in petrol in the form of tetramethyl lead or tetraethyl lead has been the most cost-effective compound for enhancing octane rating and, as a consequence, an engine's efficiency

Promote

Current lead in petrol levels are around 0,4g a litre, down from 0,836g/l

SA's move towards unleaded fuel is not without its financial cost, but government plans to levy lower taxes on unleaded petrol and promote its use

Existing motor vehicles would require modification to use unleaded fuel

Buss. Day 4/6/95

Chemical makers clean up their image

TRADITION has labelled chemical manufacturers as polluters and while AECI agrees that historically there is some truth in the allegation, today companies such as AECI are working hard towards a cleaner future

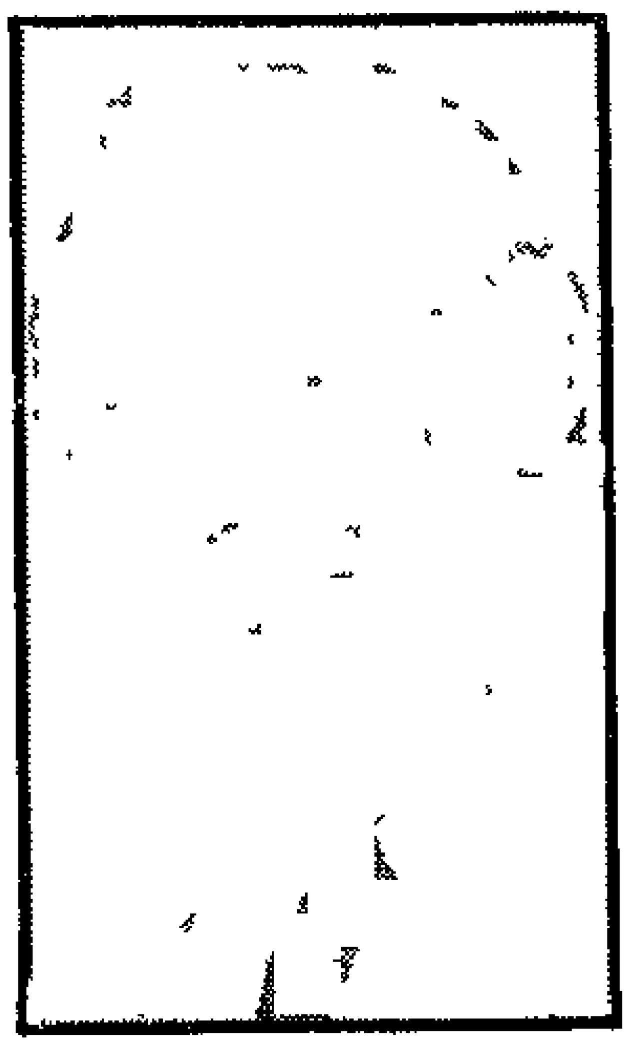
Says MD Mike Sander "While establishing environmental policies and principles, audits and commitments, as a group we recognise that education is the cornerstone for understanding and knowing how our activities make an impact on the environment"

Based on this assessment, AECI has developed environmental workshops for employees and schools and, to a lesser extent, for the public

Heart

At its Modderfontein factory site, the company has its own environmental interpretation centre Isidleke, which means "the nest" in Zulu. It is the heart of the Modderfontein Conservation Park

Sander says "The employee workshop is aimed at plant operators who are in direct control of the impact their plants have on the environment



MIKE SANDER

"The objective is to create awareness and ownership of the environment In this way each person is shown his responsibility towards his surroundings and how he can control the impact that his actions will have"

An important part of the workshop is that participants analyse their plants, highlighting potential pollution problems and identifying and commiting themselves to environmental responsibility

A range of education modules is being designed around the school syllabi

The underlying focus is to show that it is possible for industry and nature to co-exist in harmony, on a sustainable basis

The first of the modules The Modderfontein Experience was designed by teachers to meet specific sections of the standard four science, geography, English and history syllabi

The programme is versatile and allows individual schools to select modules according to their needs, interest and even the time of year Activities require maximum participation from students and adopt an experimental approach to learning Two visits are needed to complete the whole programme

The Modderfontein scheme is not the only such programme being operated by the group

At Umbogintwini on the Natal south coast, AECI and Tioxide SA have joined forces to develop an Environmental Education Resource Centre

Situated in the Umbogavango nature reserve, the centre comprises 40ha of open water marsh land and indigenous bush

The centre's thatched roof and slatted wooden walls are designed to blend in with its tranquil surroundings

The lecture room is fitted with modern equipment and is used as a workshop for teachers, school groups, bird groups, special interest societies and is also available to the public

Ensure

Says Sander "Running of the centre has been taken over by the Wildlife Society to ensure it is fully and effectively used"

Tioxide SA financed the project to the tune of R110 000 and AECI Chlor-Alkali and Plastics managed the construction of the project

The two companies see the centre as a venture which is helping to fulfil AECI's commitment to improving the quality of life for all communities through early exposure to environmental education

Unleaded petrol will cost South Africa a packet

ARG 5/6/93

183

SINCE the late 1920's, lead has been added to petrol to increase the octane number of the fuel and thus make possible the development of high performance, spark ignition, internal combustion engines

Practically all the lead entering the engine passes through to the atmosphere through the exhaust system, and a small quantity ends up in the engine lubricating oil.

Because of the known toxicity of lead compounds, concern has been expressed about lead entering the atmosphere by way of the motor vehicle population, and much debate and research have taken place

Efforts have been made mainly in the United States, Japan and Europe to persuade the authorities to legislate to reduce or eliminate the lead in petrol

However, the progressive removal of lead has been taking place because of the need to control other motor vehicle exhaust emissions which are more serious atmospheric pollutants These are carbon monoxide, a toxic gas, as well as nitrogen oxides and unburnt hydrocarbons — the precursors of photochemical smog

Led by the United States, many countries have enacted legislation to control these emissions

To meet these standards, it is necessary to install catalytic converters in the exhaust systems of cars The only effective catalysts so far developed are poisoned and rendered ineffective by lead, thus unleaded petrol becomes a necessity

Data compiled in the United States indicates that the lead-blood content of people tested has steadily declined since the turn of the century and that there is no long-term correlation between the use of lead in petrol and blood-lead levels. This may be more the result of direct ingestion of lead from sources such as water, pipes, paint and industrial processes

Lead is also naturally present in the soil in trace quantities, thus it does enter the food chain Lead emitted from exhausts travels a small distance and one finds that the lead concentration is virtually zero within 10 metres of a road.

Elimination of lead from petrol also means a reduction in octane number, and as lead addition is the most economical way of achieving required octane levels, expensive refinery processes are necessary to compensate for the effect of removing lead

The cost of introducing unleaded petrol in South Africa will be high.

Total refinery capital expenditure will amount to about R1,4 billion and the RON 95 unleaded petrol will cost about eight cents a litre more to manufacture than RON 97 leaded petrol in 1992 money.

The South African car and light commercial parc (pool) consists of about 4,2 million vehicles whereas the world total is about 550 million

The local market is thus small relative to the world market and we are dependent on technology input.

About 90 percent of new vehicles fitted with petrol engines sold worldwide are now designed to operate on unleaded petrol, thus we need to keep up with this trend.

■ This is Part 1 of a summary of a paper by Mr GEORG BLEIMSCHEIN of BP Southern Africa (Pty) Ltd. Part 2 appears tomorrow.

Rhoex reports a leap in profit

(183) JONO WATERS (5??)

RHOMBUS Exploration (Rhoex) reported a rise in after-tax profit to R1,21m (1992 R300 000) in the six months ended March 1993 B|DAY 9|6|93

Pre-tax profit was lower at R1,21m (R1,74m) but the company incurred no finance charges compared with R1,44m in the same period last year. As a result, earnings on after-tax profit increased to 3,61c (0,89c) a share.

CE Rob Still said after the completion of Rhombus Vanadium's (Rhovan) rights issue, Rhoex now had a 53,8% stake in Rhovan. Rhovan announced in November it planned to raise R35m in a rights issue and build an R85m vanadium oxide plant The rights issue was 60,2% subscribed. (1874)

Still said construction of the plant had commenced and was proceeding according to plan Costs were within budget

Taaiboschspruit colliery, in which Rhoex has a 50% interest, made its first contribution to income, he said.

"A decision to proceed with the detailed design phase of the Northern Natal Sands project is still be awaited from the joint venture's managing partners."

Still added that the company continued to investigate new propositions. some beyond the borders of SA

Engen staff may remain at Mossgas

Buss. Day.

ANDY DUFFY

THE MANAGEMENT of Mossgas could remain in the hands of Engen staff despite the company's decision to withdraw from the fuel scheme, it emerged yesterday 9/6/93

Engen chairman Bernard Smith, who is also Mossgas MD and CE, said it was possible that Engen staff responsible for the day-to-day management of the R10,5bn Mossel Bay project could remain on the scheme after Engen had withdrawn (183)

Although Engen had undertaken to continue managing Mossgas until the Central Energy Forum recruits a replacement, the CEF said it had given no consideration to bringing in a successor

CEF chairman Danie Vorster added that Mossgas had an "autonomous management" and that "the withdrawal of Engen will not (affect) the day-to-day running of the project"

Mossgas confirmed that three Engen employees responsible for the project management — general manager John Theo, works manager Bob van Niekerk and marketing manager Jonathan Stones — were negotiating with the CEF.

Retaining the current management would save the CEF the task of seeking new private sector interest in Mossgas, following a snub from Engen

Engen's decision not to pick up its 30% rights in Mossgas stemmed from the scheme's failure to show potential returns to justify Engen's R1,3bn exposure

It is also understood that Engen felt there would be difficulties in justifying the expenditure of senior management time on Mossgas, having already questioned the scheme's viability.

CEF's Vorster confirmed that Engen had been the only private sector company to have shown an interest in Mossgas

Total 'not for sale to anyone'

Buss Day 9/6/93

EDWARD WEST

TOTAL SA yesterday quashed speculation that it would be sold to Sasol

CEO Jean-Claude Goffinet said the company was not for sale and recent reports speculating on a buy-out by Sasol were "devoid of any truth" (183)

Total SA's Paris-based parent had recently reaffirmed its commitment to remaining in SA The company was convinced that SA would become a major player in southern Africa, Goffinet said

Total SA had invested some R800m in SA over the past three years, he said

Total has a 12,2% and 15,5% share of the petrol and diesel sales market respectively, and holds a 35% share in Sasol's Natref refinery, reports say 64

PLASTIC in action

A Star advertising feature

South Africa has tended to export raw materials and then import value-added products from other countries at considerable greater cost The plastics industry now finds itself in a position to reverse that trend, reports Alf James Advertising: Karen Kahn.

Powerful pipe for all conditions

A NEW product, which has been developed to withstand the extreme conditions often experienced in sewerage, duct-ing and drain-pipe applications is available on the South African market.

The radial ribbed Corflo pipe has been added to DPI Plastic's existing range of plastic pipes and fittings

Rigid

Utilising extrusion techniques the Corflo pipe is a double walled design with a ribbed exterior and smooth interior

The pipe is manufactured from rigid PVC, a widely accepted and approved material for this type of application

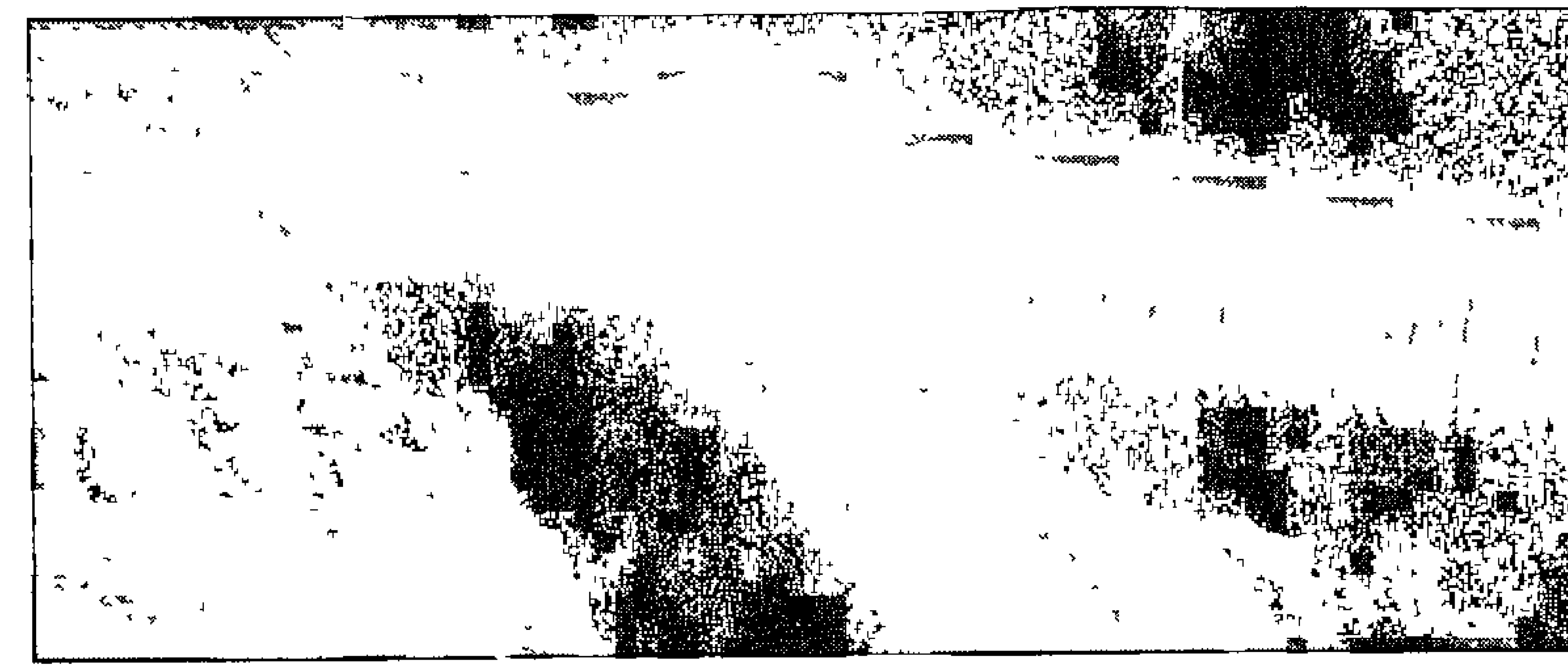
The corrugated radial ribbing design gives superior load-bearing characteristics and a high strength-to-mass ratio

Manufactured in diameters of 110 mm, 160 mm, 200 mm and 250 mm, the piping comes in standard six-metre lengths

Easy installation is assured as a result of the integrally moulded cuff and rubber sealing ring

Compatible

The new pipes are complemented by a full range of injection moulded fittings equipped with the specially designed rubber seal that makes them fully compatible with solid PVC pipes and all other traditional sewer-pipe materials in use



Easy installation . a section of the Corflo double-walled sewer pipe and 45 degree junction with access

■ **Growing:** The relaxation of economic sanctions is being reflected in export growth among specialist SA plastics companies.

END of isolation means beginning of big opportunities for exporters

Southern Africa opens up for SA's exporters

THE SA plastics industry has the potential to export its products and expertise throughout the entire southern African region, Plastics Industry Training board chairman Ralph Oxenham believes

"We are indisputably the leaders in all fields of plastics, be it processing, technology, equipment or human resources," says Oxenham "Now that Africa is opening up to us, we need to realise our potential as an industry through a strong export drive"

"In the past SA has tended to export raw materials and then import value-added products from other countries at considerable greater cost The plastics industry now finds itself in a position to reverse that trend"

Bill Naude, executive director of the South African Federation of Plastic Associations, says "We are seeing exports into Africa growing " He believes exports into Africa could see the development of converters and raw material suppliers working more closely together to try to develop export markets for plastic products rather than merely raw materials

Oxenham says the local industry's greatest advantage lies in the expertise built up by both large companies and small entrepreneurs "At this stage we need to reinforce that advantage by ensuring we always have superior people in the industry — people are any business's greatest asset"

This view is supported by management expert Clive Stuart of Clive Stuart & Associates "The key to successful exporting lies in staff performance Quality control, innovation, service and dependability impress customers These all come from motivated, well-trained staff"

Oxenham says "The industry is looking to export not only to our neighbours but to the rest of the world If we are to compete on international markets, we must ensure we meet world standards. If we have top-quality people capable of producing top-quality products, we'll reach that objective"

The relaxation of economic sanctions is being reflected in export growth among specialist SA plastics companies

Technoplastics converter ExactoCraft has achieved a substantial increase in exports and recently exported several tons of mining products and vertical blind components to South America Sentrachem subsidiary Sagex is set to dramatically boost its exports with the conclusion of an agreement between itself and a Hong Kong-based company.

"In certain sectors SA products are among the best in the world, and the weak rand makes pricing structures attractive to all parties," ExactoCraft technical sales manager Roland Liebentritt says

"We have been able to compete successfully against exporters from other countries by offering superior quality products The emphasis from buyers there is definitely on quality rather than price"

Sagex, which manufactures polystyrene insulation and packaging, expects its exports to soar by between 20 and 30 percent as a result of the formation of a cutting and profiling plant in Hong Kong

The new company, Isotherm, will distribute Megaphen closed-cell insulating foam — produced in SA under licence from BP — for chilled pipe insulation in the petro-chemical, food and beverage, and general industrial sectors in Hong Kong and the Far East

Sagex managing director, Russell Shiels says "South East Asia boasts the highest economic growth rate in the world at present and presents us with massive export opportunities Their advanced building standards and regulations will mean that increasing quantities of flame retarded insulation will be demanded by engineers and specifiers"

Polypropylene wall ties

ARCHITECTS and engineers are combating the problem of wire wall ties corroding and breaking by using polypropylene Permaties

Wall ties are used to enhance the structural integrity of building by keeping walls in place and preventing mortar bridging

Somerset Mall, the massive AECI shopping centre under construction in Somerset West, will use 150 000 Permaties, which have a lifespan of more than 70 years

"We believe it's the right way to go," said Gunther Koch of Calsica bricks

"It's more cost-effective, safer and has a longer lifespan"

Although wire ties are galvanised to protect against rust, alkaline reactions, especially on facing surfaces, wear away the protection

This can lead to corrosion, reducing the lifespan of wire ties to between eight and 10 years

The Somerset Mall features high gable walls, which place a heavy emphasis on the ties as an integral part of the structural design This makes it imperative that the ties should last the entire 50 years of the building's estimated lifespan.

Hermann Painczyk of Permatie manufacturers, ExactoCraft, said the polypropylene ties had proved suitable for single and multistorey brick and block work

Maintaining profits in tough times

"DUE to the recessionary climate the consumer market has experienced about a 20 percent decline," says Wim Goebel of Rawmac, "however, due to diversification and increased market penetration, the company has been able to maintain profit levels."

Rawmac, which has been in operation for the last 13 years, specialises in the supply of imported and locally sourced plastic raw materials

Crate news for transporters of fresh produce

A NEW plastic crate, designed specifically to meet the needs of the banana industry, could revolutionise the transportation of fresh produce

"Our original brief, from the banana industry, was to develop a product that would satisfy their special packaging and transport requirements," says Eddie Khoury, managing director of Form Design, which developed and patented the plastic crate

"However, strong interest has been shown by other fruit growers, the fishing industry and even export markets in Australia and the United States," adds John Winstanley, managing director of Swimline, which provided finance and marketing expertise for the project and is manufacturing the crates.

staggered formats to suit space allocation, and can be used for display purposes at retail outlets

The hinges on each of the sides are manufactured from polypropylene and are designed for maximum use

A unique property of this raw material is that with the continual opening and closing of the crates, the molecular structure of polypropylene intensifies and makes the hinges stronger

One of the most welcome advantages of the crate is that if any of the panels are damaged they can simply be replaced without the whole crate having to be thrown out or wasted.

"This is not only a far more environmentally friendly option but also

Productivity 'must be improved'

DRAMATIC increases in productivity are urgently needed to offset the ongoing spiral in labour costs in the plastics industry, says Plastics Industry Training Board (PITB) chairman Ralph Oxenham

Although automation could bring some relief, plastics companies would need to get far more productivity than ever before if they hoped to remain competitive on the world market

The imported raw materials Rawmac imports and supplies are mostly technical moulding grades — few of which are made in South Africa

Strong

Goebal says that if South Africa is to be competitive in the production and selling of a broad range of plastic commodities it will have to keep the costs of its raw materials and labour down

Rawmac has developed a strong custom grinding and recycling side to its business, thus providing plastic converters with a useful waste service, which includes redundant machinery

The company is also proud of its colour-compounding expertise when the matching of critical colours is required

Unique

"Of primary importance in the development of this product was the elimination of significant waste of fruit experienced due to the conventional cardboard cartons not being able to withstand the weight and pressure exerted by the bananas, especially the crates on the lower stacking rungs," says Khourie

The crates are made from hard-wearing polypropylene and boast a number of unique features

The crate is fully collapsible it can be completely flattened out, or any one of the four sides can be opened to allow for economic use of space

"This versatile feature eliminates the costly problem of having to transport truck loads of empty cartons back to the packing station

"By simply pulling each one of the sides apart, the crates are easily stacked on top of one another, occupying the minimum of space," says Khoury

This enables 156 crates to be transported, instead of the usual 45 fully assembled crates

Full crates can be stacked horizontally or vertically in either uniform or crates that are being used, damaged and wasted on a daily basis,"says Khoury

"This crate has been designed to be economical, long lasting and to efficiently comply with the task for which it was created"

Ventilation is critical to the ripening process of bananas and fresh produce

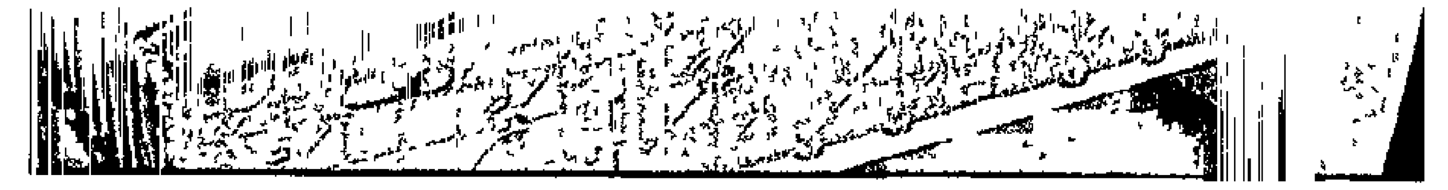
To ensure that this process is not in any way impeded, even when the crates are stacked, ventilation apertures are incorporated on each side of the crate

Protect

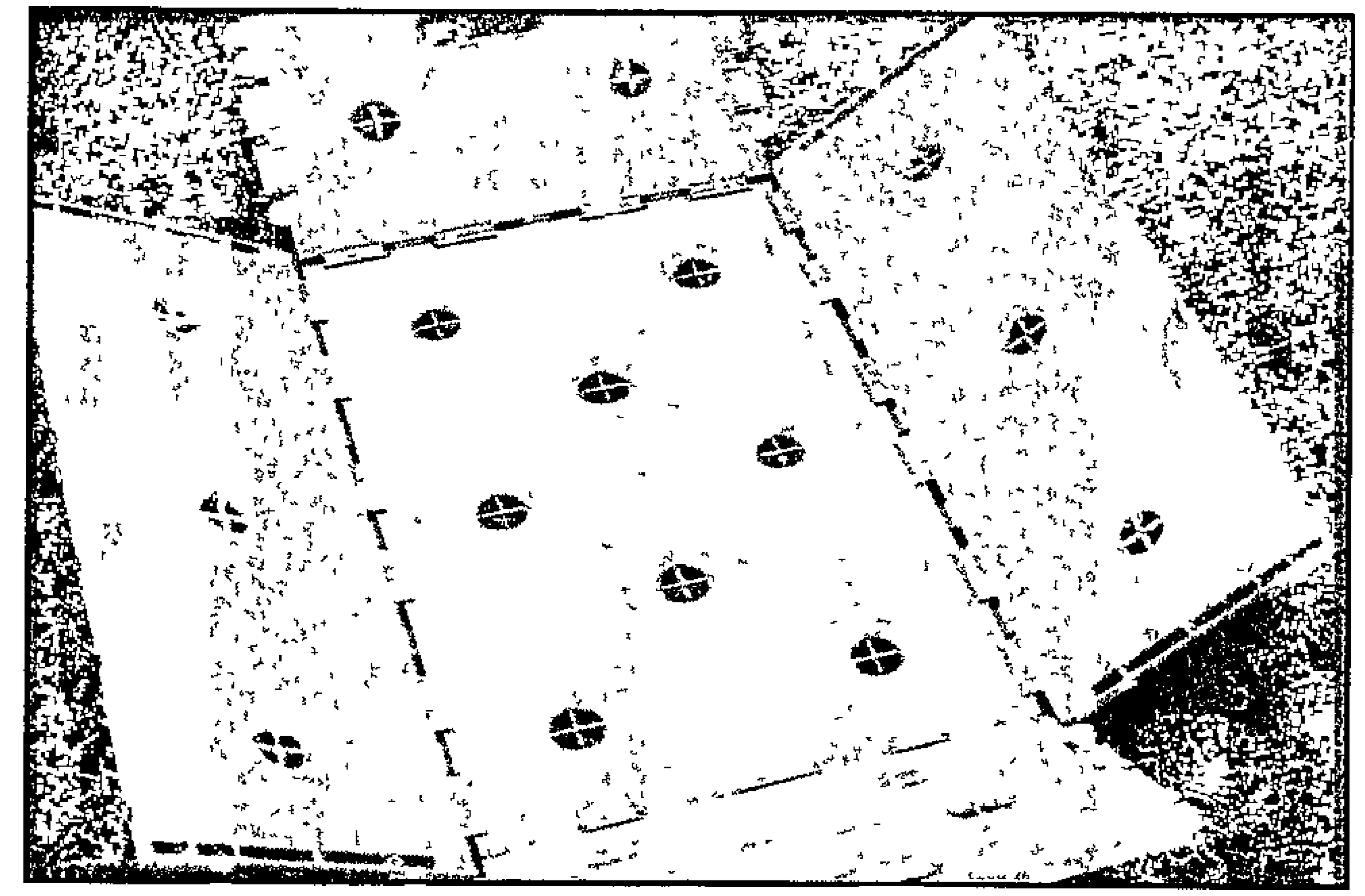
The unique feature of the ventilation holes is that they will always align, irrespective of the stacking format, to ensure adequate circulation of air to the fruit at all times

Each crate is conveyor-friendly and has ribbed features on the exterior and a smooth inner surface to protect the fresh fruit or produce at all times

"We are really pleased with the market's reception to the new crate. It is rewarding to see two years of research and design finally coming to fruition," says Khoury



Design fruition this fully collapsible crate designed for the banana industry has attracted strong interest from other fruit growers, the fishing industry and even export markets



cency in the industry to invest in sophisticated high-technology equipment, without adequately developing the necessary human resources So often expensive machinery is sadly underutilised," says Oxenham

The industry is also facing a shortage of skilled manpower, which is threatening to stifle its progress

The PITB was statutorily empowered in May last year to tackle these problems by upgrading the skills of people already employed in the industry, and by creating conditions conducive to attracting top-notch school leavers in the future

"We believe the way forward is through developing people to their full potential," says Oxenham

"There are 40 000 employees in the South African plastics industry; how many of those are using their talents properly?

"Education is the solution If we are to pay more, we must get more for our money a better trained, higher-calibre labour pool which will provide high-quality work at a faster rate and much more efficiently," he adds

The PITB is committed to providing such a pool by facilitating training and skills improvement at many levels

There is a balance between specialised training and generalised industry skills Education in other areas such as basic numeracy and literacy skills are being considered.

PTO →

9/6/93

...he ...est

AMY WALDMAN reports on a devastated community in what was once a diamond-digging area.

NO ONE in Welverdiend ever thought that proclaiming the area as a diamond-digging spot meant deproclaiming it as a home But that is what happened to this community, which put down roots near Lichtenburg, in the western Transvaal, during the 1926 diamond rush

Ten residents now face a precedent-setting trial under the Trespass Act And the struggle by the community to secure rights of tenure, and by the farmer who now owns the land to evict them, is at an impasse

The Welverdiend question is a national one Do people without title deeds but with historical ties to land have the right to remain, or does the State or a landowner have the right to forcibly remove them?

The lure of diamonds originally brought white diggers, and black labour, to Welverdiend The labourers earned a pittance, but built homes

But the people outlasted the diamonds In 1989, at the insistence of the Transvaal Provincial Administration, the land was deproclaimed as a digging area and sold to a farmer

Willem Mouton says he bought the land with a promise from the TPA that the 119 families would be removed

Who came first?

When the TPA failed to fulfil its promise, a regional squatting committee, comprising farmers and TPA representatives, decreed the Welverdiend residents to be squatters under the Prevention of Illegal Squatting Act The TPA prescribed that they be moved to Boikhutso, Lichtenburg's township

Welverdiend's residents concede that the land now officially belongs to Mouton, but Lizzy Mashaba, an outspoken community leader, asks "Who is the matter — us or Mouton? Who

Waiting in vain for land justice

Star 9/6/93

The land issue is back in the news with the decision of Deputy Land Affairs Minister Johan Scheepers to quit politics. JO-ANNE COLLINGE reports on the need for land reform and what has been happening.

THE World Bank has been called many things, but seldom alarmist So when it warns that South Africa had better implement massive land redistribution or face decades of peasant insurrection — or even civil war — there is reason to sit up and take action

The National Party Government, in its dying days, has shown no inclination to do so Although Deputy Minister of Land Affairs Johan Scheepers might have the public believe that recalcitrant officials are the problem, the evidence points to opposition to land reform at a much higher level

The Government's sins have not just been of omission, they have been sins of commission, its opponents charge They point to actions such as the rapid disposal of State-owned land, the unilateral framing of contentious legislation and a refusal to negotiate with relevant stakeholders

The scenario sketched by World Bank experts Hans Binswanger and Klaus Deininger is based on international experience and it spells out the likely consequences of a failure to substantially redress the huge imbalance in land ownership

They note that at present rural resistance is still unorganised and confined to interracial conflict and sporadic land invasions But, they warn. "If the hope raised by repeal of most of the racially motivated land laws and restrictions on mobility are not confirmed by rapid restitution of land in the former black spots, land invasions are likely to increase

"Over time, some political group will organise a well-disciplined peasant movement capable of co-ordinated insurrection and terrorism."

When the apartheid land laws were repealed two years ago, the Government's only concession to interests lobbying for land redistribution was the Advisory Commission on Land Allocation (Acla), which was empowered to advise on the use of State-owned land for development and to address the position of those prejudiced under the old laws

Since April 1992, Acla has considered 58 claims for particular pieces of land, lodged in many cases by victims of forced removal. But in only four of these cases has land been restored to the communities concerned. Final decisions have been taken by the State President in a further eight cases — and this land has not been returned

Uprooted communities and leading land rights group, the National Land Committee (NLC), regarded Acla with suspicion, especially after the State President rejected their suggestions on membership of the commission But they decided to give Acla a chance and brought claims before it

It is a measure of the NLC's disillusionment that, when it was approached to take part in the Government's Land Rights Advisory Forum earlier this year, the NCL would have nothing to do with it

NLC director Joanne Yawitch points out that, in contrast with institutions such as the Local Government Negotiating Forum and the National Economic Forum, which were created by negotiation, the Land Forum was Scheepers's "hand-picked" creation

"It is merely a body set up to advise the Deputy Minister and not intended to set in motion a broad consultation on land policy So we refused to sit on it," says Yawitch

"It is our view that there needs to be a consensus position on land before any programme is implemented, and the history of the Department of Regional and Land Affairs is not one which attempts to develop such consensus They still want to do it all their own way — they are, after all, the people who manned the Department of Development Aid and carried out the forced removals"

There is little doubt that agricultural interests would argue for negotiated rather than imposed solutions

Aninka Claassens of the Centre for Applied Legal Studies at Wits said experience had led the land-redistribution lobby to believe that it was futile to join Scheepers's forum as "major unilateral restructuring would go on under our feet"

It is no secret that such groups felt betrayed when the Government decided to transfer some 430 000 ha of State-owned land to the tribes and parastatal organisations in Lebowa and QwaQwa last year They believed that they had successfully argued against any such move — until Scheepers announced his agreements with the homelands in question

"All the Department of Land Affairs has achieved is a terribly accelerated process in getting rid of land which would otherwise have been available for redistribution," argues Claassens

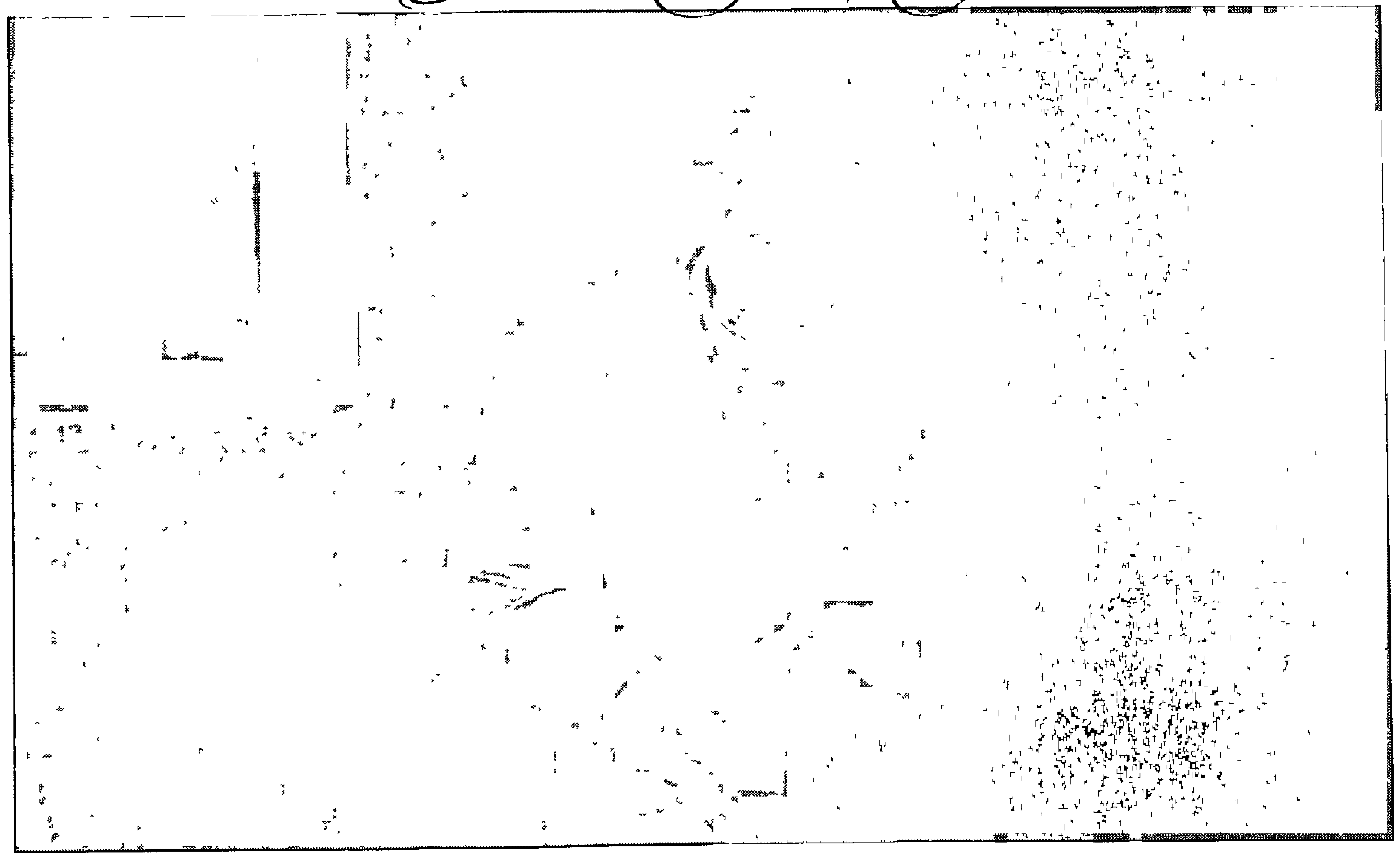
"This disposal of uncontested State-owned land is going to have a major long-term impact, because it focuses attention back on land presently owned by whites Scheepers pre-empted an option clearly put by people across the spectrum as a starting point — albeit an insufficient one — for land reform"

Only recently the Government and the ANC held initial talks on the question of land And once more, Scheepers's subsequent action of drafting legislation which would facilitate the homelands land-gift caused ANC participants to question the spirit of the talks.

Scheepers's public relations machinery, however, focused on that part of his legislative programme which lent him a reformist image It stressed the Bill intended to extend the powers of Acla to compensate victims of forced removal

It is this disparity between image and reality which has seen Scheepers unfavourably compared to Dr Piet "Promises" Koornhof, who headed the Department of Co-operation and Development in its days of deepest infamy and whose deed was seldom as good as his word Said one source "Scheepers makes Koornhof look like Miss Muffet"

The remark reflects a deep sense that, in this protracted political transition, there has been no progress toward justice on the land □



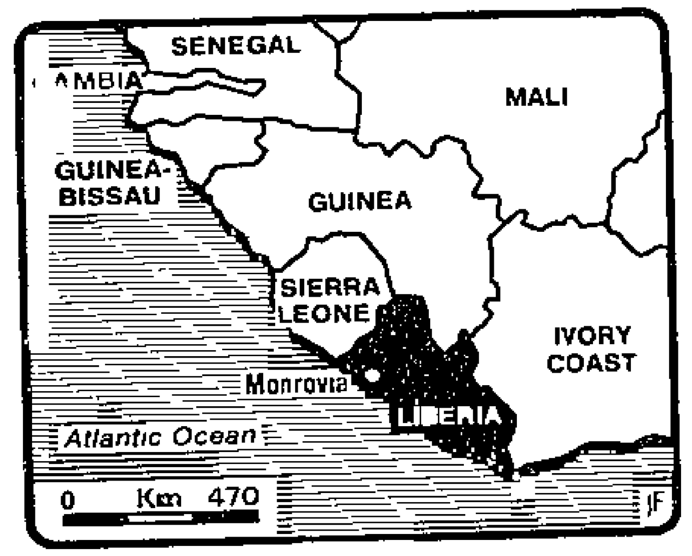
The power of prayer . . . Looseboy Mokgoero is determined to stay in Welverdiend. (See 'High noon in the west' report on this page.) Mokgoero, the community's oldest resident, came to Welverdiend during the diamond rush of 1926. "The only one who will move us is the one who will move us to heaven," he warns.

buried here?"
So they ignored the notices telling them to move The next time they saw Mouton, he had the police with him
A total of 33 community members were charged under the Prevention of Illegal Squatting Act — a case which still has no final dispensation Later, others were criminally charged with trespassing
The latter case went to trial last week After irregularities emerged in the police gathering of evidence, it was postponed until June 22
The case has ramifications throughout the western Transvaal, which has at least seven villages based around diamond diggings Those communities also have only historical connections to the land If Welverdiend is deemed a trespass, they could face the same fate
For the farmer, the heart of the struggle lies in the law, but for the people, it is in the land
There is a spirit of community, as well as tranquillity and history, in the little settlement "This is our title deed," Mashaba says, pointing at the graves of parents and grandparents at the edge of the community
Looseboy Mokgoero, the community's oldest resident, will most likely be buried here too Born in 1901, he arrived during the diamond rush of 1926 "The only one who will move us is the one who will move us to heaven," he warns, between songs from a prayer book
Lizzy Mashaba says "The only place better than here is heaven we will only be moved as corpses"
Some negotiators say Mouton seems reasonable, until he comes under pressure from other farmers
Mouton says that by law, staying somewhere — "even for 300 years" — doesn't give ownership, a piece of paper does But Iqbal Motala of Lawyers for Human Rights says the law may not be the answer □

Orgy of blood as civil war drags on

Spur 9/6/93

KARL MAIER reports from Lagos in the wake of the latest Liberian massacre.



THE weekend's Liberian massacre of 250 refugees illustrated the bankruptcy of west African efforts to end the four-year civil war and threatened to set off a new offensive by the Nigerian-led intervention force against Charles Taylor's insurgents

The west African intervention force, known as Ecomog, blamed Taylor's National Patriotic Front of Liberia (NPFL) for the murder and mutilation of men, women and children — war refugees living at the abandoned Firestone rubber plantation near Harbel, about 65 km north of Monrovia

"They were shot, they were mutilated and some of them had their heads broken and their throats cut," Augustine Mahiga, a United Nations High Commissioner for Refugees (UNHCR) official in Monrovia, told reporters

"They ordered every person to come out of the camps Then there was random shooting," Mahiga said

"I wasn't at the scene but what I saw this afternoon was very gruesome, horrible"

Mahiga said that witnesses claimed the NPFL had carried out the raid But there was no hard evidence to link the organisation with the massacre

Taylor, in an interview with the BBC, denied responsibility for the killings and said the accusations would be used to justify an Ecomog offensive

Harbel, controlled since February this year by Ecomog forces and their allied Liberian militias — the Armed Forces of Liberia (AFL) and the United Liberation Movement (Ulimo) — was the site of an Ecomog bombing raid in October when cluster bombs killed 24 people and wounded 150

Captured

The bombing of Harbel, close to Robertsfield international airport, took place a week after Taylor broke a ceasefire and attempted to capture Monrovia

Since then, employing jet bombers, tanks and assistance from the AFL and Ulimo militias, Ecomog has scored gains against the NPFL, capturing the strategic port of Buchanan early last month

In recent weeks, however, Taylor's young, highly mobile fighters have infiltrated Ecomog-controlled territory and attacked behind the lines

Taylor, who led a rebellion in 1989 to oust the former military dictator Samuel Doe, has said he would consider a ceasefire only once the 16 000-strong Nigerian contingent in Ecomog was reduced

He has urged the UN to take over the peace effort

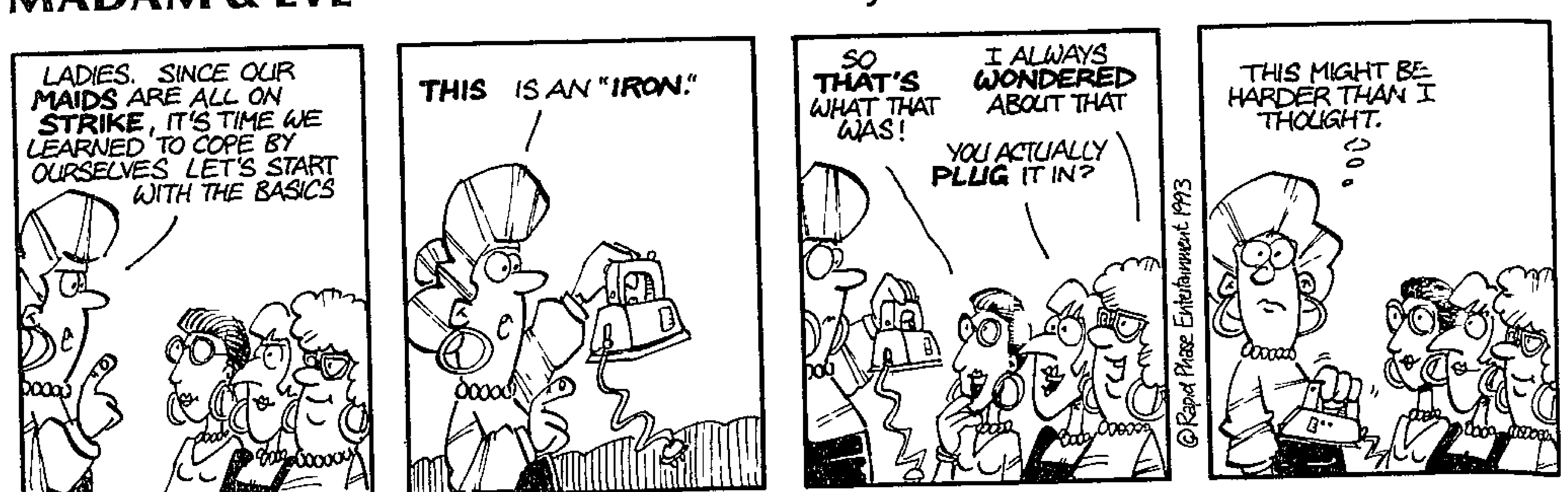
Ecomog has attempted to tighten an economic noose around the half of Liberia that remains in NPFL hands, a territory popularly known as "Taylorland", by halting food aid shipments through neighbouring countries and by bombing international aid convoys which violate the ban Trucks of the charity Medecins Sans Frontieres were attacked last month The top UN representative in Monrovia, Ross Mountain of New Zealand, was recalled after criticising the Ecomog plan to channel aid shipments through Monrovia before moving across rebel lines

One UN spokesman said Mountain's removal had been requested by the interim government of President Amos Sawyer, but Mountain himself later denied this

Sawyer's Ecomog-protected government last week imposed press censorship, saying all war-related stories must be submitted to the ministries of justice and information — The Independent News Service □

MADAM & EVE

By S Francis, H Dugmore & Rico



Premier reports 16% earnings rise

(183) B/Day 10/6/93

MARCIA KLEIN

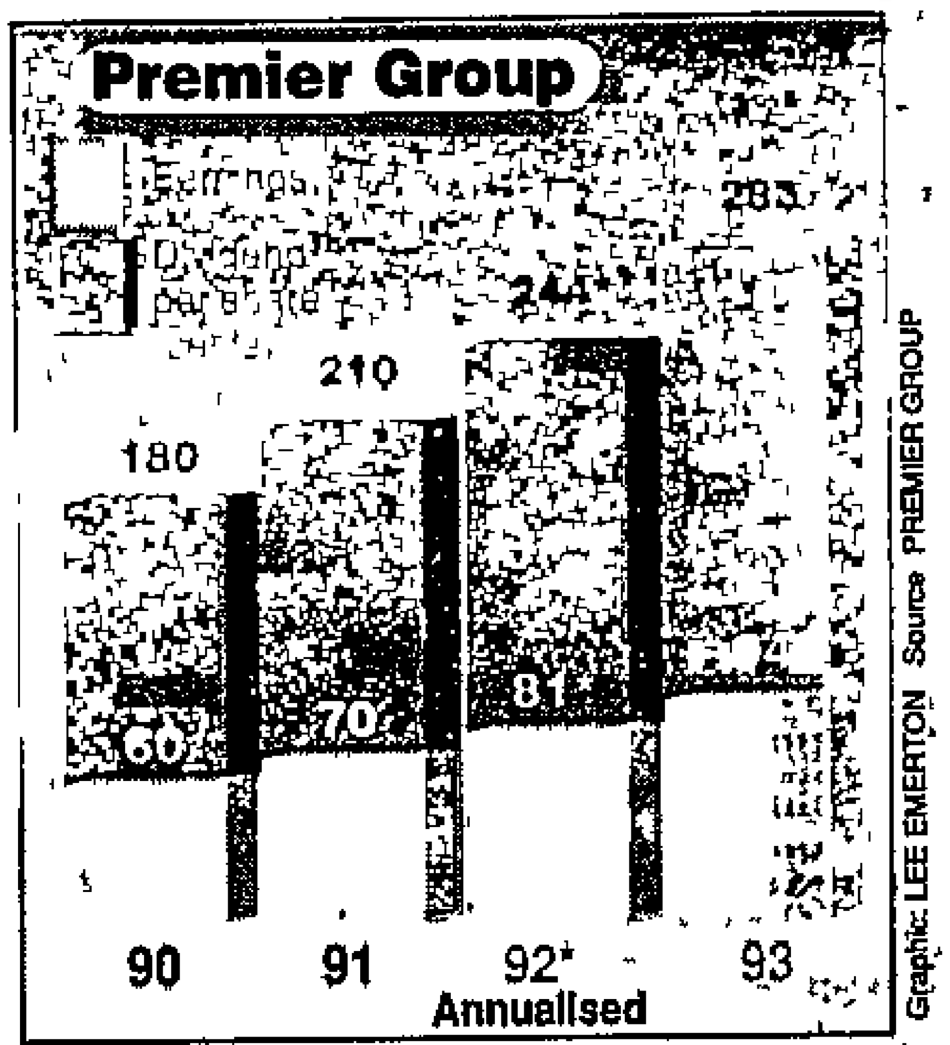
BENEFITS of acquisitions and disposals over the past few years, and lower interest and tax charges, enabled the Premier Group to report a 16% earnings rise to 283c (244c) a share in the year to end-April

The food, pharmaceutical, wholesale and retail group reported a similar increase in the full-year dividend to 94c (81c) a share after declaring a final dividend of 58c a share

Yesterday the share continued its recent gains by rising 75c to R51 (close to its January high of R53) on news of the group's results and of chairman and CE Peter Wrighton's target of real earnings growth in the coming financial year

Wrighton said earnings a share had grown at a compound rate of 23% a year in the past five years, and shareholders' wealth, including the increase in the share price and dividends, had grown at a compound rate of 63% a year

Because the previous year contained 13 months, comparative figures for that period have been arithmetically reduced by one month. But comparative figures were not restated to reflect disposals or those interests which had been consolidated for the first time in the current year.



During the year, the group acquired a 39% interest in dairy producer Bonnita for R144m and increased its share and acquired management control of Premier Pharmaceuticals (Prempharm).

It increased its shareholding in Clicks Stores to 48% and marginally increased its share in Metro Cash and Carry (Metcash)

☐ To Page 2

Premier

B/Day 10/6/93 (183)

☐ From Page 1

to 68,6%. United Pharmaceutical Distributors (UPD) was formed and the group's majority shareholding in Score Supermarkets was sold to management. Jabula Foods was sold to National Sorghum Breweries, in which Premier has a 10% share

Group turnover rose by 3% to R10,2bn from R9,8bn, but Wrighton said turnover in comparable operations on an annualised basis was up by 13%

Trading profit was 4% higher at R438,9m (R420,1m), and would have been about 10% higher if the previous year's figures had been restated Margins were maintained at last year's lower level after the acquisition of Metcash

A reduction in interest-bearing debt and lower interest rates resulted in a significant reduction in net interest paid and a 15% rise in pre-tax profit to R415,3m (R362,1m). Wrighton said one of the most effective changes in the group's structure over the past few years was interest cover, which had risen to 18,6 times from 7,3 times in 1992 and 4,6% in 1991.

Helped by a lower tax rate, after-tax profit reflected a 25% growth to R314,7m (R252m)

After an increase in the share to minorities, because of higher earnings from Prempharm, Metcash and Clicks, attributable earnings were 23% up at R233,8m (R190m) The lower increase in earnings a share was due to additional shares in issue

The core food division maintained market share and marginally increased earnings, but its share of the group's attributable earnings dropped to 48,2% (58,2%)

The wholesale and pharmaceutical divisions showed significant increases in their contributions Wrighton said Metcash had exceeded profit expectations and Prempharm, which had improved earnings substantially, was positioned to take advantage of acquisition opportunities Clicks Stores showed good growth, CNA Gallo improved earnings marginally and Teltron — consolidated for the first time — showed a satisfactory improvement in results

He expected continued growth from Metcash, Prempharm and Clicks The food division would show improved results CNA Gallo was expected to resume earnings growth. UPD and Bonnita would contribute to results for the first time

☐ Premier confirmed that former chairman and CE Tony Bloom had been asked to resign as a non-executive director Bloom, who heads UK company Sketchley, resigned from Premier in 1988

BUSINESS Salesman starts manufacturing plant

Hair care industry must stay black

Sowetan 10/6/93

By Mzimkulu Malunga

■ **SALON PIONEER** Products mostly used by blacks, says Manasse Shole:

Sanlam 75

(183)

75

BLACK MANUFATURERS must fight hard to keep the hair care industry in black hands, says Mr Manasse Shole of Medicos Products

Most of the hair care products are used by blacks and it was important that this industry be kept black, he said

"To me, the hair care industry is like sorghum beer," Shole said

One of the pioneers of the black hair care industry in this country, Shole has been in the business for over a decade

He was involved in the launching of South Africa's first black hair salon, which opened for business in Soweto in 1980

The salon, Lumoman, catered for people nationally as there was no other black salon then

A few years later Shole moved into the distribution of American hair care products He said he was let down by the manufacturers he was dealing with as they started giving business to white companies.

This led him to start his own manufacturing plant.

A deal was made with a Zimbabwean hair care products manufacturing company and this saw the birth of Medicos Products.

With the help of the sister company north of the Limpopo, Medicos got the services of a chemical engineer who is helping with manufacturing technology

The company employs 28 people and has offices in Soweto and Cape Town

Shole says the aim is to service the entire Southern African market Already there are outlets in Botswana and Namibia

"I am going to Maputo this week to explore markets there We have had inquiries from people in Zambia, Tanzania and Kenya," he said

Medicos was growing steadily "We are here to stay," Shole said

He feels that with an injection of capital, Medicos could compete with the giants in the industry

Estimates put the market for the hair care industry in this country at R300 million

However, Medicos has not escaped the problems faced by the rest of black business in the country Support from black people is shaky

"Black people still want to buy from white business Some may argue that it is because of the quality of service but I believe our products are among the best in the country," said the man who quit his job as a sales representative with South African Breweries

Manasse Shole qualifies for the *Sowetan*-Sanlam Entrepreneur of the Month competition and will contend with other weekly nominees at the end of this month

Manasse Shole

"Black people still want to buy from white business. The hair care industry must be kept black"

Entrepreneur of the Month

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

Monthly winners go through to the final contest of the competition and the overall victor 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.

Contact Mzimkulu Malunga at (011) 474 0128.

Delcorp in R27m Chemserve deal

B/Day 11/6/93

MARCIA KLEIN

THE Del Monte Royal Corporation (Delcorp) has sold half of subsidiary Roychem's businesses to Chemical Services (Chemserve) for R27m cash This is part of its intended move towards disposing of what was once its core business.

The announcement yesterday follows various cautionaries, and much speculation that since the acquisition of Del Monte Food International, the chemical interests would be sold

According to the announcement, Delcorp had decided to focus on its food-related interests and resolved to dispose of the chemical and pharmaceutical interests represented in Roychem.

The deal, effective on June 1, saw Roychem dispose of chemical, distribution, agency and analytics businesses Holpro-Lovasz and M & T Chemicals to Chemserve Holpro-Lovasz was the cornerstone around which the Royal group was built.

Delcorp also warned that negotiations were continuing in respect of the disposals of the remaining businesses, Ferro Industrial Products (which was acquired in 1991 for R38m) and Laser Pharmaceuticals

The effects of the two disposals on Delcorp would be reported after completion of all the transactions. The purchase consideration was based on the audited NAV of the businesses

Delcorp said the chemical interests were once the core of the group's operations But since the massive Del Monte Foods acquisition, the chemical interests were reduced to "an insignificant role in the group's affairs"

Chemserve also said it had acquired holding company AECI's 50% interest in Crest Chemicals to make it a wholly owned subsidiary

Chemserve would restructure its chemical distribution interests Holpro-Lovasz and M & T would be renamed Holpro Fine Chemicals and would operate in the food, beverage, medical, pharmaceutical and allied industries

Crest Chemicals would operate in all fields of industry not serviced by Holpro Fine Chemicals, including the mining, chemical and textile sectors

Chemserve said that Holpro would substantially broaden its product range, and enable Crest to conduct its decanting operations in-house

The acquisitions would strengthen Chemserve's position in the chemical distribution market in southern Africa, and bring sharper focus and improved service to the market

The transactions would have a neglible effect on Chemserve's earnings and NAV in the short term

Delcorp sells 'core' businesses to Chemserve

183

CT 11/6/93

From MARCIA KLEIN

JOHANNESBURG — The Del Monte Royal Corporation (Delcorp) has sold half of subsidiary Roychem's businesses to Chemical Services (Chemserve) for R27m cash This is part of its intended move towards disposing of what was once its core business

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Star 11/6/93 (183)

R27-m deal

Chemical Services has bought Holpro-Lovasz and M&T Chemicals from Roychem for R27 million — Sapa

Dispute over bottled, tap water

By Shirley Woodgate

Tap water is often unpalatable, full of unnecessary chemicals and, although not poisonous, may be detrimental to health, claims Hoogland Hydro's Abri Kruger.

Reacting to Rand Water Board claims that municipal water tasted better than bottled drinking water which revealed poor microbiological quality, bottlers have labelled the allegations one-sided and called for comparative tests with RWB water.

Answering allegations that expiry dates were omitted on bottled water, Kruger said it was unnecessary as the water had an indeterminate shelf life since it contained no chemicals which could make it deteriorate.

But if bottled tap water were left in the sun, it became microbiologically receptive once the chlorine escaped.

Calling on the RWB to name the six outlets which had been tested and found wanting, Kruger said products from some backyard bottling outlets may contain platelets or microbes

Star 12/6/98

Sasol plans own petrol stations

183

AFTER talks with other oil companies, South Africa's fuel giant aims to sell Sasol-branded petrol through its own outlets.

SYNTHETIC fuel and chemical giant Sasol intends setting up its own petrol stations to compete with other oil companies, a company spokesman confirmed yesterday.

Negotiations with the oil companies were already in progress for Sasol to set up a marketing infrastructure after the separation into two companies of its crude oil refining and marketing activities, and its synfuel operations.

The proposed Sasol Crude Oil Refining and Marketing Company would establish its own petrol stations to sell Sasol-branded fuel.

But, like all other oil companies, it would have to buy a pro rata share of Sasol synthetic fuel and be subject to existing tariff protection, said Sasol spokesman Jan Krynauw.

The crude oil refinery was co-owned by Sasol and Total, and it was hoped to list the proposed company on the Johannesburg Stock Exchange. It would not receive government assistance, he said.

The separation of the Sasol operations was announced by Mineral and Energy Affairs Minister George Bartlett in Parliament on May 28.

He said the liquid fuel industry should remain regulated to protect small businesses, and the synfuel and oil industry, but the secrecy surrounding it should be lifted to allow informed debate.

The uncoupling of Sasol's activities would result in greater transparency, Bartlett said.

Sasol sells the bulk of its liquid transport fuel production, manufactured from coal and crude oil, to the rest of the oil industry in terms of a supply agreement whereby each company buys Sasol fuel according to its national market share. In exchange, Sasol's right to market specifically defined petroleum products directly to the consumer is limited.

Restricted marketing of Sasol-branded petrol at oil industry-owned petrol service stations is allowed under the Blue Pump Agreement.

The company said yesterday. "In a deregulated environment, Sasol's synthetic and crude oil-derived fuel production should be marketed separately. Because of the large contribution to the local economy and the foreign exchange savings created by the synthetic fuel industry, it would be in the national interest for all marketers to purchase and market a proportionate share of the synthetic fuel produced in the country.

"The sale of Sasol's fuel production from crude oil will only be effectively secured through Sasol's own marketing infrastructure."

Sasol's contribution to the South African economy is claimed to be R4 billion a year.

Krynauw said the move would ensure that all stakeholders would have a say in the future of the local oil industry. — Sapa

ST Times 13/6/93

(182)

Fiery debate looms over switch to unleaded fuel

By CHARMAIN NAIDOO

WHEN South Africa makes the multi-million-rand change to unleaded petrol in 1995, it will be one of the few countries where the decision was not made in the interests of a healthier environment.

The decision to change was motivated mainly by the local motor industry's attempts to keep abreast with engine technology and to enhance its prospects of exporting components and completed vehicles, said Mr Costa Pierides, assistant director at the National Association of Automobile Manufacturers of SA (Naamsa).

In fact, it will not even be compulsory to fit cars immediately with catalytic converters — devices that clean the fumes before they are expelled from the exhaust.

To encourage its use, unleaded petrol will cost less, which means motorists with old-technology engines will effectively subsidise the new technology.

Naamsa estimates that by the introduction date, nearly 3,5-million vehicles — half the country's petrol-engine vehicles — will be able to run on the new fuel, though not all of them will have converters.

Mr Pierides said the industry's attempts to keep up with new technology would also benefit local consumers as engines would be more fuel efficient and require less maintenance

But CSIR environmental health specialist Petro Terblanche has reservations about the conversion.

She is concerned that the introduction of unleaded petrol without the use of converters will not improve general environmental conditions, and that the costs of the change will be exorbitant.

"A child living in a home where coal is burnt is exposed to more than the healthy lead limit every day

"The contribution of lead in petrol to total human exposure is low in comparison, probably below 50 percent.

"If it costs R1-billion a year to phase in unleaded petrol, think how that money could be used to provide people with electricity so they don't need to burn coal, which is our worst air pollution problem"

Dr Terblanche said: "Lead is found in paint, dust, water and some canned food. There are other pollutants in petrol that are probably more dangerous than lead, such as benzine. Without the compulsory use of catalytic converters, the environmental benefit of unleaded petrol is reduced."

Mr Pierides said Naamsa had practical concerns about introducing converters immediately

Reluctant

"The unleaded petrol will be introduced through the existing leaded fuel distribution system. Therefore there is no guarantee the system will be purged of residual lead.

"Since even a small quantity of lead in the fuel could be catastrophic for an automotive catalyst, vehicle manufacturers are reluctant to introduce these expensive systems until they are confident there will be no problems," he said.

In response to criticisms that the money being spent on the conversion to unleaded fuel should go on electrification, Mr Pierides said: "It is wrong to assume that this money could have been redirected to electrification. This investment money would be lost to our economy."

Fertilisers, explosives to help Omnia grow

B/Day 14/6/93

EDWARD WEST

OMNIA Holdings' budgeted profits for 1993 looked promising in view of expectations of much improved sales from the explosives and fertiliser divisions, chairman Joachim Winkler said in the 1992 annual report

Omnia is listed in the chemical sector of the JSE and is involved in explosives, farming, seeds, industrial chemicals and international trading.

After the recent rains, the fertiliser and seed divisions could look forward to good results which would be enhanced by cost-cutting and improved productivity measures, said Winkler.

Omica MD Alan Clegg said supply and demand for major grains appeared to be in equilibrium for the 1993 season, and trading activity was expected to decline However, fertiliser exports to Malawi and Zambia were expected to improve

The explosives division, BME, would show a substantial increase in sales and profits from contracts already in hand. The new chemical division would consolidate sales to the industrial sector in search of new opportunities

(183)

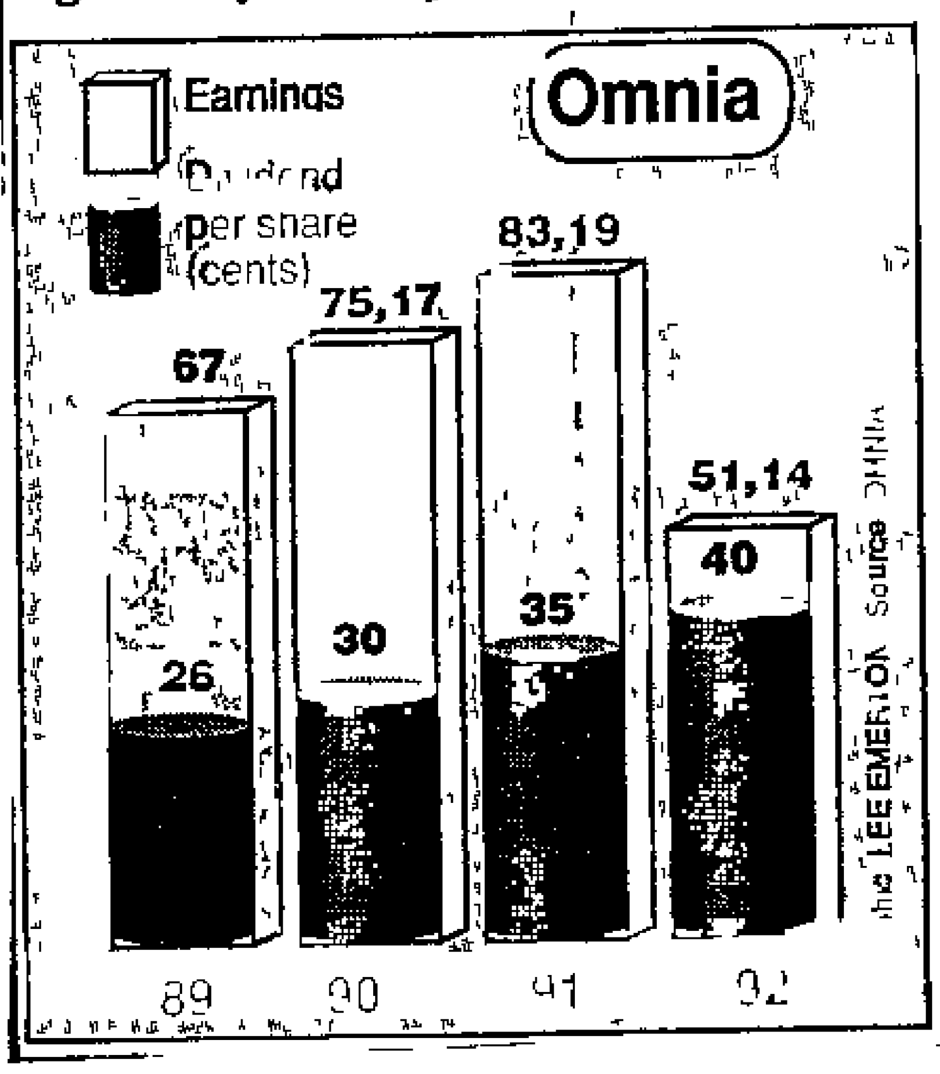
The Omnia farming division would continue to farm beans, maize and potatoes in spite of a restructuring of the division last year Other farming opportunities were being pursued in southern Africa

Although the group achieved good results with rationalisation, there was still scope to lower costs and further improve productivity, said Winkler

Omnia shareholders were advised in November that negotiations were under way which could affect the share price The negotiations were continuing and an announcement would be made when appropriate, Winkler said

During the 1992 financial year, the industrial businesses, particularly explosives, more than doubled turnover and profits, but the seeds and fertiliser businesses for the first time suffered the loss of an entire wheat-planting season because of drought

The resultant drop in profit margins saw 1992 earnings fall to 51,1c a share (1991 83,2c) The dividend was lifted to 40c (35c) Omnia's share price has recovered strongly to 490c on Friday from its 12-month low of 380c at the end of August last year following the rains



The facts

CT 14/6/93

IN a report in the Cape Times on Saturday, BP SA was quoted as saying that Sasol's plan to set up its own petrol stations was "contrary to existing agreements between the oil industry and Sasol" In fact the BP SA spokesman refused to comment, and the statement was made by Caltex Oil SA The error occurred during the editing of a Sapa story by the Cape Times

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CT 14/6/93

31 Mossgas home arrests

THIRTY-ONE people, all believed to be members of the Mossel Bay Civic Association, were arrested here at the weekend and are to appear in court after they allegedly tried to occupy a number of empty houses belonging to Mossgas

(183)

Police arrest company director in medical scam swoop

BDay 14/6/93

ANDY DUFFY

POLICE have arrested United Pharmaceutical Distributors' chief buyer and raided the company's offices as part of an investigation into an alleged multimillion-rand theft of medical supplies.

SA Narcotics Bureau detectives arrested George Dennis Simmons at his home in Randpark Ridge, Randburg, on Friday on two theft charges

Simmons, who is also a director of Medical Cash & Carry, appeared in the Johannesburg Magistrate's Court on Friday and was released on bail of R25 000.

Police also raided the offices of Medical Cash & Carry, which linked up with Premier Group's medical distribution operation in April in order to form the R1,5bn-a-year United Pharmaceutical Distributors business

Detectives removed invoices, computer software and medical supplies worth R25 000 from the company's offices and warehouses in Amalgam and Cresta

The arrest and raids follow a two-year investigation by narcotics bureau officers and the Witwatersrand attorney-general's office.

In December the probe included police setting up a fake pharmacy in Johannesburg to sell "stolen" medical supplies

Police said further arrests were expected. The amount involved in the investigation was estimated at "several millions of rands", although the precise figure had still to be verified.

Simmons was charged with stealing pharmaceutical products worth about R22 000 from persons unknown to the State, and stealing an unknown quantity of pharmaceutical products between June 1990 and May 1993

(183)

The State alleged he was pivotal to the operation which involved "massive amounts of money"

Simmons was granted bail until June 21, on condition that he be confined to his home and that he hand over all his telephone equipment to the police investigating officer. He also had to undertake to avoid contact with any Medical Cash & Carry director or employee, or anyone connected to the company

Police estimate that the market for stolen medical supplies is worth about R750m a year.

Sources for supplies include hijacked trucks, hospitals and the armed forces The supplies are sold by front companies to distributors at prices often far below those charged by the actual manufacturers

THE WEEK AHEAD by Kelvin Brown

B/Day 14/6/93

Petrol hike may pump up PPI

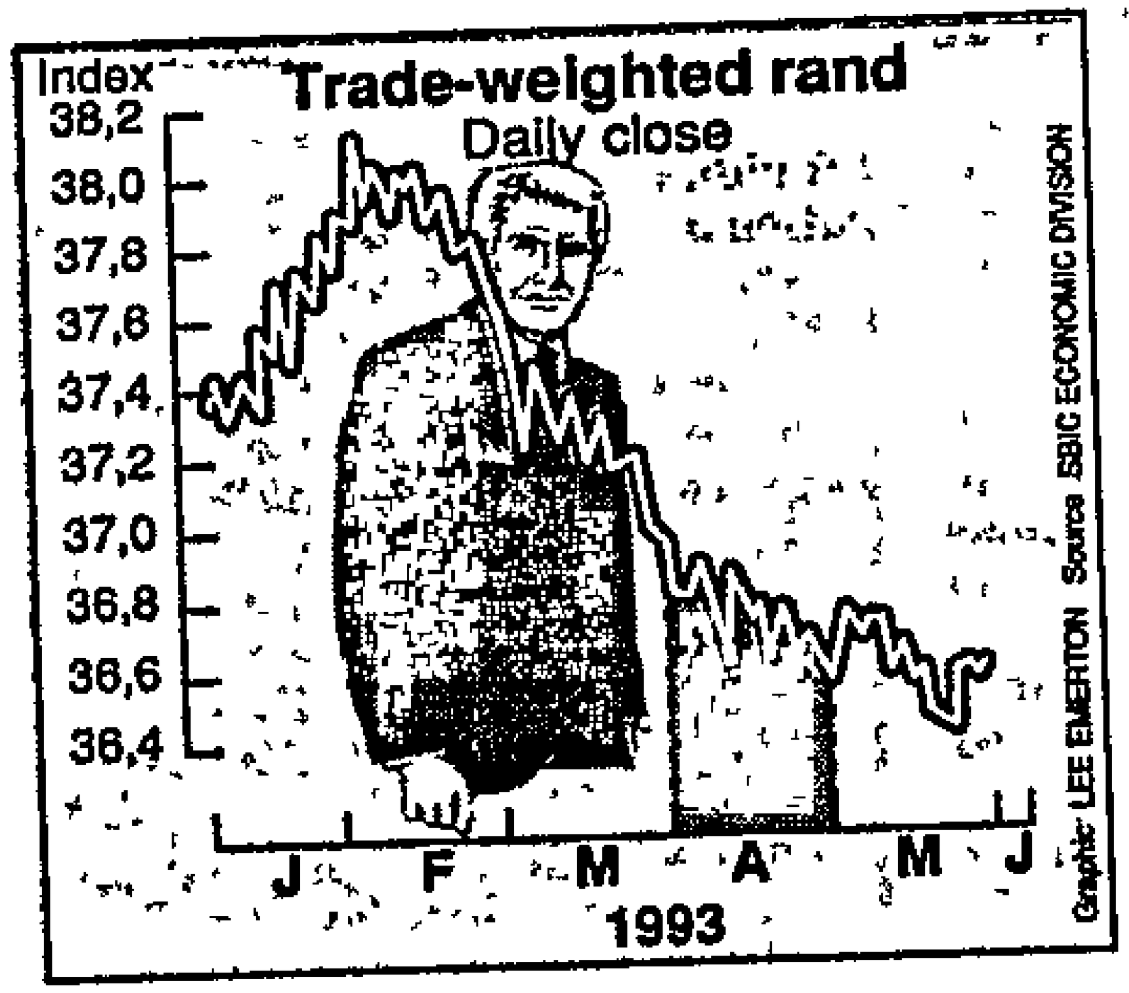
THE 10% increase in the petrol price early in April is expected to pump up the producer price index (PPI) by about half a percentage point to 8,5% for the year to April when figures are released later this week

Producer inflation has hovered around the 8% mark since last October It fell to 8% for the year to March from 8,3% in February, re-establishing the downward trend evident in the second half of last year In March the monthly rise in producer prices slowed to 0,2% from 1,2% in February

Absa economist Adam Jacobs says the only item likely to show any significant rise in the index is petrol He points out that its overall inflationary effect is likely to be small because petrol does not carry a large weighting in the PPI basket, while the recession has also forced producers to absorb some of the increase.

The index for local commodities has recorded a downward trend as the recession has deepened In March monthly local commodity prices fell 0,5%, and the annual increase slowed to 8,5% from 9% in February "With volumes under pressure many producers are forced to keep price increases as low as possible," says Jacobs.

Mathison and Hollidge economist Tracy Ledger agrees with his assessment, saying consumers cannot afford further price increases. "The trend of low wage settlements and continuing retrenchments have caused demand for credit and personal disposable income to fall significantly, putting producers under severe pressure to absorb cost increases"



The PPI should also obtain some relief from a slowdown in the depreciation of the rand in April The fall in the value of the rand against the currencies of SA's trading partners was considerably less in April compared with the previous two months (see graph). "Imported inflation should not be so much of an issue due to the rand remaining fairly steady in April," says Ledger According to the graph, the situation should remain much the same in May.

However, imported inflation is unlikely to disappear. "The trend is towards a lower effective exchange rate," says Nedbank economist Edward Osborn

(183)

Import prices carry a significant 19,5% weighting in the PPI. The large fall in the rand's value earlier this year exerted considerable upward pressure on the imported component of manufactured goods

After the significant fall in the trade weighted rand index from February, manufactured import prices rose 0,76% in the month, from 0,1% in January. In March the rate came down slightly to 0,7%.

According to Osborn, this year should see the last of low wage increases and big retrenchments "As we approach nirvana, as far as politics is concerned, demands for higher wage rates are likely to increase." Next year unions could argue that it is time to reward workers who have sacrificed so much by accepting wage increases below inflation

International economic indicators due out later this week include Japanese first-quarter GDP figures A rebound from the 0,3% fall recorded in the last quarter of 1992 seems likely after the introduction of the government's multi-trillion yen public works package

UK May retail sales, out on Wednesday, are not expected to show any rise Sales have increased in tandem with a faster rate of growth in narrow money supply The May figure, already released, showed a large slowdown in M0 growth for the year to end-May to a preliminary 3,3% while the broader M4 measure remained fairly dormant.

UK unemployment figures for May follow on Thurday. In April unemployment fell by 14 000 to 2,94-million or 10,5% This was the third consecutive month the jobless figure fell, raising some concern that it is slowing unusually early in the business cycle

New company could seek listing

Sasol, AECI plan R2,5bn joint venture

BDay 15/6/93

EDWARD WEST

SASOL and AECI plan to launch a petrochemical and plastics joint venture with a turnover of more than R2,5bn a year. (183)

The company would be formed through the merger of the groups' petrochemical and plastics interests and could eventually be listed separately on the JSE, Sasol and AECI said at a news conference yesterday.

Sasol would hold 60% of the as yet unnamed company and AECI 40%. The proposed merger would mean the new company could embark on a R400m project to convert AECI's PVC from carbide feedstock to ethylene feedstock.

The merged business would include Sasol's ethylene, propylene and polypropylene operations and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies.

Describing the rationale for the deal, the groups said production overcapacity and weak world petrochemical markets resulted in companies having to combine forces, rationalise activities and become increasingly focused.

AECI MD Mike Sander said the venture, which had been under negotiation for the past five months, would benefit AECI as it used the competitive advantages of Sasol feedstock to create a fully integrated world-class business

AECI's PVC manufacturing facilities were currently operating from a cost base that was too high to compete effectively internationally. The restructuring of these facilities through the joint venture would reverse this situation

Sander estimated that — depending on variable raw material costs — savings of up to $200 a ton could be achieved for some polymers through the joint venture

Sasol MD Paul Kruger said the venture was a logical step in group strategy to add value to its feedstock strength by expanding into the polymer business Sasol would also have access to an attractive project and a market for additional ethylene.

Furthermore, like the announcement to form a separate oil and petrol retail company, the venture with AECI was a step towards dividing Sasol's activities into separate business entities, said Kruger

The R400m PVC conversion project was intended to be funded from cash flow generated by the joint venture, but outside funding might also be sought, the companies said.

Management for the new company would be appointed from outside AECI and Sasol and would operate independently.

The new company would have the designed capacity to produce about 600 000 tons of polymers a year

AECI planned to supply about 450 000 tons of capacity to the merger — including 160 000 tons of its PVC production capacity — while Sasol would provide about 130 000 tons of capacity Commissioning of the PVC conversion project was expected late in 1995, said Sander.

Discussions with Sasol customers Sentrachem and Hoechst were under way to secure their access to ethylene and propylene The deal was subject to Competition

☐ To Page 2

Sasol, AECI

BDay 15/6/93

Board approval, said Kruger.

Provided the discussions were successfully concluded, the proposed merger would become effective on July 1.

☐ Sander also said yesterday that discussions were under way between AECI and the UK-based Imperial Chemical Industries (ICI) following the completion of the ICI de-merger and the establishment of Zeneca as an independent entity specialising in biochemicals. (183)

The purpose of the discussions was to review ICI's position in the businesses operated by AECI with a view to aligning ICI's interest in AECI more closely with ICI's international business strategy ICI holds 38% of AECI

Sander said the talks, which would be completed within the next four months, were intended to change the structure and involvement of ICI in AECI rather than have it a reluctant shareholder.

Sasol, AECI in R400-m venture

Star 15/6/93

By Derek Tommey

Sasol and AECI, the country's two chemical giants, are planning to launch a joint venture to produce low-cost PVC, which will sell at competitive prices locally and overseas.

Provided negotiations are successfully concluded, the new company should become effective on July 1

The two companies say the move is in line with developments overseas where production overcapacity and weak markets have led international outfits to combine forces to increase their competitive position.

It is planned to start work on the joint venture as soon as possible, with production expected to begin at the end of 1995.

(183)

It will require an investment of R400 million It will have an annual turnover of more than R2,5 billion

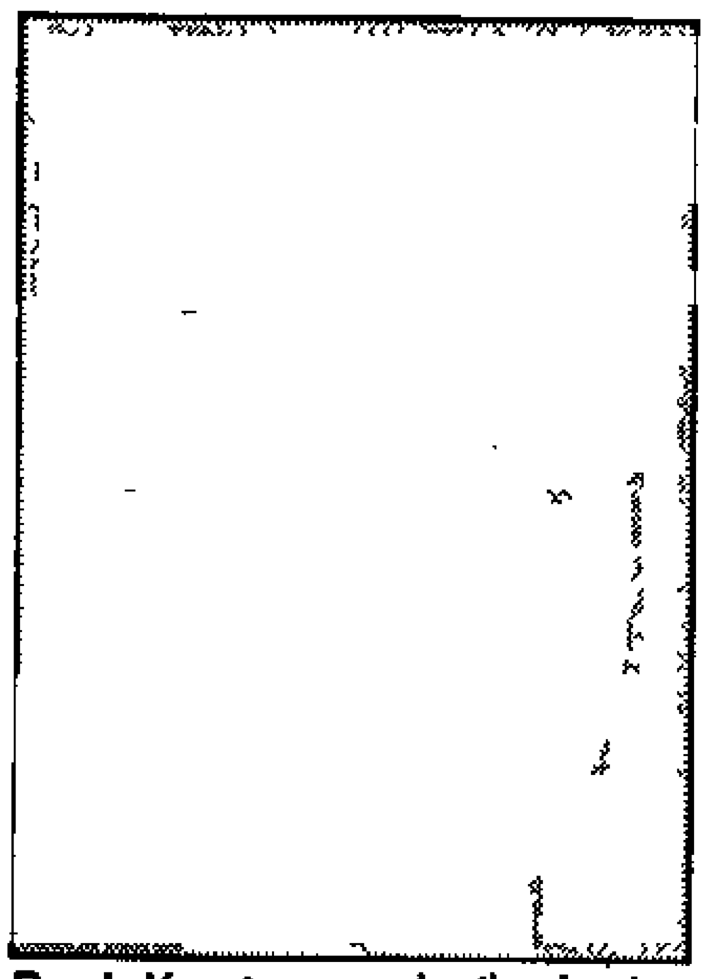
Funding

At this stage it is intended to finance the project from cash flows, but outside funding may also be sought

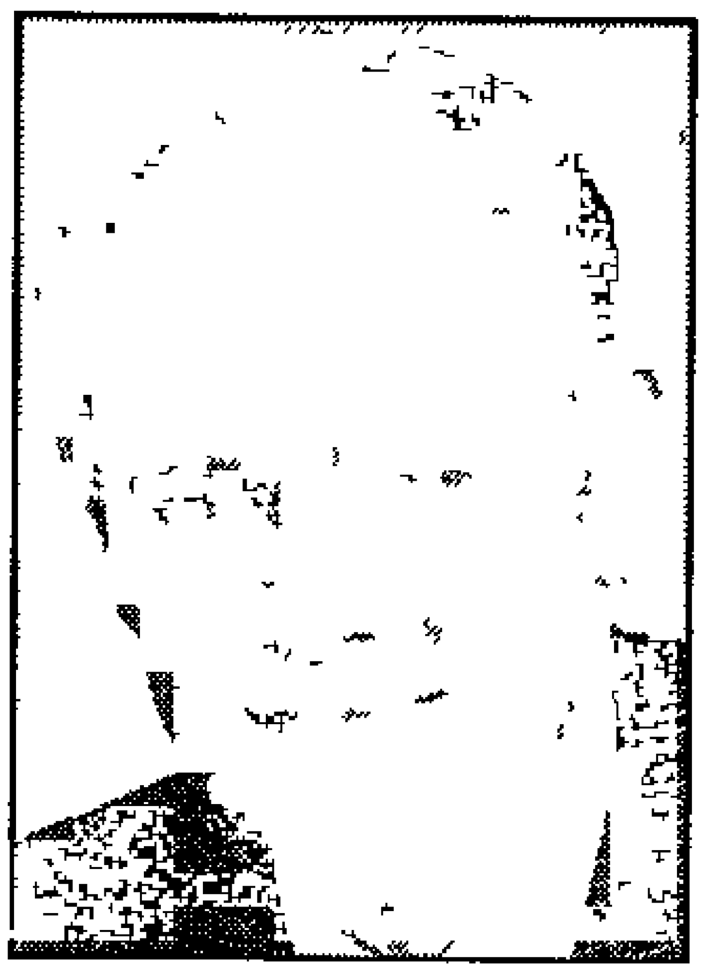
The operation may be listed on the JSE at an appropriate time.

The venture will have its own management team and board of directors

It will not be controlled by either Sasol or AECI.



Paul Kruger . . . logical step in Sasol's strategy



Mike Sander . . . no negatives in the proposal

Initial indications are that Sasol will hold 60 percent of the venture's shares and AECI the remaining 40 percent

The venture will take over Sasol's ethylene, propylene and polypropylene operations, and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies

The merger will enable the new company to switch from AECI's carbide feedstock to Sasol's lower-cost ethylene feedstock

This should lead to a reduction of about $200 a ton in the cost of PVC

AECI managing director Mike Sander said at a press briefing yesterday that he could see no negatives in the proposal

"It is good for us, for our customers and for South Africa," he said

Sasol managing director Paul Kruger said the venture was a logical step in Sasol's strategy of adding value to its considerable feedstock strength by expanding its interests in its polymer business.

Sander announced that the British chemical giant ICI, which has a 20 percent interest in AECI, had advised AECI that now that its demerger process was complete, it was reviewing its portfolio, particularly in businesses around the world which were not in its target areas

ICI's approach has been that it would like to be a shareholder in those parts of AECI's business that make sense to it as far as international strategy is concerned

Discussions are likely over the next few months aimed at aligning ICI's interests in AECI more closely with its international business strategy

Star 15/6/93

Health-care costs make you ill

183

BITTER PILL Illness has become an extremely lucrative business. **LANA JACOBSON** looks at the just some of the reasons behind spiralling health-care costs.

IMAGINE a world full of healthy people What would happen to the world economy? What would happen to the mega-billion-rand drug industry? What would the powerful pharmaceutical companies dream up next?

Perhaps they could package "consumer friendly" sacks of unpolluted air Perhaps that's on their drawing boards

It is hardly a secret that medical costs in South Africa have reached the stratosphere in price and that prescription drugs are the main target of consumers' and health-care reformers' wrath

But, can anything be done?

Invariably, when the topic is scrutinised, the debate boils down to paying exorbitant prices for drugs or not having them at all

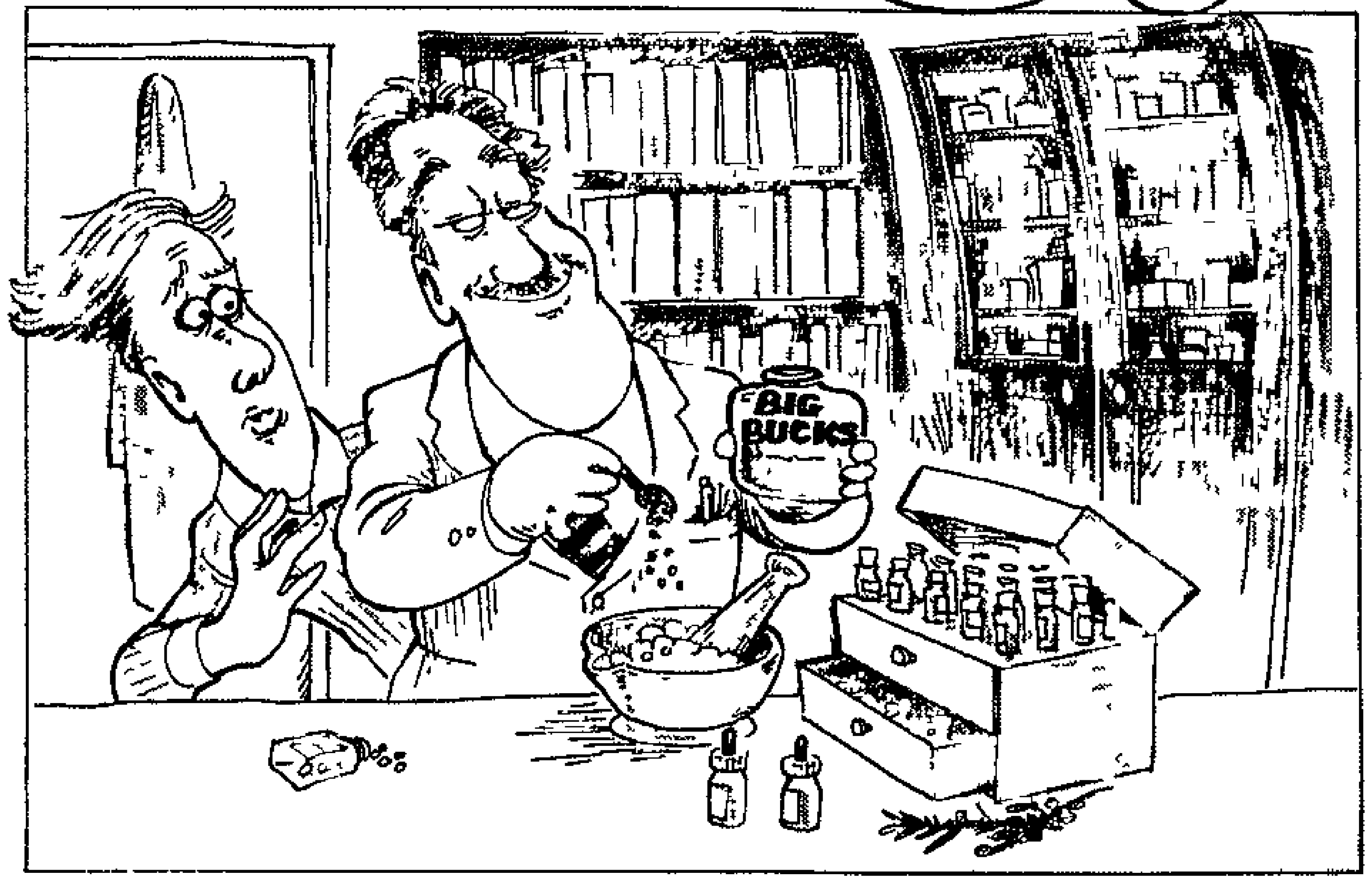
Pharmaceutical research laboratories make a powerful argument that developing tomorrow's antidotes is a big-money venture

"It costs upwards of $200 million (about R640 million) to get a product to market," says a spokesman for American multinational Johnson & Johnson

Moreover, says Martin Jennings, Glaxo corporate affairs manager in Isando, drugs may be expensive, but they offer substantial savings and personal freedom from a lengthy stay in the hospital

"More attention should be given to the debate of quality of life aspects in the treatment of disease," he says

The current market-oriented, underinsured US health-care industry has become a focal point of President Bill Clinton's administration By appointing his no-nonsense wife, Hillary, Clinton is determined to get medical costs to return to earth and that a majority of Americans be able to afford adequate health insurance



While the critical situation in the US may seem strikingly similar here, we actually face a double whammy Our marketplace is small and few active ingredients for medicines are manufactured in South Africa, other than paracetamol and aspirin

"All active ingredients are imported, and our weakening exchange rate makes it nearly impossible to keep costs down," says a retailer of a large pharmaceutical firm

Typically, aside from the capital employed for development, a medication's price must include the costs of

- Sugar-coating or encapsulating,
- Packaging and labelling,
- Marketing,
- Quality control,
- Storage,
- Distribution

What is most alarming is the quantum escalation of prices from factory to patients While the mark-ups in the US and the UK are typically in the range of 20 percent, in South Africa the figure is well above 100 percent, not including VAT The reason is largely due to much heftier profit margins by wholesalers and pharmacists

And then there are the inflation-busting price increases ordered by the pharmaceutical companies There is no shortage of examples

In the US, Wyeth-Ayerst raised the price of Premarin, an oestrogen replacement used during menopause, 131 percent between 1985 and 1990, according to a recent Senate report

Johnson & Johnson stirred outrage last year by charging the equivalent of R3 900 for a dose of its colon-cancer treatment Ergamisol, even though another firm sells a veterinary drug with the same active ingredient. Levamisole, for just R42

In its defence, J & J said that it reformulated its version for human use and the price of its drug was comparable to other cancer treatments available here

And there's an ulcer medication that costs R300 for 30 pills "That price was an instant cure for my ulcer," quipped one patient

Other overlooked factors include salary demands, labour union problems and the increase in price of the actual organic compounds And we haven't even touched on replacing ageing plant and equipment

True, it can be argued that people are living longer, they are taking expensive pills that may not always cure the condition, but do allow sufferers to maintain and prolong their life span

But the bitter pill doesn't end at the pharmacy counter Consumers must either pay more to medical aid schemes as they continue to increase patients fees, or limit their benefit payments

Medical aid companies reason that there are only two ways of controlling the escalation Either they give less return for members' money, or they increase their fees Generally they seem to do both!

Irate members who are relatively healthy, and never reach their allotted yearly limit also complain that the healthy support the sick and infirm

Perhaps before reaching for the medicine cabinet, you should settle for a scotch on the rocks, a long walk, or a session of deep breathing It will certainly be much cheaper and maybe, just maybe, healthier as well

Sasol, AECI venture should boost earnings

(183) (189) CT 16/6/93

From EDWARD WEST

JOHANNESBURG — Sasol and AECI's plan to establish a joint venture with their petrochemical and plastics interests should improve both companies' long-term earnings potential, stock market analysts said yesterday

Sasol would benefit on a number of fronts, mainly in the taking up of excess ethylene capacity which would be used as feedstock to produce polymers for the new company

Sasol produces about 400 000 tons of ethylene a year from its petrol-from-coal production processes The new joint venture would consume about 40 000 tons a year leaving sufficient surplus capacity for SA's future growth requirements, Sasol spokesmen said yesterday

The venture could allow Sasol to access latest technological developments through AECI's association with UK-based chemical conglomerate ICI

The use of surplus ethylene would come into its own once the R400m project to restructure AECI's PVC feedstock plant was commissioned late in 1995 The restructure involved the installation of a oxychlorination unit which AECI MD Mike Sander said was adaptable to AECI's assets

AECI's PVC plant, which used a carbide feedstock, was established based on a forecast oil price of about \$60 a barrel Most PVC producers in the world had since switched to ethylene feedstock, analysts said.

Management would be drawn from Sasol and AECI and not, as reported yesterday, from outside the two groups

BUSINESS DAY, Wednesday, June 16 1993 2

Sasol and AECI 'set to benefit' from joint plan

B/Day 16/6/93

EDWARD WEST

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Misfortune turns into life's dream

Sowetan 17/6/93

Sanlam 75

■ ACTION MAN Thugs did this ex-bus driver a favour:

By Mzimkulu Malunga (183)

Danny Lekalakala

WHEN MR DANNY LEKALAKALA lost his left eye in 1985 after being attacked by thugs in Soweto, he did not sit back and wait for pity He swung into action by venturing into the business world

At the time he was a bus driver and Lekalakala's company felt he was no longer of any value to them. So he left.

Ironically, he had always dreamt of being in business So he tried his luck selling leather jackets He bumped into a German technologist who introduced him to pit toilet care chemicals

"In my days as a driver, I used to transport people on trips to various parts of the country, particularly the rural areas In the process I recognised the need for pit toilet care chemicals," he said

He formed a company called Calichem which specialises in producing a chemical that eats up the dirt in pit toilets which extends the life of the toilet.

"The chemical, called calic powder, forms a living micro-organism that dissolves the waste into liquid which in turn dissipates into the ground," explains Lekalakala

Raw materials are imported from the United Kingdom and blended in South Africa.

To introduce his product on the market, Lekalakala went on an advertising campaign though he had limited resources In addition to the small advert in the *Sowetan,* he printed 8 000 leaflets and with the help of friends and relatives distributed them nationally

Today, his customers come from as far as Zimbwabwe, rural areas as well as squatter camps

As the response to Calichem's products grew, Lekalakala added a toilet deodorant and pesticides

The company employs four people and has been in operation for the past nine months

Despite the positive response so far, Lekalakala has been unsuccessful in convincing big companies that he could be a reliable supplier "All those that I tried have given me the cold shoulder," he says

His enterprise has a capacity to produce about 1 000kg of calic powder a month

"I used to transport people on trips to various parts of the country, particularly the rural areas. In the process I recognised the need for pit toilet care chemicals"

SASOL'S TEAM-MATES

FM 18/6/93

Sasol has again decided that teaming up with a chemical rival can be more profitable than squaring off in the marketplace. In March it joined a Sentrachem division to build an alkylamines plant. This week Sasol and AECI formed a new business that will combine elements of their petrochemical and plastic interests.

With more than R2,5bn in turnover, the new company will be no mere sideline. Expected to be 60% owned by Sasol and 40% by AECI, it might eventually be listed on the JSE. But neither the name nor the management has been chosen yet.

The move is in line with international trends. Production overcapacity and weak world petrochemical markets have led many companies to combine forces, rationalise activities and become more focused. (183)

Unless there's a hitch in forming the joint venture, the new company will embark on a R400m project converting AECI's PVC-from-carbide feedstock to ethylene feedstock. Production is expected to start by the end of 1995. Discussions are underway with Sentrachem and Hoechst to gain access to the feed stocks.

FM 18/6/93 (183)

CHEMSERVE/ROYCHEM (183)

Paying for growth

FM 18/6/93

Chemical Services (Chemserve) has for some time been looking for a sizeable acquisition to start a new growth phase Del Monte Royal (Delcorp), since its formation at the end of last year, has made it clear it has little interest in the chemical industry

So last week's R27m sale of what, in turnover, amounts to about half of Roychem to Chemserve would appear to suit both parties The advantages are obvious for Chemserve Delcorp, through BOE Merchant Bank, says it considers the price fair

But one suspects Chemserve got the better part of the deal The purchase price, equating to NAV, seems favourable for Chemserve, even for agency and distribution businesses in an industry now going through a difficult period

Chemserve's Van Vught
will proceed with caution

BOE Merchant Bank GM Bobby Favish says considering the intense pressure on margins in the fine chemicals industry, the R27m Chemserve paid for Roychem's Holpro-Lovasz and M&T Chemicals, the audited NAV of the businesses, is a fair price

Why, then, has it taken so long for the deal to be concluded? Roychem was rumoured to be on the market as early as the beginning of the year and Chemserve put out the word soon afterwards that it was interested Chemserve MD Lex van Vught says earlier speculation about his group acquiring parts of Roychem were premature and that talks only started in earnest in April

That aside, Roychem has become almost irrelevant in the larger Delcorp scheme of things; so perhaps the major shareholder was prepared to sacrifice a few million to get peripheral interests out of the way

For Chemserve, the Roychem businesses must be seen in conjunction with the earlier R10m acquisition of Plastamid from parent AECI and Protea Chemicals, as well as the acquisition of the remaining 50% of Crest Chemicals from its holding company

Van Vught declines to reveal what Chemserve paid for the remainder of Crest Chemicals, saying details will be disclosed to shareholders soon But, with the Roychem interests and Plastamid, Chemserve must be in for more than R40m

The Roychem deal is payable in cash, which Van Vught says will be funded from short-term borrowings "We can convert some working capital into cash over the next year through optimising working capital management, which should substantially reduce our investment," he says

It seems likely Chemserve will partly settle the other acquisitions by issuing shares to AECI That would increase Chemserve's capital base and, assuming about half the consideration is settled by shares, result in a small increase in AECI's 65%-holding

The two former Roychem businesses are to be renamed Holpro Fine Chemicals and will be slotted into Chemserve's agency and distribution operating sector, and will concentrate on the food, beverage, medical, pharmaceutical and allied industries Wholly owned Crest Chemicals will be restructured to operate in industries not covered by Holpro, mainly the mining, chemical and textile sectors

Van Vught says the acquisitions will enable Chemserve to enter a growth phase "We will proceed with caution These acquistions might take some time to digest and we don't want to put undue strain on our balance sheet or human resources"

Still, it would not be surprising to see Chemserve acquire at least one more of the remaining Roychem businesses Talks in that area are progressing, apparently with a number of parties

Shaun Harris

PREMIER GROUP (183) FM 18/6/93

A case where unbundling worked

Joe Bloom, Premier's legendary chairman, was fond of observing that his education was at the university of Newtown, the site of Premier's old Johannesburg head office He would have been pleased with the results — the group's 80th — announced by present chairman Peter Wrighton — even if they did emanate from the plush Killarney HQ, the folly of his departing son Tony

They took the market by surprise Premier's bottom line is better than expected and this continues a trend that started when Wrighton took the chair in 1989 The improving financial performance partly reflects changes in management but also follows changes in the activities from which the group derives its profits

Over the five years since the unbundling of the 34% holding in SA Breweries, EPS have grown at a compound annual rate of 23% while shareholders' wealth rose at a compound annual rate of 63% Market cap, at R4bn, is now more than it was before the unbundling

Attributable earnings for the year ended April jumped 23% to R234m That was achieved despite the increase of only 3% in turnover, to R10,2bn, though figures have been distorted by disposals, acquisitions and the consolidation of certain investments in which the group has a significant interest Turnover in comparable operations on an annualised basis increased 13%

Highlights of the income statement are the sharp reduction in net interest paid to R24m from R58m despite the 52% increase in borrowings (gearing remains an acceptable 14%), and the reduction in the effective tax rate to 36% from 42% Wrighton says the strong cash generation of Metro is behind the reduction in interest paid, while the drop in the company tax rate to 40% added eight percentage points to earnings growth

It's worth commenting on the perceived comparison between Tiger Oats and Premier The accepted wisdom had long been that Tiger returned a better yield and offered consistently better prospects, no longer Wrighton has produced results which now compare favourably with those of his major competitor, and Premier's positioning for the next year suggest its short-term prospects are probably better

BASKET OF GOODIES

Year to April 30	1992†	1993
Turnover (Rbn)	9,8	10,2
Operating income (Rm)	420	439
Attributable (Rm)	190	234
Earnings (c)	244	283
Dividends (c)	81	94

† 13 months annualised

Premier's Wrighton *strong cash generation*

The reasoning behind this is the nature of Premier's diversified portfolio, important particularly in this economic environment where food, its core business, normally lags the general economic cycle by 12-18 months and is a relatively stable, if pedestrian, profit generator

This is borne out by the food division's almost unchanged earnings of R113m, or 48% of the total Pharmaceuticals increased its earnings contribution almost 60% to R44,9m, helped by Premier's increase in shareholding to 58% The wholesale division's R37,2m (R16m) contribution largely reflects the performance of Metro Cash & Carry, which exceeded market expectations Earnings by retail operations increased to R39m (R31m), the good performance by Clicks Stores more than compensating for the marginal improvement in earnings by CNA Gallo

Apart from the increased stake in Prempharm, Premier's active policy of investment saw the acquisition of a 39% stake in Bonnita Holdings, second largest producer of milk-based products It also acquired 40% in United Pharmaceutical Distributors (UPD) in a transaction which involved the disposal, to UPD, of its wholesale pharmaceutical interests, housed in Gresham and PDC Since year-end Prempharm has announced its acquisition of Leppin, strong in brand products popular among sportsmen

Of course, no-one gets everything right all the time Wrighton concedes he regrets the outcome of the action taken to remove the minorities in Hi-Score and Score-Clicks Rejection of the schemes by the minorities means these two companies now sit in an expensive limbo, and Wrighton says it's unlikely anything can be done to rectify matters for some time

Though always looking for potential acquisitions, Wrighton says growth is expected to come largely from expansion by Metcash into international markets About 17% of Metcash's turnover is now derived from outside SA This is expected to increase significantly in the next four to five years not only by cash & carry operations, established by strong joint-venture companies, but also through the export of grocery products to Africa, Asia and the Middle East

This recently developed chameleon-like adaptability explains the sharp rerating of the share The counter is no longer cheap, however, it is indicative of the confidence the market is displaying in Premier's ability to meet new challenges The price has risen faster than both the JSE Industrial and Food indices Now on a p e of 18,0 and a dividend yield of 1,8%, it should continue to outperform most other companies on a similar rating

Marylou Greig

Petrol levy allocation being negotiated

BDay 21/6/93

TIM COHEN

CAPE TOWN — The method of distributing the R133m gained from the special 1c/l petrol levy for regional services councils and the joint services board was still under negotiation, Deputy Finance Minister Theo Alant said on Friday.

(58) (183)

The levy, which would be paid out monthly from July 1, was aimed at compensating RSCs and the boards for their new commuter transport responsibilities.

The allocation formula was being debated and proposals had been tabled. The intention was to distribute the levy in proportion to each area's fuel consumption.

Replying to a debate on the Tax Laws Amendment Bill, Alant suggested that the method by which VAT, income tax and customs revenue accruing to central government in a federal state should be distributed to regional states was dependent on constitutional negotiations.

Government envisaged that a commission could determine the formula for distribution and that this formula could be renegotiated every three years to allow for factors such as rapid urbanisation.

Although government had made thorough studies of the situation and investigated various scenarios, the final result would be dependent on political decisions.

Union ordered to stop strikes

(183) (140) (182)

Staff Reporter

A BELLVILLE plastics company has obtained an urgent Supreme Court order to prevent more than 100 of its workers from taking sporadic wildcat strike action. ARG 22/6/93

Part of the workforce at Marley's factory in Bellville have been holding wildcat strikes since June 10 over wage increase demands

The court order interdicts members of the Chemical Workers' Industrial Union of South Africa from starting or taking part in an illegal strike

Factory general manager Mr Jan Tredoux said in papers before Mr Justice W A van Deventer yesterday that the firm lost R4 000 each hour during work stoppages.

The union has until July 27 to show why the order should not be made final

Mr B Manca instructed by Webber, Shepstone and Findlay, appeared for Marley

AECI given good rating

EDWARD WEST BDay 24/6/98

REPUBLIC Ratings has given AECI an A rating for its ability to service long-term debt timeously and an A1 rating for maturities of less than 12 months

Republic Ratings director Dave King said the ratings reflected the group's difficult operating conditions.

The chemical industry's international competitiveness had been blunted as a result of high protective barriers in the form of controls and duties and a greater inward orientation during the sanctions era (183)

With the commodity cycle trading at its lowest level in real terms in 30 years and the inroads made by imports in certain key market segments, AECI's margins had come under strain over the past three years

However, the ratings were based on AECI's strong position in the domestic market and the steps taken by management to address strategic problems This included the recent link-up with Sasol to enhance the cost-competitiveness of its polymer production facilities

Its balance sheet had strengthened over the past financial year. Apart from a R210m decrease in borrowings, the group had been released from R260m contingent liabilities and guarantees relating to Soda Ash Botswana

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

Government Gazette
Staatskoerant

Vol. 336 PRETORIA, 24 JUNE JUNIE 1993 No. 14898

GOVERNMENT NOTICE

OFFICE FOR PUBLIC ENTERPRISES AND PRIVATISATION

No. 1136 (183) **24 June 1993**

MINISTRY FOR PUBLIC ENTERPRISES

AMENDMENT OF NOTICE PROHIBITING A RESTRICTIVE PRACTICE IN TERMS OF SECTION 14 OF THE MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979 (ACT No 96 OF 1979)

In terms of Notice 426 that was published in *Government Gazette* No 14797 of 14 May 1993 I, Dawid Jacobus de Villiers, Minister for Pubic Enterprises, declared certain forms of conduct to be unlawful This action followed upon an investigation conducted by the Competition Board into allegations of unjustifiable discriminatory practices by certain manufacturers of medicines which could eventually be sold on prescription

There has been widespread reaction to Notice 426, much of it by persons who, for one reason or another, showed no interest in the Board's investigation or hitherto have made no submissions on the relevant issues More particularly, comments have been received advocating certain changes to Notice 426 to cater for particular circumstances or to facilitate interpretation and implementation of the Notice Other parties referred to the gross abuses that occur under the existing system which were mentioned in the Board's Report No 34

GOEWERMENTSKENNISGEWING

KANTOOR VIR OPENBARE ONDERNEMINGS EN PRIVATISERING

No. 1136 **24 Junie 1993**

MINISTERIE VIR OPENBARE ONDERNEMINGS

WYSIGING VAN KENNISGEWING WAARVOLGENS 'N BEPERKENDE PRAKTYK VERBIED WORD INGEVOLGE ARTIKEL 14 VAN DIE WET OP DIE HANDHAWING EN BEVORDERING VAN MEDEDINGING, 1979 (WET No 96 VAN 1979)

Ingevolge Kennisgewing 426 wat in *Staatskoerant* No 14797 van 14 Mei 1993 gepubliseer is, het ek, Dawid Jacobus de Villiers, Minister vir Openbare Ondernemings, sekere wyses van optrede onwettig verklaar Hierdie optrede het gevolg op 'n ondersoek gedoen deur die Raad op Mededinging na bewerings van ongeregverdigde diskriminerende praktyke deur bepaalde vervaardigers van medisyne wat uiteindelik op voorskrif verkoop kan word

Daar was wydverspreide reaksie op Kennisgewing 426, baie daarvan vanaf persone wat, om die een of ander rede, nie belangstelling in die Raad se ondersoek getoon het nie of tot nou toe geen voorleggings oor die onderhawige aangeleenthede gemaak het nie In besonder, is kommentaar ontvang wat sekere veranderinge aan Kennisgewing 426 bepleit om voorsiening te maak vir bepaalde omstandighede of om die uitleg en implementering van die kennisgewing te vergemaklik Ander partye het verwys na die growwe misbruike wat plaasvind onder die bestaande stelsel wat in die Raad se Verslag No 34 vermeld word

The Board has investigated the matter further and held discussions with a number of interested parties In order to accommodate cogent comments and suggestions the Board has recommended that I effect certain amendments to Notice 426 To obviate any misconceptions, it must be emphasised that these recommendations do not derogate from the principal purpose of the Notice which is to outlaw discriminatory practices which are distorting competition in the market without, on the evidence presented, yielding any substantial public interest benefits

183

For practical reasons the prohibition is couched in general terms which the courts in the appropriate circumstances will interpret on a case by case basis It should be emphasised that the prohibition does not oblige manufacturers to sell medicine to all buyers at the same price, although they may choose to do so, and does not inhibit manufacturers from adopting any particular form of distribution policy

It also does not prohibit a manufacturer from registering and/or marketing identical medicines with the same ingredients himself, or indirectly, in different pricing categories provided that he shall afford all purchasers or classes of purchasers equal access to the differently priced medicines

I have accepted the Board's recommendations and accordingly hereby in terms of section 14 (3) of the Maintenance and Promotion of Competition Act, 1979, amend Notice 426 by making appropriate deletions and additions to it so that the substantive provisions of Notice 426 now read as follows

> "I therefore declare that it shall be unlawful for a manufacturer of medicine which can eventually be sold on prescription to sell such medicine, or otherwise dispose of it, in a manner which, directly or indirectly, discriminates between buyers, or classes of buyers, of medicine, by applying dissimilar prices and conditions to equivalent transactions thereby placing one or more buyers or classes of buyers at a competitive disadvantage vis-a-vis its or their competitors
>
> This prohibition shall not apply
>
> (a) where Comed is the buyer or where the purchase has taken place under an authority granted to the buyer by the State Tender Board, or
>
> (b) where differences in prices and conditions are objectively justifiable to provide for the difference in cost or probable cost in the manufacture and/or distribution of the medicine which may be ascribed to—
>
> (i) the different quantities that are sold, or

Die Raad het die aangeleentheid verder ondersoek en het besprekings met 'n aantal belanghebbende partye gehou Ten einde oortuigende kommentaar en voorstelle te akkommodeer het die Raad voorgestel dat ek bepaalde wysigings aan Kennisgewing 426 moet aanbring Om enige wanopvattings uit die weg te ruim, moet dit beklemtoon word dat hierdie aanbevelings nie afbreuk doen aan die hoofdoelstelling van die Kennisgewing wat diskriminerende praktyke onwettig wat mededinging in die mark verwring sonder, volgens die getuienis voorgelê, om enige wesenlike voordele vir die openbare belang op te lewer

Die verbod is vir praktiese redes in algemene terme geformuleer wat die howe in die gepaste omstandighede sal vertolk op 'n geval tot geval grondslag Dit behoort beklemtoon te word dat die verbod nie vervaardigers verplig om medisyne aan alle kopers teen dieselfde prys te verkoop nie, alhoewel hulle mag verkies om dit te doen, en belet nie vervaardigers om enige bepaalde soort distribusiebeleid aan te neem nie

Dit verbied ook nie 'n vervaardiger om self of onregstreeks, identiese medisyne met dieselfde bestanddele te registreer en/of te bemark in verskillende pryskategoriee nie, mits hy aan alle kopers of klasse van kopers gelyke toegang tot die verskillende geprysde medisyne sal bied

Ek het die Raad se aanbevelings aanvaar en wysig dienooreenkomstig hiermee ingevolge artikel 14 (3) van die Wet op die Handhawing en Bevordering van Mededinging, 1979, Kennisgewing 426 deur die toepaslike skrappings en byvoegings daaraan te maak sodat die substantiewe bepalings van Kennisgewing 426 nou soos volg lees

> "Daarom verklaar ek dat dit onwettig sal wees vir die vervaardiger van medisyne wat uiteindelik op voorskrif verkoop kan word om sodanige medisyne te verkoop, of dit andersins van die hand te sit, op 'n wyse wat, regstreeks of onregstreeks, diskrimineer tussen kopers, of klasse kopers van medisyne, deur die toepassing van ongelyksoortige pryse en voorwaardes op ekwivalente transaksies en sodoende een of meer kopers of klasse van kopers in 'n mededingend nadelige posisie teenoor sy of hulle mededingers te plaas
>
> Hierdie verbod sal nie van toepassing wees—
>
> (a) waar Komed die koper is of waar die aankoop plaasgevind het met die magtiging wat deur die Staatstenderraad aan die koper verleen is, of
>
> (b) waar verskille in pryse en voorwaardes objektief geregverdig is om voorsiening te maak vir die verskil in koste, of waarskynlike koste, in die vervaardiging en/of distribusie van die medisyne wat toegeskryf kan word aan—
>
> (i) die verskillende hoeveelhede wat verkoop word, of

(ii) different conditions of supply, including the terms of payment, that may apply (183)

In this prohibition the following definitions shall apply

"Buyer or classes of buyers" include, *inter alia*, persons or organisations who or which are directly or indirectly involved in—

(a) the purchase for resale of medicine without the end user being involved, and/or

(b) the purchase for resale of medicine directly to the end user, and/or

(c) the negotiation with manufacturers for the supply of medicine directly and/or indirectly to particular end users or groups of end users

irrespective of whether or not those involved are driven by the profit motive,

"Comed" is the Co-ordinating Committee for Medical Procurement in the Department of National Health and Population Development which is responsible for the compilation of tender documents for the acquisition of medicine and on the basis of whose recommendations, the State Tender Board approves tenders for the supply of medicine to certain government institutions,

"Equivalent transactions" means transactions that require materially the same performance,

"Manufacturer" means a person described as such in regulation (1) of the General Regulations issued in terms of the Medicines and Related Substances Control Act, 1965 (Act No 101 of 1965), and registered in terms of the Pharmacy Act, 1974 (Act No 53 of 1974), and shall include an "applicant" described as such in regulation (2) of the General Regulations issued in terms of the Medicines and Related Substances Control Act, 1965, and registered in terms of the Pharmacy Act, 1974,

"Medicine" means scheduled substances as defined in section 1 of the Medicines and Related Substances Control Act, 1965 and taken up in Schedules 1 and higher in the said Act Provided that if a manufacturer registers and/or markets medicine with the same ingredients himself, or indirectly, under different names and in so doing discriminates directly or indirectly between buyers or classes of buyers of medicine, such medicine shall for the purposes of this prohibition be deemed to be the same medicine, and

(ii) die verskillende leweringsvoorwaardes, wat betalingsvoorwaardes insluit, wat mag geld

In hierdie verbod geld die volgende omskrywings

"Kopers of klasse kopers" sluit in onder andere, persone of organisasies wie of wat regstreeks of onregstreeks betrokke is in—

(a) die koop vir herverkoop van medisyne sonder dat die eindverbruiker betrokke is, en/of

(b) die koop van medisyne vir die herverkoop regstreeks aan die eindverbruiker, en/of

(c) die onderhandeling met vervaardigers vir die verskaffing van medisyne regstreeks en/of onregstreeks aan bepaalde eindverbruikers of groepe van eindverbruikers

ongeag daarvan of die betrokkenes met 'n winsmotief handeldryf aldan nie,

"Komed" is die Koordinerende Komitee vir Mediese Bevoorrading in die Departement van Nasionale Gesondheid en Bevolkingsontwikkeling wat verantwoordelik is vir die opstel van tenderdokumente vir die aankoop van medisyne en op grond van wie se aanbeveling die Staatstenderraad tenders vir die lewering van medisyne aan bepaalde owerheidsinstansies goedkeur,

"Ekwivalente transaksies" beteken transaksies wat wesenlik dieselfde prestasie vereis;

"Vervaardiger" is 'n persoon wat aldus omskryf word in regulasie (1) van die Algemene Regulasies uitgevaardig kragtens die Wet op die Beheer van Medisyne en Verwante Stowwe, 1965 (Wet No 101 van 1965), en geregistreer ingevolge die Wet op Aptekers, 1974 (Wet No 53 van 1974), en sluit in 'n "applikant" as sodanig omskryf in regulasie (2) van die Algemene Regulasies uitgevaardig kragtens die Wet op die Beheer van Medisyne en Verwante Stowwe, 1965, en geregistreer ingevolge die Wet op Aptekers, 1974,

"Medisyne" beteken geskeduleerde stowwe soos omskryf in artikel 1 van die Wet op die Beheer van Medisyne en Verwante Stowwe, 1965, en opgeneem in Skedule 1 en hoer in die genoemde Wet Met dien verstande dat indien 'n vervaardiger self medisyne met dieselfde bestanddele of op 'n onregstreekse wyse onder verskillende name registreer en/of bemark en met sodanige optrede regstreeks of onregstreeks diskrimineer tussen kopers of klasse kopers van medisyne, sodanige medisyne vir die doeleindes van hierdie verbod as dieselfde medisyne geag sal word, en

PTO

"**Price**" includes, *inter alia*, discounts, the granting of bonuses, samples and gifts which relate directly or indirectly to the sale of medicine "

I also determine that the amended Notice shall come into operation on **10 August 1993** and that the prohibition set out in Notice 426, which was scheduled to come into operation on 28 June 1993, shall forthwith lapse

(183)

"**Prys**" sluit in onder andere, diskonto's, die toestaan van bonusse, monsters en geskenke wat regstreeks of onregstreeks verband hou met die verkoop van medisyne "

Ek bepaal ook dat die gewysigde Kennisgewing op **10 Augustus 1993** in werking sal tree en dat die verbod wat uiteengesit is in Kennisgewing 426, wat geskeduleer was om op 28 Junie 1993 in werking te tree, onmiddellik verval

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COMPANIES

Roychem sells Laser for R35m

MARCIA KLEIN

ROYCHEM has sold Laser Pharmaceuticals to the Premier Pharmaceutical Company (Prempharm) for R35m cash in the penultimate deal in Del Monte Royal Corporation's (Delcorp) disposal of its chemical interests.

Earlier this month Delcorp announced it had sold half of subsidiary Roychem's businesses to Chemical Services for R27m cash. The deal, effective from June 1, saw Roychem dispose of Holpro-Lovasz and M & T Chemicals. (183) (~~???~~)

Roychem cautioned shareholders yesterday that the sale of its remaining business Ferro Industrial Products — which was acquired in 1991 for R38m — was under negotiation.

Once that sale was completed, Roychem would provide information on all of the transactions and the financial effects of the deals BDay 25/6/93

The recent spate of disposals follows the December 1992 acquisition by the Royal group (now the Del Monte Royal group) of Del Monte Foods International.

Following the acquisition, Delcorp decided to concentrate on its food related interests "and dispose of all its comparatively insignificant chemical and pharmaceutical trading interests"

Prempharm said Laser manufactured and distributed over-the-counter pharmaceutical products, for which there was an increasing demand

Prempharm was well established in this growing market, and the acquisition would strengthen its presence The sale of Laser is effective from today

Plastics venture shapes a new industrial mould

W Mail 25/6 - 1/7/93.

(183)

By REG RUMNEY

THE planned R2,5-billion ~~joint~~ plastics venture, announced last week, between Sasol and AECI cuts across a number of preconceived notions about industrial strategy.

The joint venture will merge the plastics businesses of the two companies to make a vertically integrated company which, it is hoped, will compete in world markets by supplying the technological needs of its customers and competitive prices

As AECI MD Mike Sander has pointed out, it is a logical response to increased competition from imports in a plastics market plagued by oversupply as the country embraces a less protectionist regime

In former days, the response would have been to apply for more protection or subsidies Instead, costs are being brought down

Sander says the move will, for instance, bring the cost base of the new company's manufacture of PVC in line with the rest of the world

In creating, through the co-operation of two chemical giants, a bigger plastics company than had existed, it also upsets the idea that "unbundling" into much smaller units is the way to go However, from Sasol's point of view, it does represent a further separation of its business activities into logical units

Sasol will bring the marriage its feedstocks and manufacture of, among other plastics, polypropylene, AECI will bring, among other things, its PVC, polyethylene and chlor-alkali business

The resulting company, with a projected turnover of R2,5-billion, will produce 600 000 tons of polymer plastics a year It will be owned 60 percent by Sasol and 40 percent by AECI, and may eventually be listed on the Johannesburg Stock Exchange.

The move does nothing to quell the general anti-monopolistic resentment of bigness in South Africa's concentrated private sector.

Nor has it yet been okayed by the Competition Board. Chairman Pierre Brooks says the board has been informed that the deal is in the offing, but has not had a chance to investigate it.

The two chemical giants believe the board will not object to the merger, because it will not hurt consumers of the plastics produced by them Sasol MD Paul Kruger points out that each now produces a different sort of plastic, so the new business will be complementary and will not result in decreased competition.

As South Africa emerges from the apartheid carapace of tariffs, companies will increasingly look at initiatives such as this

AECI and Sasol say production overcapacity and weak world petrochemical markets are forcing international companies to combine forces, rationalise activities and become increasingly focused. The resulting business focus is in a bigger company

Conventional wisdom has it that becoming internationally competitive garners valuable foreign exchange, but may do nothing for job creation, and in fact even leads to job losses Some of the big projects which use tax breaks have been criticised as being a misallocation of government money.

But the plastics venture does not rely on tax incentives, and the chemical industry is by nature capital intensive

In any case, Sander says, few jobs will be lost initially in the merger And Sasol is confident that it runs a lean operation, and there is little room for rationalisation in the merged company

However, in changing from a carbide to an ethylene feedstock for AECI's PVC plant, some low-skilled jobs may be lost and later replaced with jobs needing a higher skill level

Jobs will temporarily be created when the company invests around R400-million in the changeover, probably from its own cash flow. PVC production from ethylene may start as soon as the end of 1995

Roychem's Laser sold to Premier for R35m

183

CT 25/6/93

JOHANNESBURG — Del Monte Royal Corporation yesterday announced it sold subsidiary Roychem's Laser Pharmaceuticals to The Premier Pharmaceutical Company for R35m in a cash deal

The deal follows hot on the heels of the sale of two of Roychem's major operations — Holpro-Lovasz and M&T Chemicals — to Chemical Services for about R27m

The sale of Roychem's business follows the acquisition by Delcorp of Del Monte Foods International last year which triggered the group's decision to concentrate on food related interests.

The sale of Ferro Industrial Products, Roychem's remaining business is under negotiation and the company has cautioned shareholders in dealing their shares

● Other cautionaries issued yesterday came from C G Smith and Reunert, and Milstan.

Haggie Ltd said negotiations between it and Non-Ferrous Metal Works (SA) (Pty) Ltd to merge certain of their copper-based interests had been terminated — Sapa-Reuter-AP

Plastics venture shapes a new industrial mould

W/Mail 25/6-1/7/93.

(183)

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In former days, the response would have been to apply for more protection or subsidies. Instead, costs are being brought down.

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Jobs will temporarily be created when the company invests around R400-million in the changeover, probably from its own cash flow. PVC production from ethylene may start as soon as the end of 1995

Star 25/6/93

Another Roychem disposal

By Stephen Cranston

Del Monte Royal Corporation, which started life as Lovasz, a chemical producer, has almost completed the sale of its chemical interests with the sale of Laser Pharmaceuticals for R35 million in cash to Premier Pharmaceuticals (183)

The deal follows the sale of two of Roychem's major operations, Holpro-Lovasz and M&T Chemicals, to Chemical Services for R27 million.

After the acquisition of Del Monte Foods International by Royal Corporation in December, it was decided to concentrate on its food-related interests and to dispose of its comparatively insignificant chemical and pharmaceutical trading interests.

The switch to a food orientation began when Lovasz acquired Royal Beech-Nut in 1989 from disinvesting RJR Nabisco. The group was then renamed Royal Corporation

The sale of Roychem's remaining business, Ferro Industrial Products, is under negotiation and shareholders are advised to exercise caution in share dealings

SASOL/AECI

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Better the devil you know

183

The chemistry seems good — but the formula isn't simple

Strange bedfellows emerge in tough economic times Sasol and AECI's proposed joint venture is hard to fault financially, but it is certainly a dangerous liaison and likely to be a controversial one If it works, however, it could lead to major and fascinating realignments

AECI and Sasol have a long relationship as customer and supplier But they are also fierce competitors, increasingly as Sasol has taken on AECI in areas long dominated by AECI's Modderfontein plant explosives for SA's huge mining industry, fertilisers and ammonia And it's done so with relish

The relationship now becomes even more ambivalent with the announcement that the two groups are to merge plant and resources in an as yet unnamed joint venture (JV), to produce PVC and other plastics at AECI's Midlands complex from Sasol's ethylene feedstock There are wider implications as well, both for SA's interrelated plastics industry and for the shareholding structures of Sasol and AECI

The respective history and culture of the two suggest they have little in common In boom times, they're the type of competitors who would probably give no quarter

Sasol is a home-grown giant which assumed its strategic importance and dominance, with critical and material support from government, during the sanctions and oil crisis years Its listing in 1979 gained a wide shareholding and as the oil supply threat has waned Sasol — backed by an ambitious capex programme — moved successfully into related, downstream activities

AECI was a child of our imperial past. It dates back to 1924 when Nobel Industries, UK, and De Beers merged their explosive interests to form an SA group The UK link remains through the 38% shareholding of Imperial Chemical Industries Plc (ICI) — 40% is held by Amic Latterly, ICI has been a reluctant shareholder. displaying a dog-in-the-manger attitude towards its SA interest, refusing to invest badly needed capital but also not relinquishing its holding which in earlier years provided a useful stream of dividends

Differences aside, the JV announced last week looks compellingly attractive Simply put, it provides a home for Sasol's surplus ethylene, a feedstock that in turn brings the economics of AECI's PVC production operation in line with overseas producers

AECI's PVC-from-carbide conversion operation at Coalplex, Sasolburg, was not viable Planned on an oil price about three times higher than the present $17,50 a barrel, the operation was under constant threat from cheaper imports.

Sasol produces around 400 000 t/year of ethylene from coal at Sasol 2 and 3, but the local market absorbs only about half its capacity Much of the rest is mixed back into the gasoline pool — a low margin exercise which realises half the profit Sasol could make from selling its ethylene Combining the resources, say Sasol MD Paul Kruger and AECI MD Mike Sander, creates a business which should be internationally competitive in terms of production costs, as well as self-funding As a result it will offer customers a more competitive product

It is, however, a moot point how other industry players, mainly Sentrachem and Hoechst, feel about the JV There could yet be complaints For his part, Kruger says "The merger will make the PVC business more competitive — an area, like most others of the JV, in which Sentrachem and Hoechst do not compete"

In the context of the plastics industry, with the JV AECI will be moving upstream into ethylene in contrast to the unprofitable acetylene-from-coal process it now uses to make PVC AECI exports some 50 000 t of PVC each year, but Sander admits the margins are so thin as to be barely profitable

For Sasol, the venture is another move downstream into higher margin polymers, using what is now surplus ethylene. It will also bring its integrated propylene and polypropylene production to the party This, with AECI's PVC conversion facilities and other value-added downstream businesses, will enable the JV to produce three other types of plastic, apart from PVC.

Though mutually beneficial, the merger offers a more immediate solution to one of AECI's problems This is reflected in the share price, which gained about 15,5% to R11,25 within a week of the announcement.

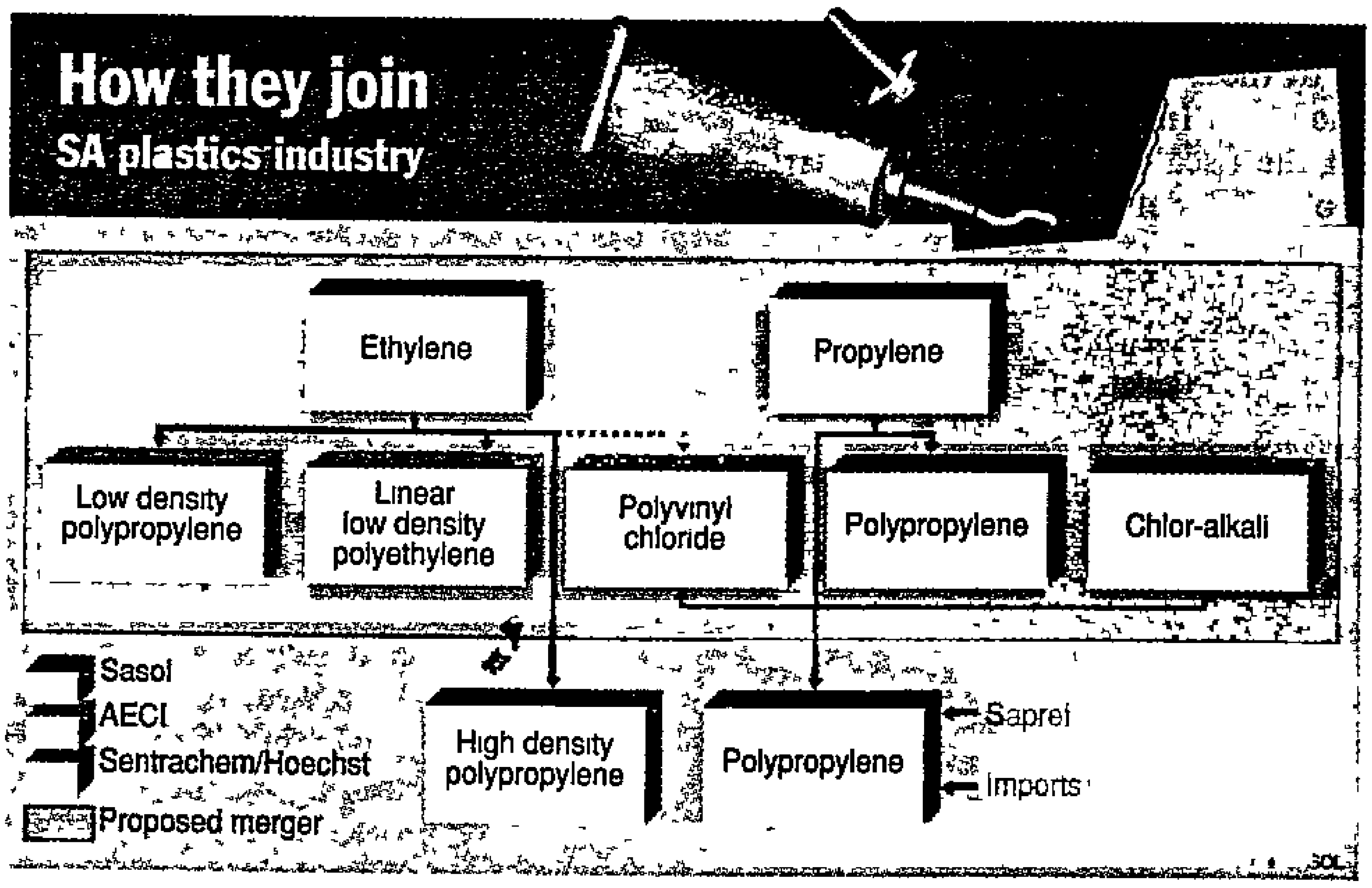
The fortunes of AECI's Chlor-Alkali and Plastics business — one of its six main operating companies and AECI's main contribution to the JV — have been in gradual decline since 1989 This trend correlates closely with the drop in international petrochemicals prices (see graphs)

It contributes about R1,5bn, or 28%, of AECI's turnover — the same as 1989 — but its net profit has slipped from R189m in 1990 to R110m in 1992 Operating profit as a percentage of turnover has nearly halved over two years to a lacklustre 7%

Fundamental to the problem, apart from the soft world market, has been outdated plant at the company's Midlands facility and the carbide-to-PVC conversion process Foreign competitors abandoned this process in favour of ethylene feedstock in the last decade, when they felt oil prices were unlikely again to reach the levels of Opec's heyday

AECI found itself boxed in, not having the capital to upgrade equipment to international standards and receiving no help from its UK shareholder — which was having problems itself Last year ICI chairman Sir Denys Henderson separated the world's fourth largest chemicals maker into two companies

The JV should go a long way to resolving this problem area, and thus represents something of a lifeline for AECI Sasol stands to gain a lot from the project, but right now it's



Cont'd

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more important to AECI Replacing carbide feedstock with ethylene will dramatically reduce production costs of PVC Martin & Co analyst Philippe Tison estimates a reduction in Coalplex's production cost per ton of 15%-20%, a saving of about R80m

"All we are really doing," says Sander, "is following slightly behind the world trend in the chemical industry, which has moved dramatically to restructure itself in the face of changing market conditions It has been seen particularly in the UK and America, where there have been mergers, acquisitions, rationalisation and, in the case of ICI, a split into two companies "

From a geographical standpoint, the merger is relatively easy and should offer savings AECI's contribution is largely centered at its Midlands complex at Sasolburg, comprising Coalplex and Poly 1 and 2 Sasol's ethylene comes from Secunda, but it is piped to related facilities at Sasolburg which will easily be merged with AECI's operations As Sander puts it, all that has to be done is to move the fence a bit

"We can immediately combine both our local and international marketing activities, and there will be substantial savings in sharing administration costs and overheads," says Kruger There appears to be scope to rationalise production facilities, probably with closure of some dated plant

Sander and Kruger are confident the JV will not require a capital investment from either side About R400m is needed over the next two years to fund the switch from carbide to ethylene feedstock With a projected turnover of R2,5bn, they feel the capital can be drawn from internal cash flows

The 60 40 shareholding gives the impression that Sasol will be the big brother in the JV, but Sander and Kruger are adamant it will be an independently run, standalone company with a joint management agreement "We jointly valued what each was bringing to the venture, and 60 40 was the way the cake crumbled," says Sander

Management could be a sticky topic Once again both Sander and Kruger say the venture will be independently run, drawing on senior staff from both organisations, and outside if necessary "We have an idea of the sort of people needed, and Paul and I will choose an MD from a short list He will then choose his team to run the new business, from AECI or Sasol — if we will release the staff — or from outside," says Sander

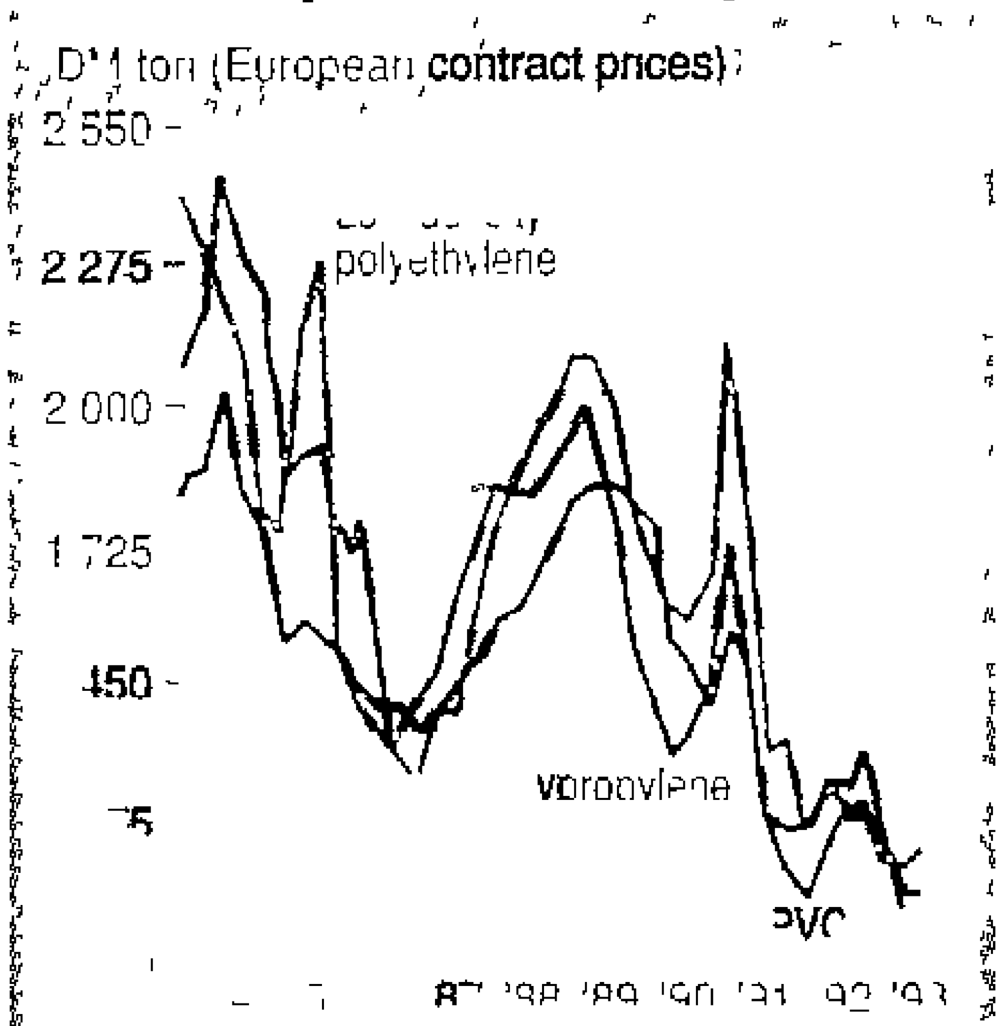
Cultural diversity down the management structure has the potential to be problematic So it might be wise if at least the top management team were not to come from either of the partners

Once commissioned, probably towards the end of 1995, the JV will be capable of producing about 600 000 t/year of polymers, including about 200 000 t of PVC

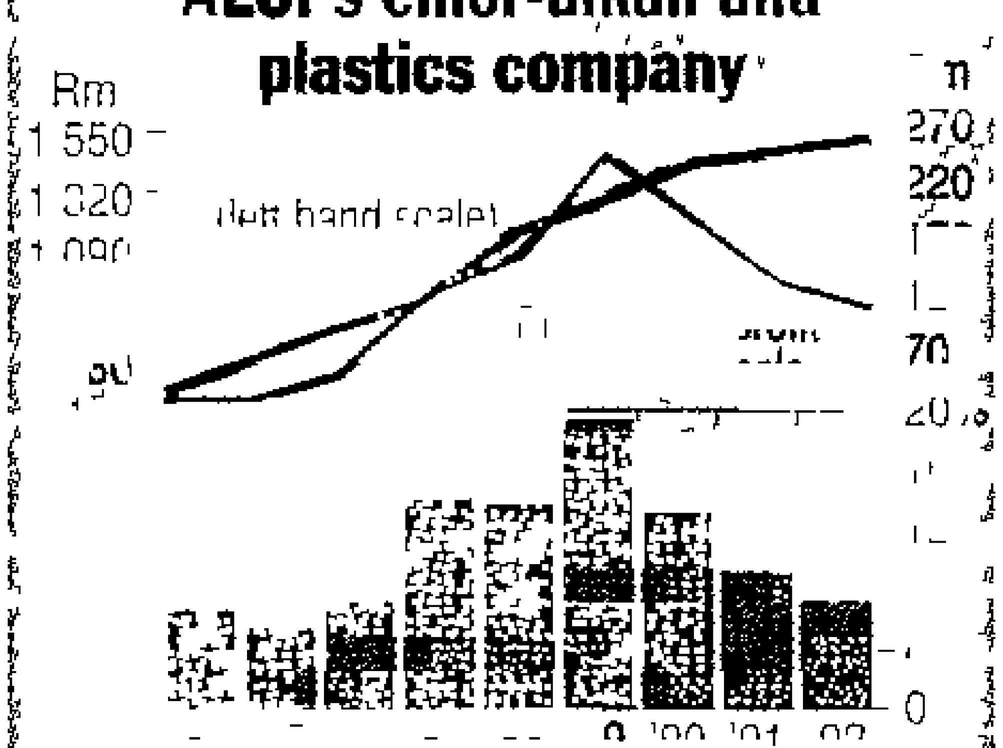
According to projections by Sasol and AECI, that should coincide with the next upturn in world petrochemical prices and increased demand from the local market That's considered the most likely time for the JV to be listed

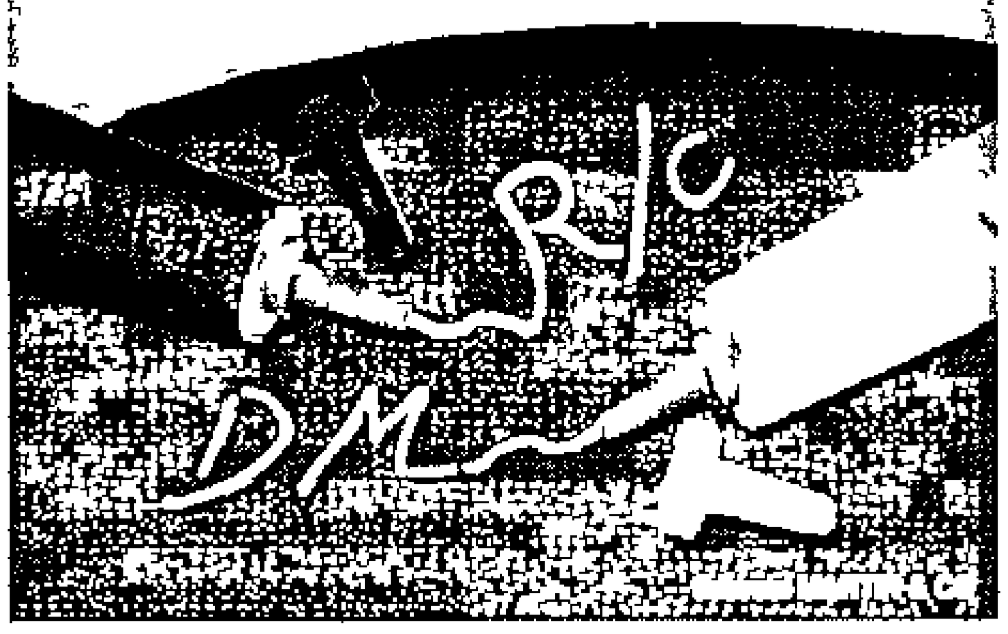
Soft market, softer prices

World petrochemical prices



AECI's chlor-alkali and plastics company





"Prices are firming a bit, and though it's unlikely we'll again see the peaks on world markets witnessed in the early Eighties, the upturn should peak between 1995 and 1997 That was part of the thinking," says Sander

He also feels there is a pent-up demand for PVC on the local market, which could pick up strongly as economic conditions improve AECI, with a large client base in the construction industry, is traditionally one of the first businesses to move out of recession Once large-scale construction again gets under way — particularly low-cost housing, which uses PVC in several areas — the new conversion plant could provide attractive earnings Sander believes when PVC usage picks up, demand could grow by 20% a year

While the underlying reason is to make the JV internationally competitive in terms of production costs, it will not necessarily seek to increase its export mix

"About a third of capacity is now aimed at the export market, the rest at local consumers," says Sander "We would like to see direct exports decrease. We are in some value-added areas, but for every R1 we make on exporting PVC our clients can make R5-R10 exporting a beneficiated product It makes sense for exports to be led by clients, while we offer them PVC which competes favourably with imports "

Clients might not see things in exactly the same way Sentrachem MD John Job will not take calls on the merger, telling his media consultants he is involved in "sensitive negotiations" — presumably with Sasol, which is doubtless telling him his ethylene feedstock will not be affected

Sentrachem is not as dependent on Sasol for its raw materials as it used to be Much is sourced from imports or oil, rather than Sasol's coal cracker But the industry is so intertwined (see chart) that some interdependence is unavoidable A deal between the two main players in plastics must make Sentrachem and Hoechst feel uncomfortable Hoechst MD Reinhard Traub says his group is concerned, but that discussions are taking place with Sasol and AECI and "we have been assured of secure access to ethylene feedstock "

The merger also needs to get past the Competition Board Informal discussions have taken place and Kruger and Sander are confident the JV will get the board's approval But that's not yet cut and dried

Board chairman Pierre Brooks says he has received complaints from other players in the industry — he can't say from whom — as well as a trade union He must now decide, possibly this week, whether a formal investigation should be held If so, an official verdict could take months

On the broader canvas, the JV could have far-reaching implications for the shareholding structure of both AECI and Sasol Sander says AECI is holding discussions with ICI "with a view to aligning its interests in SA more closely to its international strategy " He will not elaborate, save to say this does not mean ICI wants to sell its holding

What all this seems to mean is that ICI wants to get out of those areas, like petrochemicals, in which it is has limited interest and instead invest more directly in certain underlying AECI businesses The only way this seems possible is for other operating companies within the group to be hived off and listed separately

Sasol seems to be thinking similarly Kruger confirms his group is separating its different businesses — broadly into synfuels, crude refining and fuel marketing, speciality and other chemicals from Sasol 1, and coal — and there could be separate listings

The most obvious candidate for listing is refining and fuel marketing, especially now Sasol intends to sell branded petrol directly

"This offers greater transparency and unlocks value for shareholders," Kruger says It also gets the other businesses away from the stigma of protection, confined largely to Sasol's synfuel operations but permeating the image of the group Both Kruger and Sander emphasise the new plastics business will be internationally competitive *without* protec-

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(183) (260)

tion — Sasol clearly wants its other profit centres to be regarded the same way.

It's likely that by distinguishing its main interests with greater clarity, more value could be placed on Sasol. Separate listings should also prove attractive to investors.

Earnings from the JV are not expected until the plant has been commissioned in, about two years But they could be substantial, particularly if world markets and local demand for PVC pick up.

While the impact on Sasol will be less dramatic, it certainly improves its long-term earnings prospects For AECI, it should make a major operating company viable again It should also improve perceptions of the two groups AECI can be seen to be doing something about one of its problem areas, while Sasol's move towards greater transparency will be welcomed

Already AECI's share is being rerated On a relatively undemanding yield of 4%, Sasol's share should offer greater long-term value to investors

Perhaps, for both AECI and Sasol, it's a case of better the devil you know But it remains to be seen whether Sasol, in particular, will ultimately be content with only the strategic foothold it has gained in these markets Its aspirations may be substantial

Shaun Harris

S Times (Buss) 27/6/93

Mossel Bay gas plant

AFROX is building a R15-million carbon dioxide plant at Mossel Bay (183)

The 100-ton-a-day factory will meet the needs of the Eastern Cape (83)

Carbon dioxide is replacing chlorinated fluorocarbons (CFCs) and volatile organic chemicals (VOCs) which harm the environment

S Times (Buss) 27/6/93

Mossel Bay gas plant

AFROX is building a R15-million carbon dioxide plant at Mossel Bay. (183)

The 100-ton-a-day factory will meet the needs of the Eastern Cape. (655)

Carbon dioxide is replacing chlorinated fluorocarbons (CFCs) and volatile organic chemicals (VOCs) which harm the environment.

NEW DEVELOPMENT ... An artist's impression of the new Caltex development

Caltex's new Waterfront development

ST Times (C Metro) 27/6/93

CALTEX OIL has been awarded development rights for a brand new service station at the Waterfront

The new five-star service station is planned for the Gateway Precinct site, next to the main entrance to the Waterfront

It has been designed to satisfy all the fuelling and servicing needs of the motoring public visiting the Waterfront

There will also be a large convenience store on the site, deluxe rest rooms, prestigious office accommodation and parking for visitors and forecourt customers

Caltex and the Waterfront go back a long time

In 1911, under the banner of its predecessor, Texaco, petroleum products were imported in containers, and, later in bulk, through its terminal facilities in Cape Town harbour

Scant hopes of oil industry deregulation

Star 28/6/93

By Stephen Cranston

There is little to comfort supporters of deregulation in the Report on Government Involvement in the Oil Industry, which has been released by the Department of Mineral and Energy Affairs

It recommends the maintenance of a complex web of regulations governing the oil industry, including retail price maintenance, import control, synfuel levies and the prohibition of self-service petrol stations.

But it does recommend an investigation into the practice of providing protection for lubricating oil to encourage recycling, rather than producing it from imported base oil.

The department says regulatory mechanisms have delivered fuel at the coast, both before and after tax, at internationally competitive prices.

Real terms

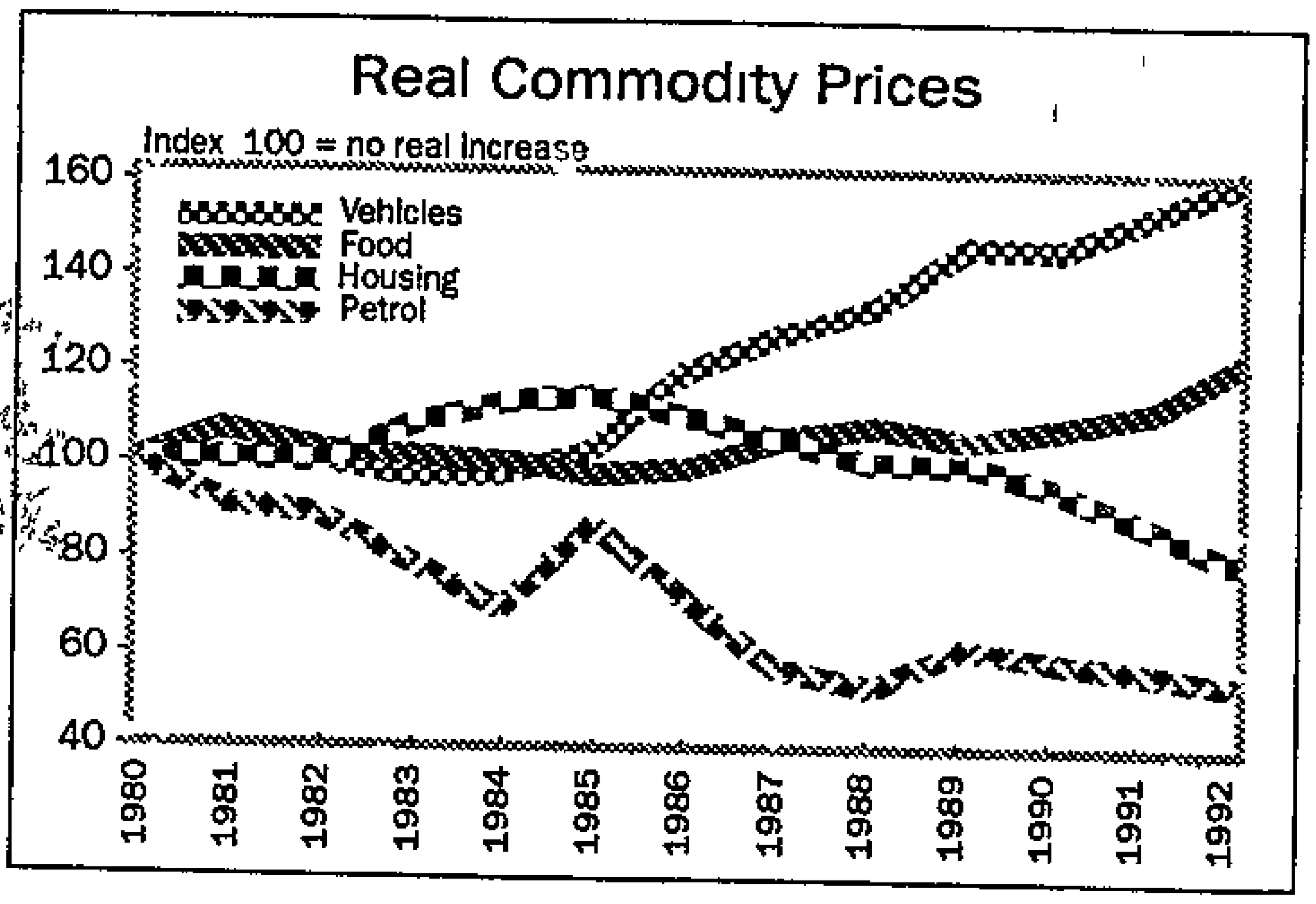
The pump price of petrol has dropped progressively in real terms since 1980

And far from enriching the oil companies, the pre-tax returns on capital employed on oil refining slumped from 18 percent in 1991 to four percent in 1992.

The rationalisation plan prevents oil companies from operating retail outlets, which has facilitated the establishment of a large, economically viable small-business sector

The department concedes that the plan limits free entry into the service-station industry, as sites developed without any help from the oil industry are only approved by the department if it sees a need for petrol in a particular area

It says some easing of entry should be considered, but says that of the 202 roster sites in operation at the end of 1985, 38 had closed by the end of 1992.



It defends the synfuel protection given to Sasol when the crude oil price falls below $23 by pointing out that the synfuel industry is even more capital-intensive than the crude-oil industry

Sasol's considerable profit levels can largely be attributed to the returns from other fields, such as chemicals, waxes and fertilisers, the department argues, although the returns of competitors such as AECI appear to contradict this point

It argues that Sasol saves SA R4 billion a year in foreign exchange, contributes three percent of gross domestic product (GDP) and two percent of state income

On the other hand, there would have been more cost-effective and socially beneficial ways of investing the total of taxpayers' money originally invested in the Sasol project

Sasol is not the only company to receive a subsidy, which it calls tariff protection, even though it is a cash payment and not a duty on imports

A synfuel levy is paid to the oil companies to compensate for their taking product from Sasol, rather than from their own refineries.

They have been forced to mothball existing refining capacity, though the loss of refinery throughput is expected to be compensated for by market growth by 1996.

Retail price maintenance is strongly endorsed by the department because without it it would be impossible to maintain full service, with consequent job losses, or to continue preventing oil companies from entering the retail trade

Without such control, it is also thought that there would be differential pricing between urban and rural areas

In countries which had deregulated petrol prices, hypermarkets used petrol as a loss leader and small businessmen were unable to compete

In the UK, the number of stations fell from 35 000 to 21 000 in the ten years after deregulation.

In the US over 12 years the number of stations fell by 50 percent to 150 000

Prices increased after deregulation in Greece, Spain, Singapore and New Zealand

183

BUSINESS DAY

Govt delays move on drugs pricing policy

B/Day 28/6/93

MATTHEW CURTIN

STRONG reaction to government's decision to outlaw discriminatory pricing practices by drug manufacturers, due to come into effect today, has led Public Enterprises Minister Dawie de Villiers to amend and delay the prohibiting notice.

A revised notice, based on new representations to the Competition Board, was published in the Government Gazette on Friday and will take effect from August 10.

However, De Villiers said the recommended amendments "do not derogate from the principal purpose of the notice, which is to outlaw discriminatory practices which are distorting competition in the market without, on the evidence presented, yielding any substantial public interest benefits".

(2145)

Following an investigation, the board recommended last year that drug manufacturers should not discriminate in favour of dispensing doctors, who were found to be winning an increasing share of the R1,1bn drug market. (183)

The pharmaceutical industry welcomed the ruling. Manufacturers were favouring trading doctors and private hospitals with special prices, which led to profit-taking by dispensing doctors with little benefit for patients.

De Villiers said reaction to the original notice had been widespread.

It is understood that the pharmaceutical industry and the Medical Association of SA were concerned that the ruling appeared to outlaw the offer of medicine samples and gifts by wholesalers to their customers.

De Villiers said the prohibition was couched in general terms which the courts would interpret on a case-by-case basis. The prohibition did not "oblige manufacturers to sell medicine to all buyers at the same price" or affect their distribution policy.

Manufacturers were not prevented from registering or marketing the same drugs at different prices as long as all purchasers had "equal access to the differently priced medicines".

BUSINESS DAY, Tuesday, June 29 1993

Move to alter medicine law

BiDay

JONATHAN DAVIS

PROPOSED changes to the Medicines Control Act could allow pharmacists to prescribe and dispense a range of medicines previously available only through doctors 29/6/93

Proposed amendments to the Act, which appeared for comment in last week's Government Gazette, would allow pharmacists with approved training to prescribe drugs above schedule II for conditions including influenza, bacterial infections and inflammations (218)

Pharmaceuticals Society of SA president Gary Kohn said the changes proposed by the National Health Department and the Medicines Control Council were part of an initiative to improve community access to primary, preventative health care. (183)

He said his society welcomed the move, which would increase the role of community pharmacists in treating illness

SA competitiveness rating falls — report

BiDay 29/6/93

(231) (115)

GRETA STEYN

SA has dropped from eighth to 11th place in the 1993 World Competitiveness Report's survey of 15 non-OECD economies.

SA was featured for the first time last year in the report, a joint venture by the World Economic Forum and a European business school The 730-page publication is not yet available in SA, but a summary of key findings was released yesterday by ISG subsidiary Business Futures Group.

Factors pushing down SA's competitiveness included "harmful" international trade policies, protectionism, state involvement in the economy, "deterrent" taxation, low productivity growth and very low overall skills levels

SA's weak spot remained its human resources It was at or near the bottom of the non-OECD group in worker attitudes, competitive values, educational structures and availability of skilled labour.

Singapore was again the top non-OECD country, winning seven of the report's eight key measurement categories.

It analysed 37 OECD and non-OECD economies in terms of internationalisation, domestic economic strength, role of government, finance, infrastructure, management, people and science and technology

SA scored a lower rating than last year in four of the categories — internationalisation, government, finance and science and technology It remained stagnant in two (management and people) and registered a slight improvement in two (domestic economic strength and infrastructure).

Singapore's business environment outperformed the others in competitiveness, which was enhanced by socio-political stability, partnerships with foreign firms, education, in-company training, worker attitudes and "competitive values"

Hong Kong was second, followed by Taiwan and Malaysia Brazil was second-worst and Pakistan last. Japan was the top OECD country, followed by the US

World Competitiveness Project director Stephane Garelli said a key feature of the 1993 study was the increasing levels of structural blue-collar and white-collar unemployment in world economies.

"The prospect that a future economic recovery may not necessarily regenerate employment produces all the ingredients for a formidable social time-bomb," he said in the preface of the report.

New tariff structure 'can reduce costs'

GAVIN DU VENAGE

THE new refuse removal and street sweeping tariff structure could reduce costs to business by as much as 50%, Johannesburg City Council rates and services director Andy van Zyl said yesterday.

BiDay 29/6/93

The council is now charging separate tariffs for street sweeping and bulk waste removal The entry for street sweeping appeared on this month's statement and has drawn criticism from businessmen who feel the additional charge is unfair.

Van Zyl said the new structure was intended to spread the cost of street sweeping more equitably and to reduce waste removal charges. (127)

Previously, council bulk waste disposal charges were used to subsidise street sweeping. However, as many businesses used private contractors for waste removal, they were getting the street sweeping service free. (356)

This also meant that businesses using council waste removal services were subsidising the street sweeping services for those using private contractors.

Rent action 'is still on'

BiDay 29/6/93

GAVIN DU VENAGE

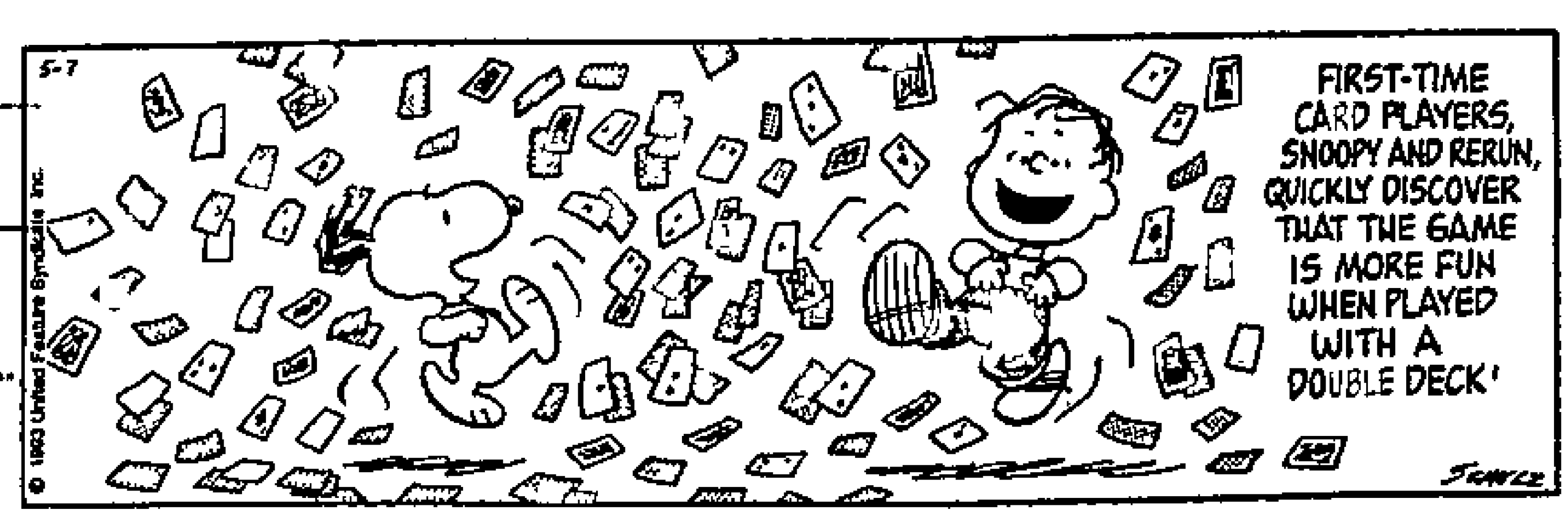
A REPORT that Soweto's rent and service boycott had ended was not true, Soweto Civic Association publicity secretary Pat Lephunya said yesterday

Lephunya was quoted at the weekend as saying the boycott was over, and that Soweto would soon be administered by Roodepoort and Johannesburg (127)

He said negotiations still taking place were making progress, but agreement had to be reached on tariffs and amalgamation

The Greater Soweto crisis committee is to meet today, although the ANC will not attend. ANC local government deputy head Matole Motshekga said the organisation had to clarify its position in the chamber

PEANUTS By Charles Schulz



Call for unity to end taxi violence

B/Day 30/6/93

ADRIAN HADLAND

PRETORIA — In a bid to end the rivalry and violence endemic to the minibus taxi industry, the creation of a single national taxi association was proposed yesterday.

National transport policy forum chairman George Negota, speaking at the 13th Annual Transportation Convention conference in Pretoria, called on all taxi operators and organisations to unite into one association.

But minutes after the call for unity, the deep rifts within the industry became evident once again as taxi association chiefs took up verbal cudgels.

SA Black Taxi Association president James Ngcoya said the newly formed marketing arm of the Pretoria United Taxi Association, Taximax, was destroying his organisation.

He accused Taximax director Enos Makena of poaching key staff, drawing away Sabta members and of sowing discord in the industry.

Makena had delivered a paper earlier in the day arguing that Taximax, at its foundation in January this year, had pledged to bring professionalism, discipline, safety and profitability to the industry. He said Taximax intended to implement driver training, establish vehicle maintenance workshops and investigate new business avenues.

But Ngcoya said: "I don't know anything about this Taximax other than that it is destroying Sabta."

Negota said the violence associated with the taxi industry, which had killed more than 50 people in Soweto alone this year, had to stop.

A national taxi indaba had been planned by the policy forum at which the question of unity would be debated.

"We want to give the people an opportunity for a new start." At the indaba, a national code of conduct for operators and drivers would be drawn up, he said.

An agenda and date for the indaba were being investigated.

Old cure-all lauded in new report

B/Day 30/6/93

STEPHEN COPLAN

RECENT medical studies had shown that aspirin could effectively combat migraines, heart disease and common strokes, the SA Aspirin Foundation said recently.

Aspirin, which has been in commercial use for the past 100 years, had also been found to prevent pregnancy complications, a report released by the foundation said.

The report cautioned, however, against extensive use of aspirin by high-risk pregnant women.

In two long-term studies in the US and UK it emerged that subjects who regularly received low dosages of aspirin reported a lower incidence of migraine and musculo-skeletal pain. The reason was still being investigated, a foundation spokesman said.

Aspirin's anti-thrombotic properties were responsible for its effectiveness in preventing heart attacks and common strokes, the report said.

But aspirin should not be used regularly by people with gastric problems and by younger children.

However, Kawasaki's Disease, which usually strikes infants and small children, could be countered by aspirin and gammaglobulin, the report said.